
REGIONAL INTEGRATION AND COOPERATION IN AFRICA

**CROSS-BORDER
INITIATIVE**

**Eastern and Southern Africa
and Indian Ocean**

*Workshop to Facilitate Cross-Border Trade, Investment and Payments
in Eastern and Southern Africa and the Indian Ocean*

Harare, Zimbabwe, December 1992

Co-sponsored by

African Development Bank

Commission of the European Communities

International Monetary Fund

World Bank

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CROSS-BORDER INITIATIVE

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The initiative to promote cross-border trade, investment and payments in Eastern and Southern Africa and the Indian Ocean island states was developed under the aegis of four co-sponsors, the African Development Bank, the Commission of the European Communities, the International Monetary Fund and the World Bank, in collaboration with the Secretariats of the Indian Ocean Commission, the Preferential Trade Area for Eastern and Southern African States and the Southern African Development Community. It has benefitted from the support of the Organisation of African Unity, the United Nations Economic Commission for Africa and the governments of Canada, Switzerland and the United States.

In 1992 when the initiative was launched, several countries in Eastern and Southern Africa and the Indian Ocean established working groups to undertake the technical studies necessary for the initiative. In some countries where no such groups were established, the technical work was undertaken by private consultants. This volume includes the reports of these technical working groups (TWGs) and consultants. The reports provide original insight with regard to the regulatory and administrative framework for regional cooperation and integration in each country. The synthesis was prepared by Imani Development (Harare) in collaboration with the co-sponsors and the TWGs. It provided the basis for the development of a common programme of action which was subsequently discussed, amended and endorsed at a Ministerial meeting in Kampala (August 1993). Bringing together these papers in one volume is meant to contribute to an exchange of views and information within the region, both in the public and the private sector. The set of country reports constitutes a valuable source of reference material on doing business across borders.

The technical reports were edited by the Commission of the European Communities on behalf of the co-sponsors and the TWGs. The reports are reproduced in their original language, English or French. The introduction and synthesis is included in English and French. Several staff members of the co-sponsoring institutions contributed to the preparation of the texts for publication. The final proofs were read by Walter Kennes and Gillian Nkhata, who received assistance from Nathalie Brajard, Nikos Georgiadis and Ali Mansoor. While apologising for any remaining errors, it should be stressed that the editing of the country reports was strictly limited to their form. The co-sponsors can therefore not guarantee the accuracy of the information and data contained in this volume nor accept any responsibility whatsoever for the consequences of its use. The findings, interpretations and views in this report are those of the authors in each case and do not represent official positions of the co-sponsors or of the governments, institutions or organisations mentioned in any part of the report.

FOREWORD

For over three decades now, African leaders have attached considerable importance to regional cooperation and integration as a means of overcoming development challenges. In fact, collective recognition of the difficulties that the fragmented state of Africa's geographical configuration would create dates back to 1958 when the first Conference of Independent African States was held in Accra, Ghana. In recent times Africa's efforts to secure a place in global economic and political relations have led to increased emphasis on regional solutions.

In the international community, the growing consensus on the utility of regional cooperation and integration as tools for the development of the continent has led to an intensification in efforts to promote regionalism. The European Community has already for a long time paid special attention to regional cooperation among developing countries. The Lomé Conventions provide a distinct allocation for assisting the African, Caribbean and Pacific group of countries in their regional integration and cooperation efforts. Increasingly, bilateral and multilateral donors are giving a greater place to regional projects and programmes in their assistance. To mention some examples, the Canadian International Development Agency has made regional cooperation the «lens» through which it assesses its development cooperation. The World Bank and the International Monetary Fund are actively seeking ways and means of assisting regional efforts on the continent. The Global Coalition for Africa has included regional cooperation and integration among its priority themes.

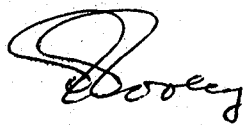
The question which often arises is why promote regional cooperation and integration in Africa when previous efforts have had limited impact in relation to the resources deployed. The answer to this question is that policy-makers today have the benefit of hindsight. Analysts have over the years identified a variety of reasons behind the lack of success of past attempts including insufficient political will to implement agreed measures; failure to involve the private sector; failure to sensitise the general public to the objectives of regional efforts; over-ambitious objectives, etc.

The initiative set out in this volume is one of several on-going regional endeavours which attempt to avoid the disappointments of the past by adopting a more practical and action-oriented approach to regional cooperation and integration. The initiative was launched in 1992 when private and public sector representatives from interested countries in the Eastern African, Southern African and Indian Ocean regions met in Mauritius to formulate terms of reference for the work to be accomplished in order to eliminate the constraints on cross-border economic activities. It is based on an expression of political will by countries in the region to take practical steps towards the implementation of agreements reached in the context of regional organisations. The initiative has been developed in close collaboration with private sector representatives, governments and regional organisations in Eastern and Southern Africa and the Indian Ocean. The African Development Bank, the Commission of the European Communities, the International Monetary Fund and the World Bank are the co-sponsors. The governments of Canada, Switzerland and the United States have also provided considerable support for some of the activities necessary for launching the initiative.

The interaction between the main protagonists of regionalism in Africa and the international community has helped to ensure the consistency of the initiative with the work already being undertaken in other contexts. The close association of the private sector helps to bring it in line with the aspirations and capabilities of the business community which will undertake many of the cross-border activities referred to.

In each participating country, national technical working groups comprising private sector representatives and government officials were established. This volume contains the outcome of the work of these groups as well as a synthesis of the key issues at regional level. In addition to the country level assessments and the recommendations, the national reports provide a wealth of information with regard to formalities for cross-border trade, investment and payments in the region.

It is our hope that making this volume widely available to governments, private sector representatives and regional organisations will contribute towards the practical steps that will enable to capture the benefits of more effective regional cooperation.



Peter Pooley
Director General for Development
Commission of the European Communities

GLOSSARY OF ABBREVIATIONS

ADB	African Development Bank
ARSÔ	African Regional Standards Organisation
ASYCUDA	Automated System for Customs Data
BAD	Banque Africaine de Développement
CCE	Commission des Communautés Européennes
CCZEP	Chambres de Compensation de la ZEP
CEC	Commission of the European Communities
CEPGL	Communauté Economique des Pays des Grands Lacs
CMA	Common Monetary Area (Rand zone)
COI	Commission de l'Océan Indien
CPA	Common Programme of Action
EAC	East African Community
EADB	African Development Bank
EC	European Community
ECA	United Nations Economic Commission for Africa
GCA	Global Coalition for Africa
GTT	Groupe de Travail Technique
HS	Harmonised System of Tariff Classification
ICSID	International Center for the Settlement of Industrial Disputes
IMF	International Monetary Fund
IOC	Indian Ocean Commission
ISO	International Standards Organisation
ITC	International Trade Centre/UNCTAD/GATT
L/C	Letter of credit
LPA	Lagos Plan of Action
MIE	Multinational Industrial Enterprises
MIGA	Multilateral Investment Guarantee Agency
MMA	Multilateral Monetary Area
NTB	Non-tariff Barrier
OAU	Organisation of African Unity
OGEL	Open General Export Licence
OGIL	Open General Import Licence
PAEC	Pan-African Economic Community
PME	Petites et Moyennes Entreprises
PTA	Preferential Trade Area for Eastern and Southern African States.
PTA Bank	Eastern and Southern African Trade and Development Bank
PTACH	PTA Clearing House
PTA FCCI	PTA Federation of Chambers of Commerce and Industry
RCTD	Road Customs Transit Declaration
SACU	Southern African Customs Union

SADC	Southern African Development Community
SADCC	Southern African Development Co-ordination Conference
SAP	Structural Adjustment Programme
SITC	Standard International Trade Classification
SRBC	SADC Regional Business
SSA	Sub-Saharan Africa
SYDONIA	Systeme Automatise des Données Douanières
TINET	Trade Information Network
TWG	Technical Working Group
UAPTA	Unit of Account of the PTA
UNCITRAL	United Nations Commission on International and Trade Law
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
ZEP	Zone d'Echanges Préférentiels pour les Etats de l'Afrique de l'Ouest et de l'Afrique Australe



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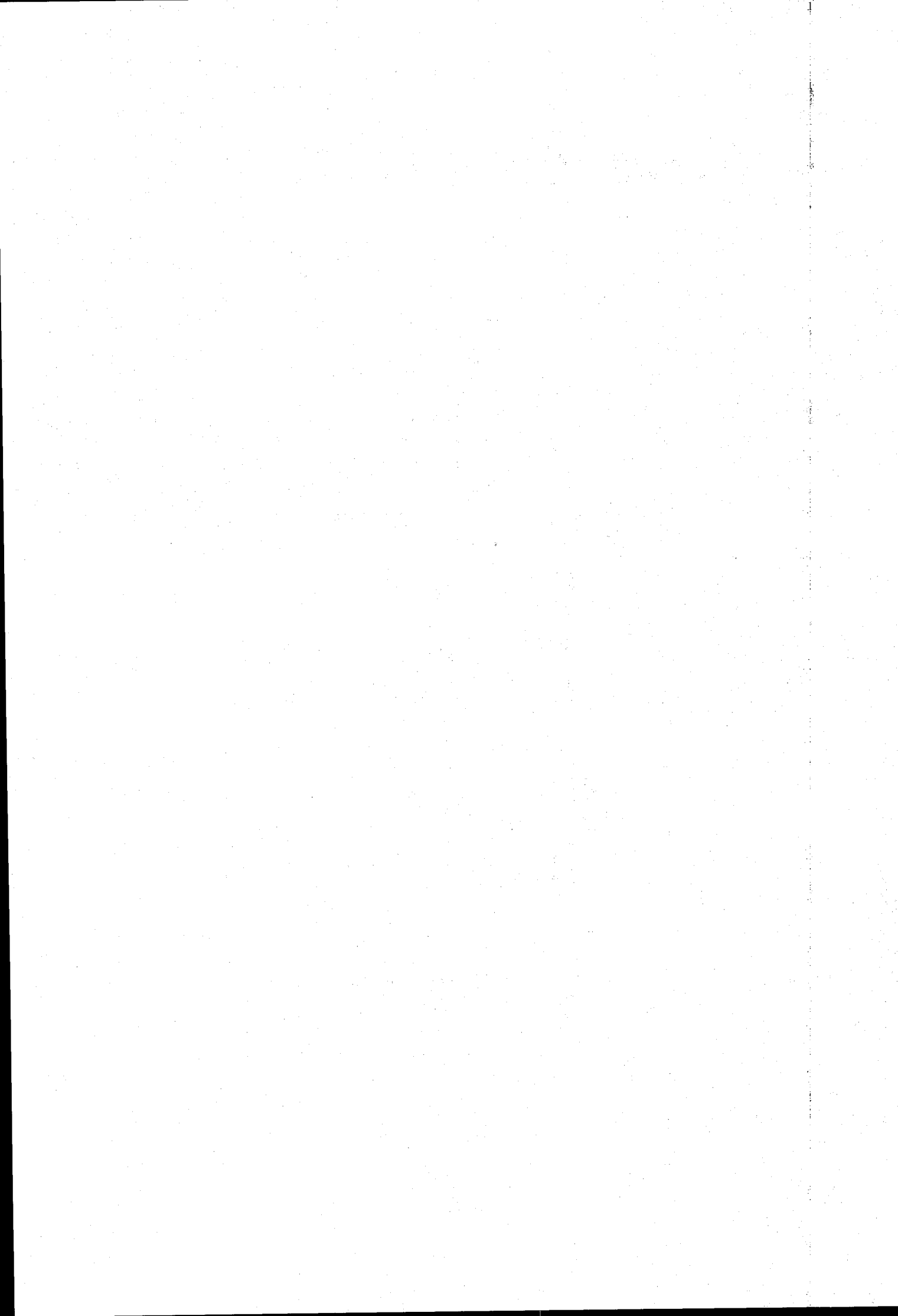
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Introduction & Synthesis



INTRODUCTION AND SYNTHESIS

In recent years a consensus has emerged on the need for closer regional cooperation and integration in Africa. It is now generally considered that effective cooperation and integration would certainly help in overcoming the difficulties linked to the economic fragmentation of the African continent. At the same time, there is widespread disappointment in the results achieved by previous attempts to create closer regional ties. The disappointment has led to an intensification in the research for realistic and pragmatic approaches to regional cooperation and integration in Africa, for approaches which better match the circumstances in African countries, for approaches which can lead to encouraging progress. The initiative described in this volume is one of a number of on-going attempts to formulate a more pragmatic approach to regional cooperation and integration in Africa. It is based on the experiences of countries in Eastern Africa, Southern Africa and the Indian Ocean.

1. OUTLINE OF THE PROCESS

1.1 Preliminary Desk Study and Establishment of Technical Working Groups

Most of the benefits of economic integration and cooperation originate in cross-border trade and investment operations undertaken by the private sector. In Africa, cross-border investment is still negligible. Recorded intra-African trade amounts to only ten percent of total trade in the best of cases; and yet several studies have indicated that the potential for intra-African economic activities is substantial. The studies have also revealed a number of obstacles at regional level which constrain the realisation of this potential. One of the objectives of the initiative undertaken in Eastern and Southern Africa and the Indian Ocean was to identify specific obstacles at national level and to propose ways and means in which they could be overcome.

In 1992, all the countries of the region which covers the member states of the Indian Ocean Commission (IOC), the Preferential Trade Area of Eastern and Southern Africa (PTA) and the Southern African Development Community (SADC) were invited to participate in the initiative. The African Development Bank, the Commission of the European Communities, the World Bank and the International Monetary Fund offered financial and technical assistance. The initiative has also enjoyed the support of a number of other bilateral and multilateral development agencies, particularly CIDA, USAID and the Swiss development cooperation agency, which financed a number of preparatory activities. Recent developments in South Africa have led to a considerable change in the perception of future political-economic relations in the region. Private consultants therefore undertook research on South Africa in the context of the initiative.

From the outset it was clear that most of the constraints on cross-border trade and investment were related to the limited development of transport and communications networks in the region and to the rules and regulations governing trade, payments and investment in the different countries. These constraints act together to substantially raise costs and multiply risks for regional transactions. The option of trading with, or investing in, offshore regions is thus usually more attractive.

The initiative concentrates on regulatory impediments, which are rarely granted as much attention as the improvement of transport and communications networks; and yet, in many cases, the action required to improve the situation needs no more effort than the printing of a new application form.

In recent years many of the countries involved in the initiative have embarked on national adjustment programmes including trade liberalisation and deregulation measures. These measures alleviate some of the constraints on intra-regional economic activity, but there have occasionally been cases where the programmes have been detrimental to regional integration. By placing trade liberalization and deregulation measures in the regional context, the initiative builds upon the progress made under national structural adjustment programmes. In this way the initiative addresses the regional dimension of adjustment which has so far received little attention.

Some countries will more readily be able to achieve the ultimate objective of removing regulatory barriers to intra-regional trade and investment; these countries already have relatively liberal trade and investment regimes. Others will need a longer time-span given that they still have restrictive regimes in these areas.

In 1991, Imani Development, a consulting firm in Zimbabwe, carried out a preliminary desk study focussing on the factors constraining cross-border investment, trade and payments in Eastern and Southern Africa. This study pin-pointed a number of specific difficulties, some of which had been repeatedly referred to in previous studies undertaken by the IOC, the PTA and SADC. The comprehensive regional analysis in such previous studies had not been accompanied by detailed research at national level. In addition, national governments which clearly supported the objectives of the regional organisations were often very slow in implementing agreed changes. It became clear that there was a need to deepen research efforts at national level and to try to find solutions which, starting from the national level, could help further the aims of the regions. It also became clear that any such follow-up work would benefit immensely from collaboration between the public and private sector. Thus, each country which had expressed interest in participating in the initiative was invited to set up a technical working group (TWG), comprising representatives of both the private sector and the government. Each technical working group was to be assisted by a private consultant who would serve as the secretariat of the group. The members of these groups are mentioned in Appendix A.

1.2 The First Workshop: Determination of the Work Programme

By mid-1992, several countries had set up technical working groups for the initiative, so a workshop was organised in Mauritius (3-5 June 1992), to establish a work programme. Participants in the workshop included representatives from Burundi, Comoros, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Reunion, Rwanda, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. PTA, SADC, IOC, ECA and OAU also sent representatives, as did the CEC and the World Bank. Other participants included representatives of the Commonwealth Secretariat, UNDP, USAID, and the French government.

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The desk study prepared by Imani Development, which included a proposal for terms of reference for further work, served as a basis for discussions. By the end of the workshop, the participants had agreed on terms of reference to guide the research to be undertaken at national level by the technical working groups (see Appendix B). Imani Development was appointed coordinator of this phase of the initiative.

Following the Mauritius workshop, many of the technical working groups were expanded and some new ones established. There were now TWGs in all the countries which had participated in the Mauritius workshop, except Ethiopia and South Africa. The Ethiopian government, although agreeable to having research undertaken by a private consultant, felt that it was not yet in a position to commit itself fully to participation in the initiative. In the case of South Africa, research was undertaken by a private consultant as an independent exercise, although consultations took place with many different elements of South African society, including the ANC and the Development Bank of Southern Africa.

1.3 Research at National Level

Between June and October 1992, the technical working groups carried out the research in accordance with the terms of reference determined at the Mauritius workshop. The main objectives of the exercise were to:

- identify the current situation with respect to intra-regional trade, investment and payments in each participating country;
- identify the major constraints to intra-regional economic activity in each country;
- ascertain the extent of implementation of measures agreed upon at regional level in the framework of the IOG, SADC and PTA;
- develop implementable proposals for programmes of action for each country to help overcome constraints at the national level;
- identify measures which could be undertaken by the regional cooperation organisations to improve their existing programmes ;
- formulate a common programme of action including measures which could be implemented, on a reciprocal basis, by participating countries;
- identify areas in which the donor community could support implementation of both the national and the common programmes of action through the provision of financial and technical cooperation.

Within the technical working groups, specific responsibilities were allocated between members. Significant canvassing of opinion took place amongst both government representatives and members of the business community. Surveys of the business communities were undertaken, using either questionnaires or interviews. Data was collected from relevant sources and analyses carried out by the technical working groups. Recommendations were developed in the form of action plans of measures which had to be undertaken primarily at national level. The results of these activities are summarised in the country reports included in this volume.

1st Regional Organisations

The main advantage of the approach adopted in undertaking the initiative is that the research into the problems and the development of solutions have both been tackled from within each country. Furthermore, the work has been undertaken with the full cooperation of the public and private sectors and of the main regional organisations (IOC, PTA and SADC). The common programme of action therefore largely reflects the aspirations of the main actors in the matter of intra-regional trade, payments and investment.

The initiative can be seen as a way of supporting the regional organisations in their on-going efforts to promote regional integration. The PTA has regarded the promotion of intra-regional trade as one of its most important functions during the last decade. In line with this objective it has encouraged the introduction of numerous trade promotion measures and initiated many activities, including a trade liberalisation programme and the PTA Trade Information Network (TINET).

Similarly, one of the IOC's priorities is the development of regional trade. It is currently implementing a new programme for the development of regional trade which encompasses the following main themes:

- O dissemination of trade and economic information; '
 - development of measures to facilitate trade in goods and services;
 - trade promotion;
 - trade and investment finance schemes;
 - improvement of transport links;
 - facilitation of the movement of persons; and
- O training.

The facilitation of cross-border economic activities also features in the priorities of the SADC. A number of schemes to facilitate intra-regional trade such as the export finance and cross-border investment facilities were already developed under SADCC. These efforts have continued under the new SADC.

The continued involvement of these organisations in this initiative is crucial for successful implementation of the common programme of action.

1.5 The Second Workshop: Formulation of a Common Programme of Action

In December 1992, a second workshop was held in Harare, Zimbabwe, in order to discuss the findings of the country research efforts and to formulate a proposal for a common programme of action (see paragraph 6). By then, country reports had been submitted not only by the countries which [had established technical working groups (Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe), but also by the Seychelles and Reunion, and the consultants who had been working on South Africa and Ethiopia.

In addition to the representatives of the technical working groups and the consultants, the meeting was attended by IOC, PTA, SADC, EGA, OAU, ADB, CEC, World Bank, Commonwealth Secretariat, Global Coalition for Africa, IMF, ITC, PTA Clearing House, PTA Federation of Chambers of Commerce and Industry, SADC Regional Business Council and US AID. Appendix C contains the list of participants.

2. TRADE ISSUES

2.1 Intra-regional Trade Trends

According to the statistics provided by the TWGs the 1987-1991 period was characterised by a fairly positive trend. It however appears that the positive trend was preceded by a negative trend in the early 1980s. There is a wide divergence between different countries, not only in growth rates of intra-regional trade, but also in the actual volumes and percentages of intra-regional trade.

Not surprisingly, the largest intra-regional trading partner in the region is South Africa. In 1990, South Africa's exports to the rest of the region amounted to US\$4,730 million, an increase of 10% compared to 1989. Although 77% of this figure represents exports to other SACU countries, over US\$1,000 million was still exported to the rest of the region. In all, regional exports accounted for 20% of total exports. In the same year, South Africa imported goods worth US\$825 million from the region; an increase of 4% compared to 1989. This represented 5% of South Africa's total imports. In 1990, South Africa exported to and imported from every IOC, PTA and SADC country, except Djibouti. Intra-regional trade accounted for 13.6% of SA's total trade that year.

Another major intra-regional trader is Zimbabwe. Total exports to the region grew from US\$305 mn in 1987 to US\$421 mn in 1991, showing a total increase of 38%, whilst imports grew by 131% from US\$309 mn to US\$715 mn during the same period. This dramatic change in 1991 was primarily caused by the introduction of trade liberalisation which saw a substantial increase in imports, particularly from South Africa. Intra-regional trade grew between 1987 and 1991 from constituting 25% of Zimbabwe's worldwide trade in 1987 to 32% in 1991. Zimbabwe's rates of growth of exports during this period to the PTA region (34%) and to the total region (3.8%) were greater than worldwide growth (15%).

Although it is relatively small, Mauritius has also emerged as a major player in the regional arena. Between 1989 and 1991, Mauritius increased its exports to the region by 50%; its exports to PTA countries doubled during this period. Imports from the region (13.4% of total imports), also showed significant growth during this period.

Within the region there are clearly a number of important sub-groups of trading partners. Burundi, Rwanda, Uganda, Kenya and Tanzania constitute one group with substantial intra-trade flows. Comoros, Madagascar and Mauritius constitute another* whilst Botswana, Malawi, Namibia, South Africa, Swaziland, Zambia and Zimbabwe also have substantial sub-group trading. There are clearly overlaps between these sub-groups as well.

Unrecorded trade flows still constitute an important dimension of intra- regional trade flows. No countries have been able to report on accurate volumes and values. For Ethiopia, it is estimated that unrecorded exports to the region are considerably higher than recorded exports. Some liberalising countries, such as Burundi, report that unofficial trade flows are beginning to noticeably decrease with the advent of trade liberalisation.

2.2 Intra-Regional Trade Development Programmes

A number of countries have taken part in specific intra-regional trade development programmes. The PTA has organised 4 PTA trade fairs and 77 supply and demand surveys. Buyer-seller meetings have been held for manufactured fertilizers, agricultural implements and handtools, pharmaceutical products, cement, agricultural chemicals, leather products, salt, automotive spare parts, as well as for raw materials and intermediate goods imported by Zimbabwe. Over 550 companies have participated in these meetings. It has been estimated that these meetings resulted in total business worth US\$130 million.

The IOC has organised regional trade fairs. The SRBC has also organised a buyer-seller meeting in intermediate goods, which was followed up with an inward-buyer programme.

In spite of all these efforts, the full potential has not been realised. Countries report that the business which has materialised from these programmes hardly matches their expectations. One reason for this has been the problem of import licensing. It is however apparent that there are a number of other reasons, including:

- high uncompetitive prices;
- poor quality products;
- inadequate communication between businessmen;
- failure to deliver goods after business was concluded;
- poor transport systems leading to delivery delays; and
- insufficient effective production capacity.

Some countries such as Kenya, Zimbabwe and Mauritius have also had extensive national export-development programmes targeted to the region. These programmes have included market surveys, trade missions,, trade fairs, exhibitions and inward-buyer missions.

The PTA's Trade Information Network (TINET) is seen as being a useful tool in overcoming the problem of lack of information on the region's trade potential. Its application is, however, limited. TINET needs to be updated and its scope increased to cover for example information on transport links - rates and carriers. It has also been more successful in collecting information than in disseminating it. It needs to be directly available to the private sector in each country, rather than being located in Ministry buildings or parastatal organisations. All the countries broadly agree that there is a considerable untapped intra-regional trade potential, which could be realised if the constraints were overcome.

2.3 Import and Export-Licensing Procedures and Bureaucracy

Bureaucratic procedures, import licences and/or foreign exchange authorisation still form a major obstacle to intra-regional trade. A study of the import cycle in Ethiopia from the moment of application for foreign exchange to the time of customs clearance revealed that 146 different forms, 168 pages, 269 signatures and a total of nine months were required! However with the advent of trade liberalisation programmes in many countries, this problem is on the decline.

By 1992, a number of countries had introduced, or were in the process of introducing, liberalised import procedures, often based on the concept of Open General Import Licence. Relatively liberal import regimes now exist in: Burundi, Comoros, Malawi, Mauritius, Namibia, Rwanda, South Africa and Swaziland.

Transitional regimes towards more liberal systems existed in Kenya, Tanzania, Uganda, Zambia and Zimbabwe. Mauritius has the most liberal trade regime in the region. Export and import of goods, except for a few prohibited goods, were free from control. Import permits had been abolished.

Export procedures are generally not a problem, although in some countries considerable bureaucratic procedures exist. Ethiopia requires stringent export licencing procedures which often delay or prevent exports.

2.4 Transport and Communications

Although telecommunication facilities have improved in recent years, further progress would still be desirable. All PTA member States, except Somalia, are now linked by direct land communications through PANAFTTEL, but few are linked by satellite. Furthermore, congestion is common within this network. Although all countries have earth stations, they are not linked regionally, but operate only for overseas connections. Telecommunication charges are very high and it is often more expensive to call another country in the region than to call Europe or America.

The potential for air travel within the region has increased in recent years, with more flights becoming available. However, in spite of various resolutions on the subjects, little has been achieved regarding the harmonisation of air schedules, the opening up of the regional routes to private operators and the implementation of the Fifth Freedom Traffic Right, allowing airlines to carry passengers between intermediate locations. Consequently, it is still difficult to fly between a number of countries without having to waste time in tedious stop-overs. Furthermore, several regional airlines refuse to endorse their tickets to other carriers which is often necessary when schedules are altered. Another impediment to air travel in some countries is the necessity to buy tickets with foreign currency. SADC has undertaken a study on airlines in the region, but its recommendations are still to be fully implemented.

One significant constraint to intra-regional trade is the restriction on opening hours of border posts. This often results in delays when the border posts open. Even short cross-border movements of one or a few days are difficult and may require extensive documentation.

Little progress has been achieved in harmonising railway operations, although some cooperation exists between railways within Southern Africa and to a lesser extent between those within East Africa. Conditions of carriage and tariffs are not standardised. Minimum loads differ. Rolling stock often cannot be operated in other countries. The absence of a centralised authority, which would be responsible for standardising conditions of carriage and tariffs, booking rolling stock, renting time slots on tracts, controlling loading and movements and the collection of tariffs is felt to be a serious constraint. !

There are still many problems in trying to ship goods, particularly relatively small consignments, within the region. The islands have few links with the mainland and there are inadequate coastal services. Furthermore the port administrations and facilities in many countries need improving. Personnel dealing with port administration is not adequately trained. Not much is known about the potential for developing multi-modal inland freight services, linking lakes with road and rail services. >

2.5 PTA Trade Liberalisation Scheme

PTA Member States have been slow to implement the PTA trade liberalisation scheme, under which both tariff and non-tariff barriers are meant to be progressively reduced and eventually eliminated.

Concerning tariff reductions, at the time of writing (November 1992) only Burundi, Kenya, Mauritius, Uganda and Zimbabwe were up to date. They all expected to implement the third tariff reduction very shortly. Malawi, Tanzania and Zambia were expecting to implement the second reduction in conjunction with the third tariff reduction shortly. Ethiopia was planning to catch up on its backlog in the near future. Swaziland is still in the process of negotiating with SACU regarding tariff reductions. Several countries have complained that the administrative process of tariff reduction is extremely complex. This has slowed down the pace of implementation. The PTA has acknowledged that there have been serious problems with this programme and has agreed to significantly revise the scheme. These revisions include: abolishing the Common List concept and revising the rules of origin criteria. i

There have been even bigger problems concerning the liberalisation of non-tariff barriers. As indicated above, several countries are in the process of liberalising their imports. However, very few have taken any measures to remove the main non-tariff barrier of import-licensing constraints within the context of the PTA scheme. The PTA Monetary Harmonisation programme calls for the complete liberalisation of payment for imports through the PTACH before the end of 1993. Similarly, there needs to be a reduction in the bureaucratic procedures which exist in some countries regarding exporting. t

2.6 Export Finance Schemes

Some of the countries operate pre- and/or post-shipment credit schemes, including Kenya, Mauritius, South Africa, Swaziland and Zimbabwe. South Africa has the most developed schemes and has the most developed financial services sector; Burundi is in the process of implementing a scheme, whilst Namibia is currently looking into the possibility of establishing a scheme. These schemes operate with varying degrees of success. There is a general consensus, however, that there is a need to substantially expand the operations of these schemes and to introduce them where they do not exist.

The PTA Bank has made a few trade finance loans since 1989, but they have been extremely limited. Furthermore, they have not particularly been directed towards intra-regional trade, except in Ethiopia where a facility of around US\$5 million was made available for exporters to import inputs for processing and eventual export to the region. In Burundi the facility was for oil imports and coffee exports. In Zimbabwe the facility of US\$10 million was for general pre- and post-shipment finance and was very quickly taken up.

The only countries with viable export credit insurance organisations are South Africa (Credit Guarantee Insurance Corporation of Africa Ltd) and Zimbabwe (Zimbabwe Credit Insurance Corporation). These companies provide comprehensive export insurance cover (short, medium and long term), provide advice on export financing and investigate the credit-worthiness of buyers. Cover is given for commercial risks as well as political and transfer risks. Cover is not however available for all the countries in the region. ■

Whilst there is a requirement for such facilities in the other countries, they would only be viable in the other larger exporting countries. The low volumes of export in some countries would render such operations unviable. The possibility of establishing a regional institution has been considered in the past and been found non-viable. The changing situation in the region may now produce a different result.

2.7 PTA Trade Facilitation Schemes

Only a few countries are currently applying the PTA harmonised transit charges for transit traffic: Burundi, Malawi, Zambia and Zimbabwe. Whilst some PTA member States do not have transit traffic, there are still several countries which have either not introduced the harmonised rates or have introduced them but still levy additional transit charges and road tolls. Some countries also insist on payment in US dollars.

The PTA Third Party Motor Vehicle Insurance Scheme (Yellow Card) is working in the following countries: Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe. However, several countries report that the settlements of claims have been held up by Central Banks.

The Road Customs Transit Declaration (RCTD) document is currently being utilised in a number of countries, including: Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda and Zimbabwe. Some of these countries still require other documents, whilst others have not introduced the system. Zambia is due to introduce the document soon. This document, however, only caters for transit traffic and cannot be used for direct import or export. The effectiveness of the RCTD document could be enhanced by the introduction of a Regional Bond Guarantee Scheme.

2.8 Other Trade Facilitation Measures

Only a few countries have implemented or are ready to launch the Automated System for Customs Data (ASYCUDA) which facilitates the processing of imports by customs departments and trade

statistics. These countries include: Burundi Madagascar, Mauritius, Rwanda and Zimbabwe. Ethiopia, Malawi Namibia and Tanzania are preparing for its implementation. Swaziland is keen to introduce it, but is awaiting assistance. Some countries have introduced other computerised systems, the effect of which is similar to ASYCUDA. Kenya has implemented the BOFIN system. South Africa has introduced the Customs Automated Processing of Entries (CAPE) system. Zambia is planning to introduce the TAXNET system by the end of 1993.

Most countries have now implemented, or are in the process of implementing, the Harmonised System of tariff classification, including: Burundi Kenya, Madagascar, Malawi, Mauritius, Namibia, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. Ethiopia and Rwanda expect to implement the system very shortly.

National Standards Bureaux exist in a number of countries in the region, including: Ethiopia, Kenya, Malawi, Mauritius, South Africa, Zambia and Zimbabwe. In Burundi a Standards Bureau has been created, but it is not yet operational. Regional cooperation in standardisation is beginning to take place. Most existing national bureaux are members of the ISO, whilst some are also members of the Africa Regional Standards Organisation (ARSO), based in Kenya. ARSO has developed 684 standards to act as benchmarks for national bureaux. Seven countries in the region are members of ARSO. National standards often conform to ISO and/or ARSO standards.

Cooperation between countries is also taking place. Where facilities are limited, national bureaux often send goods for testing to other bureaux. The South African Bureau of Standards assisted a number of other countries during the last year, including Botswana, Kenya, Lesotho, Namibia, Swaziland, Zambia and Zimbabwe. Zimbabwe also sends goods for testing to Kenya, which has more advanced facilities. SADC has embarked on a standardisation project and has established an experts' committee for standardisation with the objective of training national bureau staff as well as the business community. There is also an initiative to disseminate information on standards within the SADC region. The PTA has a project of standardisation and quality control. The IOC has worked on a common norms and standards project, under which member States each have been designated as product leaders for establishing standards of certain goods of importance for that country for export.

3. INVESTMENT ISSUES

3.1 Extent of Cross-border Investment Flows

There are not many examples of cross-border investments in the region, other than those originating from South Africa. Recently, Zimbabwe and Mauritius have been sources of some outward regional investment. South African investment in mining, agriculture, manufacturing, tourism and

financial services has traditionally been extensive in the SACU countries and in Zimbabwe and more recently, in Mozambique, Malawi, Mauritius and Kenya.

Cross-border investments from Zimbabwe to the region between 1986 and mid 1992 for which foreign exchange was made available from Zimbabwe totalled US\$5.3 million. Investments were made in Botswana, Malawi, Mauritius, Mozambique, Namibia and South Africa. The sectors in which investment took place included banking and finance, transport, storage and freight, manufacturing, mining, hotel industry, building, construction and architecture, retail and marketing and advertising.

Regional investments from Mauritius have grown in recent years to an annual value of US\$ 1.4 million in 1991. Such investment is concentrated in the IOC countries (90% in last three years) with the rest in South Africa. The main sectors are tourism and manufacturing and in the Export Processing Zone of Madagascar. Investment in Madagascar would have been higher if it were not for the political unrest in recent years. Several investors had obtained investment approval, but had not yet become established.

Four cross-border investments have been undertaken from Kenya. These are in Botswana, Rwanda, Tanzania and Uganda, in the fields of fish processing, services and manufacturing. A number of other investments are currently under consideration. Occasional cross-border investments have been made from other countries including Burundi, Malawi, Namibia and Zambia.

Regarding inward investment, 10% of total foreign investment in Mauritius in 1990 came from the region, whereas in 1988 this investment only constituted 6% of the total. Investment has come from Madagascar, Namibia, Reunion, Seychelles, South Africa and Zimbabwe (indirectly). Kenya has recently received applications for investments from Burundi (tourism), South Africa (manufacturing) and Sudan (manufacturing).

3.2 Investment Codes and Climates

Most countries have embarked on active programmes to attract and promote private investment, both foreign and domestic. To do this they have introduced specific incentives and have embarked on promotional activities. In some countries the investment code is a legally binding document, whilst in others it is a guideline, leaving the final details to be worked out on a case-by-case basis.

Many countries have established, or are in the process of establishing, an investment promotion centre to coordinate new investment. Some have gone further and have established "one-stop shops" which are designed to secure all the necessary approvals and permits for new investments.

In recognising the need for investment guarantees, many of the countries have acceded to the Multilateral Investment Guarantee Agency Convention (MIGA). Some have also acceded to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, 1965, and to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 1958. The only example of a bilateral investment agreement between countries in the region is the agreement between Mozambique and Zimbabwe.

In spite of recent measures in many countries, bureaucratic delays and procedures are still a major deterrent to investors. In Kenya for example, there are thirty-five types of approvals required for investment, although not all investors require them all. Most investment organisations still view themselves as regulatory bodies rather than as promotional ones. There is generally a need for the investment centres to move away from their regulatory bias and to become active promoters and facilitators of new investment. Even where some organisations have an active promotional role, this promotion is usually directed towards Europe, North America and Asia. It is rarely, directed towards the region, with the recent exception of trying to attract investment from South Africa. Many potential regional investors do not know the investment climate of regional countries.

One of the main constraints to investment in the region revolves around exchange control regulations and practices which often restrict the remittability of dividends, capital, capital gains and expatriate salaries. Mauritius has recently fully liberalised repatriation of capital and capital gains on disinvestment, but is unique in the region in this regard. Members of the Multilateral Monetary Area (MMA), (Lesotho, Namibia, South Africa and Swaziland) do not generally experience difficulty in such remittances, but they are regulated by the financial Rand mechanism. Even in those other countries where the regulations state that such funds are fully remittable, central bank approval is still needed and in practice the funds are not always forthcoming.

Most countries restrict the sectors in which foreigners can invest. The services sector is often closed to foreign investors or heavily restricted. Most countries look for technologically advanced investments in order to raise the level of technology within their country. Minimum investment amounts for foreign investors are often relatively high, such as US\$500,000 in Ethiopia and Uganda. Both these factors of restricting sectors and requiring minimum investment amounts restrict the potential for cross-border investment.

No countries in the region give any preferences to regional investors. Such investors are treated the same as those from further afield, or not even as favourably, although there is recognition that regional investors can be more suitable since they are likely to have a better understanding of the country and their technology may be more appropriate.

3.3 Double Taxation Agreements

The only country to have a significant number of double taxation agreements with other regional countries is South Africa. Such agreements usually cover dividends, but some also cover interest, royalties and other income sources. They exist between: South Africa and Botswana, Lesotho, Malawi, Mauritius, Namibia, Swaziland, Uganda, Zambia and Zimbabwe; Kenya and Zambia; Malawi and Kenya; Malawi and Tanzania; and Tanzania and Zambia.

Mauritius and Zimbabwe have an agreement that is about to enter into force. Ethiopia is currently negotiating an agreement with Sudan. Although some other agreements exist, they are inadequate and not always operationally active.

3.4 Movement of Persons

Whilst nationals of Commonwealth countries do not need visas to travel to other Commonwealth countries within the region and there are some bilateral arrangements, visas are still needed for travel between citizens of many countries in the region. Although it is often stated that the need for visas is for national security and health reasons, it would appear that in practice they are often used as a source of revenue. This is one reason why countries have been slow to ratify and implement the PTA Protocol on Relaxation and Eventual Elimination of Visa Requirements.

This protocol would enable citizens of one member State to be given a visa on arrival at another member State. This protocol has now been ratified by Burundi, Kenya, Malawi, Rwanda, Swaziland, Zambia and Zimbabwe. This protocol also states that within eight years from entry into force, PTA nationals should be able to enter other PTA countries for up to 90 days without any visa requirement. Arrangements would be desirable to extend the provisions of this protocol to non-PTA participating countries. Although exit visas are not usually required, Ethiopians travelling outside the country still require them.

Problems are encountered in most countries with regard to issuing employment and residence permits. Not only is the process a very slow one, but there is often no certainty of them being granted. This is a constraint on cross-border investment. Separate arrangements for the quick processing of applications for residence and employment permits for staff in connection with cross-border investments would be worthwhile.

3.5 Investment Transactions and Finance

In most countries potential investors are prevented from investing crossborder due to exchange control restrictions. Although some cross-border investments have been made in recent years, as shown above, many applications have been turned down by the central banks of the potential investor. Capital markets in the region are underdeveloped. The mechanisms do not generally exist for adequately mobilising local funds, except in South Africa, Zimbabwe and to some extent Kenya. Stock exchanges have existed in these three countries for many years, and new exchanges have recently been established in Mauritius, Botswana, and Swaziland. Other countries such as Malawi and Uganda are investigating the possibility of establishing such institutions in their own countries.

Risk capital is hard to obtain in the sub-region. Not only does this restrict investment in domestic markets but it also restricts it in other markets in the sub-region.

The impossibility to trade in regional currencies at market determined rates for investment transactions is a serious constraint on such transactions. Other limitations are that stock exchanges cannot list and trade in equities from the other regional stock exchanges and the absence of venture capital facilities.

3.6 PTA Charter on Multinational Industrial Enterprises

The PTA Authority adopted and signed a Charter on Multinational Industrial Enterprises (MIEs) in November 1990. This charter needs ratification by twelve member States before it comes into effect. Malawi, Zambia, Zimbabwe and Uganda have ratified it so far. Most other member States are in the process of ratifying it and have no fundamental problems with it. Its main objective is to provide a framework for the development of joint venture investments in the region. It applies to all economic sectors related to industrial development, including services. This Charter, once implemented would overcome many of the constraints to cross-border investment.

The main benefits to be accorded to approved MIEs include:

- ability to transfer capital funds, both inward and outward;
- granting of visas, residence and work permits to employees of MIEs as well as repatriation of salaries;
- ability to import capital equipment and intermediate goods from another member State duty free;
- granting of a five year tax holiday on income taxes for the enterprise;
- granting of equality of treatment with national enterprises in matters pertaining to taxation, government procurement, and access to local credit;
- compensation payments in the event of nationalisation, expropriation or similar events.

Not only do countries need to ratify this Charter, but they then need to take a number of measures to accommodate its provisions in national law. Such measures are likely to include amendments to legislation covering Companies, Customs and Excise and Income Tax, as well as regulations covering Exchange Control, Banking and Immigration.

The conditions of the Charter are, however, seen by the TWGs as unnecessarily restrictive, the result of which may be that very little investment will actually take place. There could be benefits to the country of establishment even if the total equity holding by nationals from member States is less than the stipulated 51%. There can also be occasions when the investor from the other member State should be allowed 100% equity. There will be many occasions when the required equity will be less than 500,000 UAPTA. In fact investments in the small and medium enterprise sector are being encouraged for development by countries in the region and as such should be encouraged by the Charter.

4. PAYMENTS ISSUES

4.1 Commercial Banking in the Region

On the whole, correspondent banking relations between commercial banks within the region are very weak. This is primarily because of the lack of transactions, which has meant that it has not been worthwhile for banks to open correspondent relations in many countries. There are some exceptions to this

position, notably in Southern Africa, where due to traditional trading links, the network of correspondent banks is extensive. There have however been some notable improvements during the last decade outside of the traditional links. A picture emerges, not surprisingly, showing that good correspondent relationships exist with each country's other major trading partner countries in the region. Furthermore there is a large disparity between the different countries in the extent and quality of domestic financial services available.

Even where there are correspondent relations, there are still some problems on inter-bank transfers:

- charges are often high because of the low volume of business;
- communication is difficult and complicated and therefore transactions are not speedily handled;
- the quality of staff and practices employed by commercial banks in some countries is inadequate and international banking practices are not always maintained;
- commercial banks are usually not allowed to maintain interest-bearing balances in accounts with regional correspondents. This means that every transaction, no matter how small, has to be funded at the time the transaction is done. Whereas if banks were allowed to keep working balances they would only need to fund their accounts periodically as opposed to when required thus cutting down on costs.

There are no adequate training facilities for bankers to improve the extent and quality of financial services available and ensure international banking practices are employed. For the commercial banks, there is a lack of systematic data on the activities of central banks in the region and on their commercial clients, especially in respect of payment delays.

4.2 Payment Mechanisms

The PTA Clearing House (PTACH) was established to facilitate intra-regional payment transactions. It is a multilateral payments arrangement involving central banks of the PTA member States, including those from Burundi Comoros, Ethiopia, Kenya, Malawi Mauritius, Rwanda, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. However, Comoros is only using the PTACH for settling payments for UAPTA travellers' cheques transactions and contributions to PTA institutions, rather than for trade transactions.

Receipts (which reflect intra-PTA exports) have grown by an average of 35.5% since its inception in 1984. Kenya, Zimbabwe and Zambia have been the largest recipients. They each recorded significant growth rates until declines started in 1990 and continued in 1991. These three countries' share of receipts has been reduced from a high of 85% in 1986 to 65% in 1991. Consequently the smaller countries have realised increases in receipts. Zambia recorded the largest payments (reflecting intra-PTA imports), almost double its receipts, followed by Zimbabwe and Malawi. Kenya and Zimbabwe's total payments were much lower than their receipts. The only other trade surplus countries were Swaziland and Tanzania.

Constraints to utilisation of (he PTACH include:

- import licencing restrictions;
- other exchange control regulations such as restrictions on payments for services and investment transactions;
- insistence by some countries on being paid in convertible currency for certain traditional export commodities;
- certain payment instruments not being available in UAPTA, such as Bills of Exchange;-
- lack of a forward cover market for regional currencies;
- non-utilisation by certain countries in the regions;
- donor-funded import support programmes which often direct payments through overseas banks.

Measures to overcome some of these constraints could be:

- liberalisation of current account transactions through the PTACH, covering payment for goods and services, including but not restricted to, financial, insurance, transport (passenger and freight), consultancy and tourism;
- liberalisation of access to UAPTA travellers cheques for travel within the region;
- development of appropriate mechanisms at the PTACH, for free market trading in regional currencies without requiring settlement by central banks. Transactions could be undertaken for those activities which fall outside the scope of the liberalised current account transactions;
- agreement that all exports could be paid for in national currencies through the PTACH;
- development of new financial instruments such as UAPTA Bills of Exchange;
- development of a forward cover market for national currencies and the UAPTA;
- extending membership of the PTACH to all monetary authorities in the region.

In some countries, such as Kenya, Mauritius, Rwanda, Tanzania and Uganda, it is now fairly easy to maintain accounts in convertible foreign currencies, but in no country is it possible to maintain accounts in regional currencies. Transactions would be simpler if this were possible.

Most countries put restrictions on the length of credit which exporters can offer to their customers. Ninety days is often the maximum. This puts most regional exporters at a disadvantage compared with exporters from elsewhere who can offer credit terms of at least 180 days and longer sometimes. Due to the high risk element when dealing with some countries, monetary authorities often also insist on irrevocable confirmed letters of credit.

5. INSTITUTIONS

The country reports tackled the subject of institutions in different ways depending on the needs within their own country. Most of the comments and recommendations are to do with their own national institutions. There are, however, some common threads running through the reports:

- all the countries have chambers of commerce and/or industry, which in the last few years have taken more active roles in intra-regional economic activities. They generally suffer from being weak institutions with inadequate resources;
- several of these chambers are members of the PTA Federation of Chambers of Commerce and Industry and/or the SADC Regional Business Council. These regional institutions have not performed as well as expected and are losing their support. They have both suffered from lack of support from their constituent members and too much interference from their inter-governmental counterparts. There is however an initiative underway to restructure these organisations into a single new, independent body to represent the business community in Eastern and Southern Africa;
- most countries have one or more national trade development organisations, varying from private sector-orientated to public sector bodies, whilst joint venture organisations exist in some countries. These vary extensively in capability and operations. Some of them need substantial restructuring. They all need assistance to enable them to improve their services regarding intra-regional trade;
- a number of the countries are members of more than one regional cooperation or development organisation. This causes confusion and problems from time to time. Within this region the four major groupings concerned with trade and investment issues are IOC, PTA, SADC and SACU, although there are a number of other regional bodies which also have some interest in these areas. Membership of these groupings is given in Table 1. Additionally there is currently a movement underway between Kenya, Tanzania and Uganda to revive the former East African Community.

Table 1 Membership of Regional Organizations

Country	IOC	PTA	SADC	SACU
Burundi		X		
Comoros	X	X		
Ethiopia		X		
Kenya		X		
Madagascar	X	P		
Malawi		X	X	
Mauritius	X	X		
Namibia		P	X	X
Reunion	X			
Rwanda		X		
Seychelles	X	X		
South Africa		P	P	X
Swaziland		X	X	X
Tanzania		X	X	
Uganda		X		
Zambia		X	X	
Zimbabwe		X	X	

x = actual member

p = potential member

As can be seen, nine countries are members of two or more organisations. There is a strong desire to see greater rationalisation between these organisations, particularly in the area of trade. Duplication of resources should be avoided in order to improve efficiency. Improved dialogue between these organisations and the private sector is also required.

Linkages between consultancy firms in the region specialising in regional integration issues would be desirable, in order to facilitate market surveys, investment enquiries, etc, for the business community.

6. PROPOSED COMMON PROGRAMME OF ACTION

In December 1992 the technical working groups and institutions involved in this initiative met in Harare, Zimbabwe to discuss the above-mentioned issues and to formulate the common programme of action (CPA) reproduced below. The list of participants is included as Appendix C. The CPA represents the views and the consensus reached at technical level. It does not necessarily reflect the views of the governments or the collaborating institutions.

At the end of each measure, an indication is given as to who has primary responsibility for the implementation of the measure and which time-frame is envisaged.

NG =	National Government
RO =	Regional Organization
PS =	Private Sector
ST =	Short Term (within 12 months)
MT =	Medium Term (within three years)

6.1 Trade Measures

6.1.1 Liberalize imports:

Imports from participating countries would be exempt from import licencing, foreign exchange allocation and similar restrictions. Appropriate administrative and legal arrangements would be made to implement the necessary liberalisation on the basis of common concessions amongst participating countries. There would be a short negative list based on reasons of security and health. (NGs-ST)

All participating countries would catch up with and strictly adhere to the timetable for agreed regional tariff reductions. The PTA Common List concept would be abolished, thereby allowing all goods which are produced in the region and which conform to the rules of origin criteria to receive preferential treatment. The rules of origin criteria would be further revised to reduce the required value added or regional content. Account shall be taken of the outcome of the studies and work currently being undertaken by the PTA Secretariat on this subject. (NGs/ROs-ST)

6.1.2 Liberalise exports:

Exports to participating countries (excluding transit goods) would be exempt from export licencing requirements, except for a small negative list. (NGs-ST)

6.1.3 Liberalise payment of services:

Payments for services, including but not restricted to financial (bank and non-bank intermediaries), insurance, transport (passenger and freight), consultancy and tourism, acquired in participating countries would be similarly liberalised. Specific exceptions could be agreed upon. (NGs-MT)

Participating countries would liberalise access to foreign exchange for business and leisure travel within the region. The use of UAPTA travellers cheques would be encouraged. (NGs-ST)

6.1.4 Facilitate intra-regional trade:

The PTA harmonized transit charges would be implemented and all other similar charges abolished. A coupon system in UAPTA for payment of these charges would be developed and implemented. (NGs/PTA-ST)

The PTA Yellow Card system would be implemented and a quicker system developed for the settlement of claims. (NGs-ST)

The PTA RCTD would replace all other documents of a similar nature. A system for the introduction of a single Goods Declaration Document, covering export, import and transit traffic would be developed and implemented. A Regional Bond Guarantee Scheme would also be implemented. (NGs/PTA-S/MT)

The ASYCUDA or a compatible system for customs data processing would be introduced. (NGs-ST)

The Harmonised System of Tariff Classification convention would be acceded to and its provisions introduced. (NGs-MT)

6.1.5 Improve standardization procedures:

All national standards would be developed in harmony with ISO/ARSO standards. Existing national standards bureaux and testing facilities would be strengthened. These facilities would be offered to those countries without adequate facilities. (NGs/ROs-MT)

6.1.6 Improve regional transport:

Participating countries would ensure that air tickets issued by regional airlines could be purchased in national currencies. (NGs-ST)

The Fifth Freedom Traffic Right would be implemented in all participating countries, allowing national airlines to carry passengers between intermediate locations. (NGs/ROs-MT)

National airlines would improve the harmonisation of their flight schedules, building on regional initiatives. (NGs/ROs-ST)

Airlines of participating countries would agree that their tickets could be automatically endorsed to carriers of other participating airlines. These measures would be implemented in consultation with AFRA. (NGs/ROs-ST)

In the case of maritime and inland waters transportation the short- to medium-term objectives would be to establish a common maritime and inland-waters policy and to create or strengthen economically and financially viable shipping companies through regional cooperation. (NGs/PS-MT)

6.1.7 Improve trade finance facilities:

Governments of participating countries would work together with commercial banks and regional financial institutions to develop appropriate mechanisms to improve pre- and post-shipment export credit financing. (NGs/PS-MT)

In order to offer comparable credit terms with many exporting countries outside the region, monetary authorities of participating countries would allow at least 180 days' credit on exports to other participating countries. (NGs-ST)

6.1.8 Initiate trade development activities:

National trade development organisations in participating countries would organize intra-regional trade development and training activities. (NGs/PS-S/MT)

A scheme would be established, under which assistance would be given to firms in participating countries to assist them with the costs of developing new regional export markets. This would cover costs of items such as market surveys, prospection visits, inward buyer visits, buyer- seller meetings and trade fair participation. (NGs/PS-ST)

6.2 Investment Measures

6.2.1 Domestic regulatory environment:

The current investment approval procedures would be substantially simplified by shortening the periods for approval; as well as reducing, rationalising and harmonising existing regulations. The full inventory of current regulatory instruments would be established and specific recommendations made for simplification of current instruments. (NGs-ST)

6.2.2 Ratify and implement PTA Charter on Multinational Industrial Enterprises:

The PTA MIE Charter would be ratified and fully implemented by each participating country. Amendments would be made to national legislation and regulations to conform with the Charter. To overcome the bureaucratic delays in processing investment applications from regional investors, such applications, when conforming to the Charter, would be assumed to be approved, unless rejected within 45 days. The Charter would be amended:

- to remove the equity restrictions and open it up to any regional firm;
- to remove the minimum investment requirement;
- to ensure automatic approval procedures are applied for investments conforming to the Charter requirements. (NGs/PTA-S/MT)

6.2.3 Facilitate cross-border investment:

Each participating country would publish details of its investment code, incentives and regulations. (NGs/PS-ST)

Each country would become a member of the Multilateral Investment Guarantee Agency (MIGA). (NGs-ST)

Double taxation agreements between participating countries would be entered into. (NGs-MT)

Stock exchanges in participating countries would be authorised to list and trade in equities from the other regional stock exchanges. (NGs/PS-MT)

6.2.4 Develop new mechanisms for provision of investment capital:

Governments of participating countries would work with the private sector to facilitate the use of, and where necessary, develop appropriate mechanisms for, the provision of investment capital for facilitating cross-border activities. (NGs/PS/ROs-S/MT)

6.2.5 Improve movement of persons:

Participating countries would sign, ratify and implement both phases of the PTA protocol on relaxation and eventual elimination of visas, so as to remove the need for visas for citizens of participating countries. Arrangements would also be made for the automatic approval of applications for residence and employment permits for staff in connection with cross-border investments. (NGs/PTA-ST)

Immigration procedures would be amended to allow unimpeded movement of persons across borders. This could mean allowing short-term entry permits of at least 24 hours (on presentation of some form of identity, as for example in the case of the CEPGL arrangement) for residents of participating countries. (NGs-ST)

6.3. Payments Measures

6.3.1 Reduce foreign exchange liquidity requirements:

In the interests of minimising foreign exchange liquidity needs, the Central Banks of participating countries would, to the extent possible, channel payments transactions with other participating countries through the PTACH. This would be seen as an operation between Central Banks and arrangements would be instituted to guarantee prompt payment to the economic operators concerned, in domestic currency. More specifically, within one week of proof of payment by the importer through his commercial bank, the exporter's commercial bank would be credited with the appropriate amount by the central bank. (NGs/PTACH-ST)

6.3.2 Facilitate trade and investment payment transactions:

Wherever possible, transactions relating to trade and investment would be allowed to take place at market-determined exchange rates. Moreover efforts would be made to publicize official and parallel market rates. (NGs/PS-MT)

6.3.3 Improve financial instruments:

New financial instruments to facilitate intra-regional trade such as UAPTA Bills of Exchange would be developed. A forward cover market for domestic currencies and the UAPTA would be established, wherever commercially viable. (PTA/NGs/PS-MT)

6.3.4 Improve the commercial banking sector:

A training programme would be developed for bankers in participating countries to improve the range and quality of financial services available and ensure international banking practices are employed and sustained. (ROs/PS-ST)

Commercial banks would be allowed to maintain working balances in their correspondent banks' books in other participating countries, which balances would be able to earn interest. Participating

countries would allow the opening and operating of accounts in each other's currencies. (NGs/PS-ST)
Rules governing entry to the commercial banking sector would be modified and simplified to ensure transparency. (NGs-MT)

6.4 Institutional Measures

6.4.1 Strengthen national institutions:

National chambers of commerce and industry and trade development organizations would be strengthened to enable them to play more active roles. This would include increasing their technical capabilities and improving their services such as information and training. (PS/NGs/ROs- S/MT)

6.4.2 Maintain TWGs:

The national TWGs would continue to function in each participating country as advisory committees to their governments on regional integration issues. A programme would be developed for them to continue the work of facilitating regional integration. Provision should be made for the establishment of TWGs in countries of the region which are currently not participating in this initiative. Efforts should also be made to establish channels of communication for TWGs with each other and with regional organizations. (NGs/PS-ST)

6.5 Regional Organization Measures

Apart from the above measures to be implemented by the participating countries, there are a number of other recommendations for implementation by the regional organisations to facilitate greater intra-regional economic activity. These include the following measures:

6.5.1 Strengthen regional private sector institutions:

The PTAFCCI and SRBC should be reorganised into one viable, independent organisation to cover all the membership business organisations within Eastern and Southern Africa. (ROs/PS-ST)

The private sector should have adequate participation in the decision- making process of the regional organisations. (ROs/PS/S/MT)

6.5.2 Strengthening trade and investment promotion activities:

The IOC, PTA and SADC should publish investment guides and trade directories for their member States. (ROs-ST)

The PTA TINET system should be updated and expanded. It should be installed in all countries in places easily accessible to the business community, such as in Chambers of Commerce. The operating software and data disks should be available for sale to any interested firms or organisations. The information should also be made available in printed format as well as computer disks. (ROs/PS-ST)

Regional organizations would continue to organize and coordinate intraregional trade development activities such as Trade Fairs, Buyer/Seller meetings, etc. (ROs-S/MT) ;

6.5.3 Rationalize regional organisations:

Account would be taken of ongoing studies on the rationalisation and harmonisation of the regional institutions in Eastern and Southern Africa and the Indian Ocean. (ROs/NGs-ST)

6.5.4 Facilitate the common programme of action:

The regional organisations would facilitate the implementation of the CPA. This would include the possibility of extending special provisions to the non-member countries e.g. allowing membership by all participating countries in the PT ACH and the MIE Charter, and implementation of the RCTD and other trade facilitation schemes. (ROs-ST)

In order to broaden international support for the CPA, the proposals should be presented to the sub-committee of the Global Coalition for Africa on Regional Cooperation and Integration.

7. CONCLUSION

The response from all the participating countries to this initiative was extremely positive. The research work that was undertaken demonstrated the desire within both the public and private sectors to work together in order to overcome the constraints which have severely limited the extent of intraregional economic activity.

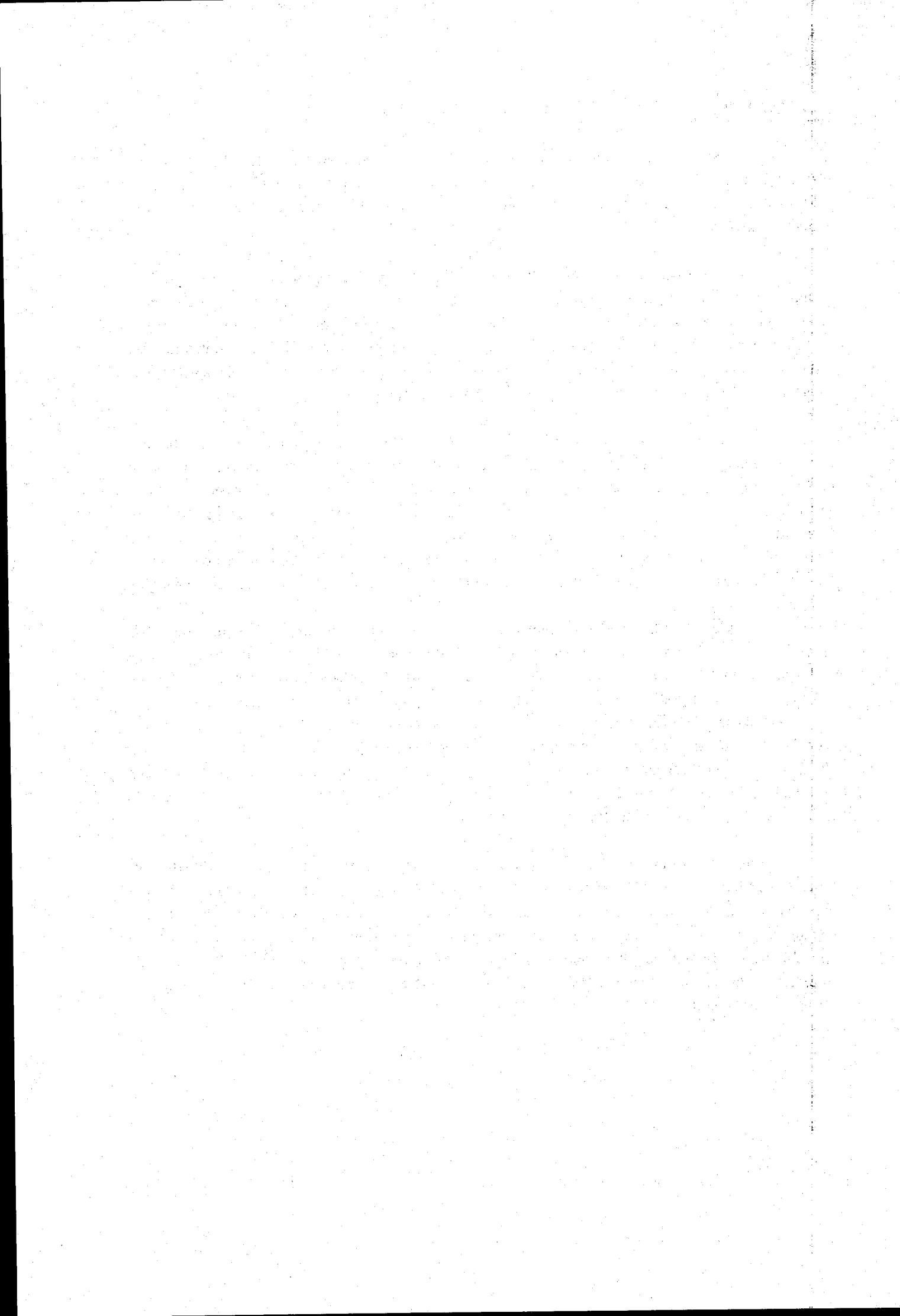
There were naturally differences between countries regarding recommended measures. Some countries proposed more liberal measures than others. Some do not have to change their policies much, since they are fairly advanced in their liberalisation programmes. Others have a long way to go. There were also differences in emphasis. The workshops and the national reports however demonstrated that it is possible to make significant progress in this regard and that there is common ground. There is a willingness to break down the barriers to intra-regional trade, investment and payments.

The national TWGs had identified the major constraints in their countries to intra-regional economic linkages. Concerning trade, the main problems lie with restrictive import licensing and foreign exchange allocation procedures, although there are a number of other non-tariff barriers. A major restriction on cross-border investment is the general inability to transfer funds from one country to another for investment purposes. Actual liquidity and capital shortages are also significant. Bureaucratic procedures feature as a prominent constraint to both trade and investment. Payments mechanisms are not conducive to regional trade and investment. Financial services and availability of credit are inadequate in the region.

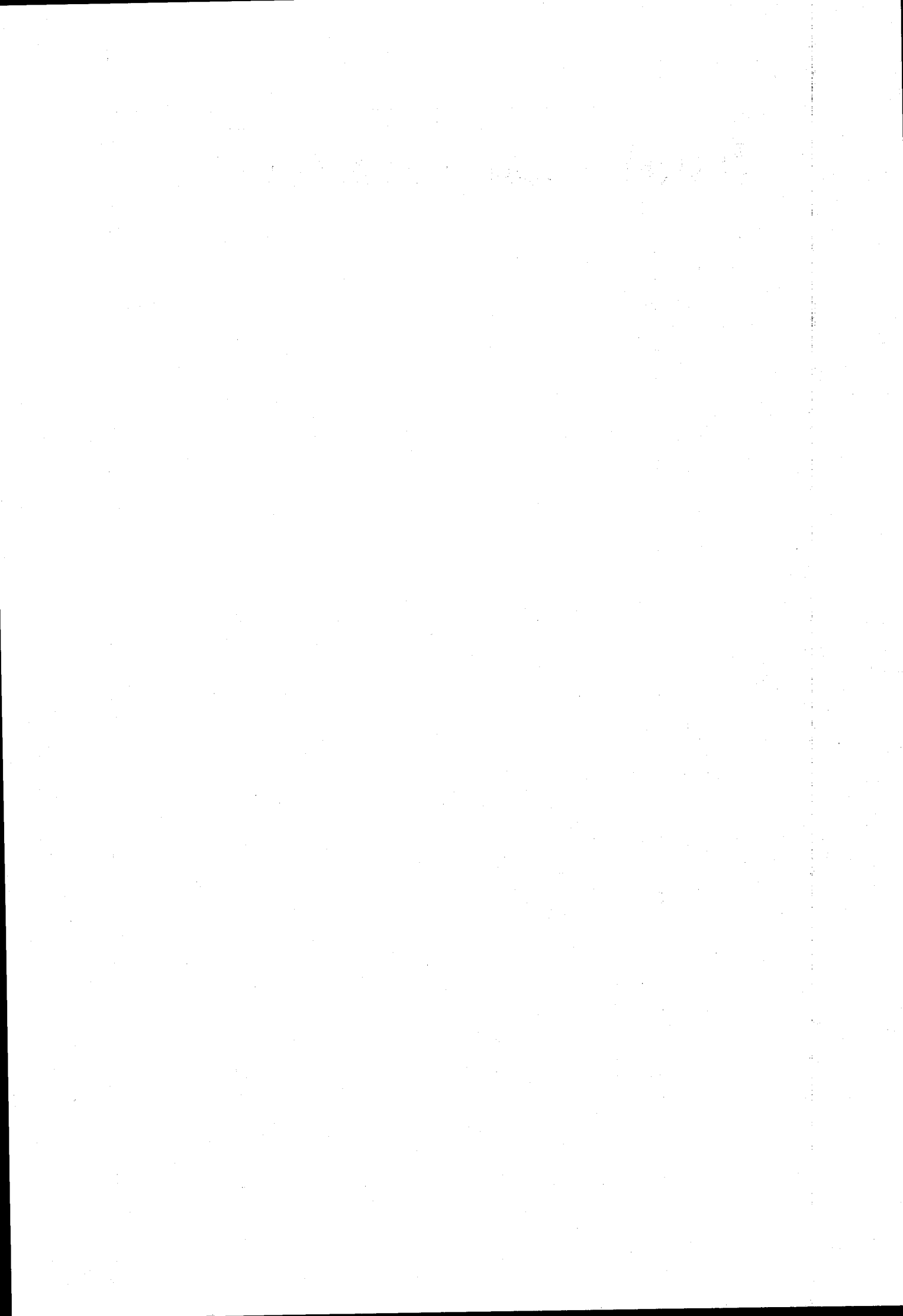
The recommendations that are included in the common programme of action are based on the analysis and recommendations of the national reports. An attempt was made to identify those measures which could be taken on a reciprocal basis by those countries which wanted to move ahead at a faster pace towards regional integration. The principle of reciprocity is important, since most countries will only implement these measures if other countries simultaneously do likewise. A common timetable will therefore have to be developed. Together, the recommended measures constitute a programme which should encourage beneficial cross-border economic activities. They complement the measures that many countries are implementing in the context of national structural adjustment programmes. In this way, the initiative addresses the regional dimension of adjustment.

There will be certain transitional costs involved in implementing the measures outlined above. Government revenues might be affected and adjustments might become necessary. Nevertheless, it is expected that the net effect of these adjustments would be beneficial. It is also likely that the increased economic activity will more than compensate for the reduction in government revenues. In order to alleviate the transitional costs, the implementation of the common programme of action will be supported by external donors. The support could consist of financial and technical assistance, training and assistance for investment facilities.





Introduction et Synthèse



INTRODUCTION ET SYNTHÈSE

Ces dernières années un consensus s'est fait sur la nécessité d'une coopération et intégration régionales plus étroites en Afrique. D'une façon générale, on considère maintenant qu'une coopération et une intégration effectives aideraient certainement à surmonter les difficultés liées à la fragmentation économique du continent africain. En même temps, les résultats des précédentes tentatives de création de liens régionaux plus étroits ont largement déçu. Cette déception a conduit à une intensification de la recherche d'orientations plus réalistes et pragmatiques vers une coopération et intégration régionales en Afrique, d'orientations qui coïncideraient mieux avec la situation des Etats africains, d'orientations qui pourraient entraîner des progrès encourageants. L'initiative décrite dans ce document est une des tentatives de formulation d'une approche plus pragmatique de la coopération et intégration régionales en Afrique. Elle est basée sur l'expérience des Etats de l'Afrique de l'Est et de l'Afrique Australe et de l'Océan Indien.

1. DESCRIPTION DU PROCESSUS

1.1. Etude Préliminaire et Instauration des Groupes de Travail Techniques

La plupart des avantages de la coopération et intégration économiques sont générés par les opérations de commerce et d'investissement transfrontaliers entreprises par le secteur privé. En Afrique, les investissements transfrontaliers sont encore négligeables. Dans le meilleur des cas, le commerce intra-africain déclaré représente seulement dix pour cent du commerce total, bien que plusieurs études aient révélé un potentiel important pour les activités économiques intra-africaines. Ces études ont aussi mis en lumière nombre d'obstacles limitant la réalisation de ce potentiel. Un des objectifs de l'initiative mise sur pied en Afrique de l'Est et Australe et en Océan Indien était d'identifier les obstacles spécifiques au niveau national et de proposer les méthodes et moyens de les dépasser.

En 1992, tous les Etats de la région qui comprend les Etats membres de la Commission de l'Océan Indien (COI), la Zone d'Echanges Préférentiels pour les Etats de l'Afrique de l'Est et de l'Afrique Australe (ZEP) et la Communauté de Développement de l'Afrique Australe (SADC) ont été invités à participer à cette initiative. La Banque Africaine de Développement, la Commission des Communautés Européennes, la Banque Mondiale et le Fond Monétaire International ont offert une assistance technique et financière. Cette initiative a aussi bénéficié du soutien d'autres agences de développement bilatérales et multilatérales, en particulier de l'ACDI, de l'USAID et de l'agence suisse de coopération au développement, qui ont financé un certain nombre d'activités préparatoires. L'évolution récente de l'Afrique du Sud a amené un changement considérable dans la perception des futures relations politico-économiques dans la région. Des consultants privés ont donc entrepris des études sur l'Afrique du Sud dans le **contexte de cette initiative.**

Dès le début, il était évident que la plupart des limitations au commerce et aux investissements transfrontaliers étaient liées au peu de développement des transports et des réseaux de communication dans la région et aux lois et réglementations régissant le commerce, les paiements et les investissements dans les divers Etats. Ces contraintes se combinent pour augmenter sensiblement les coûts et multiplier les risques des transactions régionales. En conséquence, il est plus tentant de commercer ou d'investir dans des régions extérieures.

Cette initiative touche les empêchements réglementaires à qui on accorde rarement autant d'attention qu'à l'amélioration des réseaux de transport et communications; pourtant, bien souvent l'action requise pour améliorer la situation ne demande pas d'autre effort que d'imprimer un nouveau formulaire.

Ces dernières années, de nombreux Etats impliqués dans cette initiative se sont embarqués dans des programmes d'ajustement incluant la libéralisation du commerce et des mesures de déréglementation. Ces mesures lèvent quelques-unes des contraintes à l'activité économique intra-régionale, mais quelques cas se sont produits où les programmes ont nui à l'intégration régionale. En situant la libéralisation du commerce et les mesures de déréglementation dans un contexte régional, cette initiative concerne la dimension régionale de l'ajustement, qui jusque maintenant a reçu peu d'attention.

Certains Etats seront plus facilement à même d'atteindre l'objectif final de supprimer les barrières réglementaires au commerce et à l'investissement intra-régionaux; ces Etats jouissent déjà de régimes relativement libéraux en matière de commerce et d'investissement. D'autres qui ont toujours un régime très restrictif auront besoin d'une période plus longue.

En 1991, Imani Development, une société de conseil au Zimbabwe, a entrepris une étude préliminaire centrée sur les facteurs limitant l'investissement, le commerce et les paiements transfrontaliers en Afrique de l'Est et Australe. Cette étude a mis en évidence un certain nombre de difficultés spécifiques dont certaines avaient été mentionnées à plusieurs reprises dans de précédentes études réalisées par la COI, la ZEP et la SADC. L'analyse régionale globale n'avait pas été complétée, dans ces études précédentes, par un examen détaillé au niveau national. De plus, les gouvernements nationaux qui soutenaient nettement les objectifs des organisations régionales étaient souvent très lents à mettre en application les changements acceptés. Il devint évident qu'il était nécessaire d'approfondir les efforts de recherche au niveau national et d'essayer de trouver des solutions qui, partant du niveau national, pourraient aider à atteindre les objectifs régionaux. Il devint aussi évident qu'un tel suivi aurait tout à gagner d'une collaboration entre les secteurs public et privé. Ainsi, chacun des Etats ayant manifesté son intérêt à participer à cette initiative a été invité à organiser un groupe de travail technique (GTT) comprenant des représentants du secteur privé et du gouvernement. Chaque groupe de travail technique devait être assisté d'un consultant privé qui devait assurer le secrétariat du groupe. Les membres de ces groupes sont repris dans l'appendice A.

1.2. Le Premier Atelier : Détermination du Programme de Travail

Vers la mi-1992, plusieurs Etats avaient mis sur pied des groupes de travail pour cette initiative. C'est pourquoi un atelier a été organisé à l'île Maurice (3-5 juin 1992) pour établir un programme de travail. Participaient à cette réunion : le Burundi, les Comores, l'Ethiopie, le Kenya, Madagascar, le Malawi, l'île Maurice, la Namibie, la Réunion, le Rwanda, l'Afrique du Sud, le Swaziland, la Tanzanie, l'Ouganda, la

Zambie et le Zimbabwe. La ZEP, la SADC, la COI, l'ECA et l'OUA envoyèrent aussi des représentants, de même que la CCE et la Banque Mondiale. D'autres participants représentaient le Secrétariat du Commonwealth, l'UNDP, l'USAID et le gouvernement français.

L'étude réalisée par Imani Development, qui incluait une proposition de termes de référence pour une action ultérieure, servit de base de discussion. A l'issue de la réunion, les participants se mirent d'accord sur les termes de référence qui devaient guider les groupes de travail techniques dans leurs recherches au niveau national (Cf. Appendice B). Imani Development fut nommé coordinateur de cette phase de l'initiative.

Après la réunion de l'île Maurice, de nombreux groupes techniques furent élargis et de nouveaux furent créés. Des groupes de travail techniques nationaux furent créés ou élargis. Des GTT existaient désormais dans tous les Etats participants de la réunion de l'île Maurice, sauf en Ethiopie et en Afrique du Sud. Bien qu'ayant accepté qu'une étude soit entreprise par un conseil privé, le gouvernement éthiopien jugea qu'il n'était pas encore en mesure de s'impliquer totalement dans cette initiative. Pour ce qui est de l'Afrique du Sud, bien que beaucoup d'éléments divers de la société sud-africaine aient été consultés, y compris l'ANC et la Banque de Développement d'Afrique du Sud, l'étude fut entreprise par un consultant privé en tant que travail indépendant.

1.3. Recherches au Niveau National

De juin à octobre 1992, les groupes de travail techniques menèrent leurs recherches suivant les termes de référence déterminés lors de la réunion de l'île Maurice. Les objectifs majeurs de l'opération furent les suivants :

- analyser la situation existante en matière de commerce, investissements et paiements intra-régionaux dans chaque Etat participant;
- identifier les principales limitations à l'activité économique intra-régionale dans chaque pays;
- déterminer le degré de mise en application des mesures acceptées au niveau régional par les Etats membres, i.e. au sein de la COI, la SADC et la ZEP;
- mettre au point des propositions de programmes d'action applicables pour chaque pays dans le but de supprimer les limitations au niveau national;
- déterminer les mesures qui pourraient être prises par les organisations régionales de coopération pour améliorer leurs programmes en cours;
- formuler un programme d'action commun incluant des mesures pouvant être appliquées, réciproquement, par les pays participants;
- déterminer les domaines dans lesquels les agences d'aide pourraient soutenir la mise en oeuvre des programmes, tant nationaux que communs, par l'apport d'une coopération financière et technique.

Au sein des groupes de travail techniques, les responsabilités spécifiques furent réparties entre les membres. Un important courant de sollicitation d'avis s'instaura tant entre les représentants gouvernementaux qu'entre les membres du secteur privé. Des enquêtes du milieu des affaires furent entreprises,

soit par questionnaires, soit par interviews. Les informations furent collectées de sources utiles et les analyses menées à bien par les groupes de travail techniques. Des recommandations furent émises sous forme de plan d'action de mesures devant être prises tout d'abord au niveau national. Les résultats de ces activités sont résumés dans les rapports nationaux repris dans ce document.

1.4. Les Organisations Régionales

L'avantage principal de la méthode adoptée lors de la mise en oeuvre de cette initiative est que l'analyse du problème et la mise au point des solutions ont été abordées à partir de chaque pays. De plus, le travail a été entrepris avec l'entière collaboration des secteurs public et privé et des principales organisations régionales (la COI, la ZEP et la SADC). Le programme commun d'action reflète donc largement les aspirations des principaux acteurs en matière de commerce, paiements et investissements intra-régionaux.

Cette initiative peut être considérée comme une manière de soutenir les organisations régionales dans leur effort permanent de promotion de l'intégration régionale. Pendant ces dix dernières années, la ZEP a considéré la promotion du commerce intra-régional comme une des ces fonctions les plus importantes. Dans cette ligne, elle a encouragé l'introduction de nombreuses mesures de promotion du commerce et été à l'origine de nombreuses activités, y compris un programme de libéralisation du commerce et le Réseau d'informations Commerciales de la ZEP (TINET).

De même, une des priorités de la COI est le développement du commerce régional. Elle est en train de mettre en application un nouveau programme pour le développement du commerce régional qui englobe les thèmes principaux suivants :

- diffusion d'informations économiques et commerciales;
- mise en place de mesures pour faciliter les échanges de biens et de services;
- promotion du commerce;
- plans financiers pour le commerce et les investissements;
- amélioration des liaisons de transport;
- facilitation pour la circulation des personnes et
- formation.

La facilitation des activités économiques transfrontalières figure aussi parmi les priorités de la SADC. De nombreux plans de promotion des échanges intra-régionaux tels que les facilités du financement des exportations et des investissements transfrontaliers étaient déjà mis en oeuvre dans le cadre de la SADCC d'origine. Ces efforts ont été poursuivis dans le cadre de la nouvelle SADC.

L'implication continue de ces organisations dans cette initiative est vitale pour une mise en application réussie du programme d'action.

1.5. Le Deuxième Atelier: Formulation d'un Programme Commun d'Action

En décembre 1992, un deuxième atelier s'est tenu à Harare, Zimbabwe, afin de débattre des résultats des efforts de recherche nationaux et de formuler une proposition pour un programme commun d'action (voir paragraphe 6). Les rapports nationaux furent alors soumis non seulement par les Etats qui avaient mis sur pied des groupes de travail techniques (Burundi, Comores, Kenya, Madagascar, Malawi, Maurice, Namibie, Rwanda, Swaziland, Tanzanie, Ouganda, Zambie et Zimbabwe), mais aussi par les Seychelles et la Réunion et les consultants qui avaient travaillé en Ethiopie et Afrique du Sud.

Outre les représentants des groupes de travail techniques et les consultants, la réunion fut suivie par la COI, la ZEP, la SADC, la CEA, l'OUA, la BAD, la CCE, la Banque Mondiale, le Secrétariat du Commonwealth, la Coalition Mondiale pour l'Afrique, le FMI, le Centre du Commerce International, la Chambre de Compensation de la ZEP, la Fédération des Chambres de Commerce et d'Industrie de la ZEP, le Conseil du Commerce Régional de la SADC et l'US AID. L'appendice C contient la liste des participants.

2. LES ECHANGES COMMERCIAUX

2.1. Les Mouvements d'Echanges Intra-Régionaux

Selon les statistiques fournies par les GTT, la période 1987-1991 se marquait par une tendance assez positive. Il apparaît cependant que ce courant positif avait été précédé d'un mouvement négatif au début des années 1980. Une grande différence existe d'un Etat à l'autre, non seulement en matière de taux de croissance du commerce intra-régional, mais aussi dans les volumes et pourcentages réels des échanges intra-régionaux.

Sans surprise, c'est l'Afrique du Sud qui est le plus grand partenaire en commerce intra-régional. En 1990, l'Afrique du Sud a exporté vers le reste de la région un montant de 4.730 millions US \$, un accroissement de 10% par rapport à 1989. Bien que 77% de ce chiffre représentent des exportations vers d'autres pays de la SACU, plus de 1.000 millions US \$ étaient exportés vers le reste de la région. En tout, les exportations régionales représentaient 20% des exportations totales. La même année, l'Afrique du Sud a importé des marchandises pour une valeur de 825 millions US \$ de la région, une augmentation de 4% par rapport à 1989. Ceci représente 5% des importations totales de l'Afrique du Sud. En 1990, l'Afrique du Sud exportait vers et importait de chacun des Etats de la COI, la ZEP et la SADC, sauf Djibouti. En cette année, le commerce intra-régional a atteint 13,6% des échanges totaux.

Le Zimbabwe est un autre acteur majeur dans les échanges intra-régionaux. Ses exportations totales vers la région sont passées de 305 millions US \$ en 1987 à 421 millions en 1991, réalisant un accroissement de 38%, tandis que ses importations ont augmenté de 131% (de 309 à 715 millions US \$ pendant la même période. Cette évolution impressionnante en 1991 fut principalement due à l'introduction d'une libéralisation des échanges qui a entraîné une substantielle augmentation des importations, en particulier de l'Afrique du Sud. De 1987 à 1991, les échanges intra-régionaux du Zimbabwe sont passés de 25% de ses échanges mondiaux en 1987 à 32% en 1991. Pendant cette période, le taux de croissance des exportations du Zimbabwe au sein de la région de la ZEP (34%) et dans l'ensemble de la région (38%) fut supérieur à celui de ses échanges mondiaux (15%).

Malgré sa petite taille, l'île Maurice s'est aussi révélée comme un acteur majeur du commerce régional. Entre 1989 et 1991, l'île Maurice a accru ses exportations vers la région de 50%; ses exportations vers les Etats ZEP ont doublé pendant cette période. Les importations venant de la région (13, 4% des importations totales) ont aussi révélé un accroissement sensible durant cette période.

Au sein de la région, un certain nombre d'importants sous-groupes de partenaires commerciaux se dessinent. Le Burundi, le Rwanda, l'Ouganda, le Kenya et la Tanzanie constituent un groupe dont les échanges sont importants. Les Comores, Madagascar et l'île Maurice en constituent un autre, tandis que le Botswana, le Malawi, la Namibie, l'Afrique du Sud, le Swaziland, la Zambie et le Zimbabwe entretiennent aussi d'échanges substantiels. Il se produit aussi des chevauchements entre ces sous-groupes.

Les échanges commerciaux non déclarés constituent toujours une part importante du commerce intra-régional. Aucun Etat n'a pu fournir de chiffres précis sur les volumes ou les valeurs. Pour ce qui est de l'Ethiopie, on estime que les exportations non déclarées sont nettement supérieures à celles déclarées. Quelques Etats en voie de libéralisation, tels que le Burundi, rapportent que les courants commerciaux officiels commencent à diminuer sensiblement depuis l'instauration de la libéralisation du commerce.

2.2. Les Programmes de Développement du Commerce Intra-Régional

Nombre d'Etats ont pris part à des programmes spécifiques de développement du commerce intra-régional. La ZEP a organisé quatre foires commerciales et soixante dix-sept études sur l'offre et la demande. Des réunions acheteur-vendeur ont été organisées dans les domaines des outils et machines agricoles, des produits pharmaceutiques, du ciment, des produits chimiques agricoles, des articles en cuir, du sel, des pièces automobiles, de même que pour les matières premières et les produits intermédiaires importés par le Zimbabwe. Plus de 550 compagnies ont participé à ces réunions. Le résultat de ces réunions a été estimé à un chiffre d'affaire de 130 millions US \$.

La COI a organisé des foires commerciales régionales. Le SRBC a, lui aussi, organisé une réunion acheteur-vendeur dans le domaine des produits intermédiaires, suivi d'un programme pour les acheteurs intérieurs.

Malgré tous ces efforts, le potentiel total n'a pas encore été atteint. Les Etats déclarent que les affaires qui se sont matérialisées à la suite de ces programmes satisfont à peine leurs attentes. Une des raisons en est le problème des licences d'importation. Il est toutefois clair que de nombreuses autres raisons existent, entre autres :

- les prix élevés et non concurrentiels;
- la faible qualité des produits;
- la communication mal adaptée entre les hommes d'affaires;
- la non livraison des marchandises après la conclusion de l'affaire;
- la faiblesse des systèmes de transport provoquant des délais de livraison; et
- la capacité de production insuffisante.

Quelques Etats comme le Kenya, le Zimbabwe et l'île Maurice ont aussi des programmes nationaux de développement des exportations visant la région. Ces programmes impliquent des études de marché, des missions commerciales, des expositions et des missions d'acheteurs.

Le Réseau d'informations Commerciales de la ZEP (TINET) est considéré comme un outil utile pour résoudre le problème du manque d'informations au sujet du potentiel commercial de la région. Sa mise en application est toutefois limitée. Le TINET a besoin d'être mis à jour et son champ d'action augmenté pour couvrir, par exemple, les informations sur les liaisons routières, coûts et transporteurs. Il a aussi été plus efficace à collecter les informations qu'à les distribuer. Il doit être rendu directement accessible au secteur privé de chaque pays au lieu d'être localisé dans des immeubles ministériels ou des organisations parastatales. Tous les Etats conviennent pleinement que les échanges intra-régionaux offrent un potentiel sous-exploité considérable qui pourrait être matérialisé si les contraintes étaient vaincues.

2.3. Les Procédures de Licences à l'importation et à l'Exportation et la Bureaucratie

Les procédures bureaucratiques, les licences d'importation et/ou l'autorisation d'accès aux devises constituent encore un obstacle majeur au commerce intra-régional. Une étude du cycle d'importation en Ethiopie entre la demande d'autorisation et le dédouanement a révélé que 146 différents formulaires, 168 pages, 269 signatures et un total de neuf mois étaient nécessaires! Cependant, depuis l'instauration des programmes de libéralisation du commerce dans beaucoup d'Etats, ce problème tend à s'atténuer.

Vers 1992, nombre de pays avaient mis sur pied ou étaient en train d'instaurer une libéralisation des procédures à l'importation, souvent basée sur le concept des Licences Générales Ouvertes à l'importation. Des régimes relativement libéraux existent désormais dans les pays suivants: Burundi, Comores, Malawi, Maurice, Namibie, Rwanda, Afrique du Sud et Swaziland.

Des régimes de transition vers des systèmes plus libéraux existaient au Kenya, en Tanzanie, en Ouganda, en Zambie et au Zimbabwe. L'île Maurice jouit du régime le plus libéral de la région. Les exportations et importations de biens, à l'exception de quelques produits interdits, étaient dispensées de contrôle. Les permis d'importation avaient été supprimés.

Les procédures d'exportation ne présentent habituellement pas de problèmes, bien que certains Etats appliquent une procédure bureaucratique considérable. L'Ethiopie exige des procédures rigoureuses de licence à l'exportation qui, bien souvent, retardent ou empêchent les exportations.

2.4. Les Transports et Communications

Bien que les télécommunications se soient améliorées durant ces dernières années, un plus grand développement serait encore souhaitable. Tous les Etats membres de la ZEP, sauf la Somalie, sont désormais liés directement par communications terrestres via PANAFTEL, mais peu sont liés par satellite.

En outre, ce réseau est souvent congestionné. Si tous les pays ont des stations terrestres, ils ne sont pas reliés régionalement, mais opèrent seulement par des connections transcontinentales. Les coûts des télécommunications sont très élevés et il est souvent plus cher d'appeler un autre pays de la région que d'appeler l'Europe ou l'Amérique.

Le potentiel en matière de liaisons aériennes dans la région a augmenté au cours des dernières années, le nombre de vols s'est accru. Cependant, en dépit de nombreuses résolutions, très peu a été fait en matière d'harmonisation des horaires aériens, d'ouverture des routes régionales pour les opérateurs privés et la mise en oeuvre du 5ème Droit à la Libre Circulation autorisant les compagnies aériennes à transporter des passagers entre les destinations intermédiaires. En conséquence, il est encore difficile de voler d'un pays à l'autre sans perdre de temps en escales pénibles. Déplus, plusieurs compagnies aériennes régionales refusent d'endosser leurs billets pour d'autres transporteurs, ce qui s'avère souvent nécessaire quand les horaires sont modifiés. Un autre obstacle aux déplacements aériens dans certains pays est la nécessité d'acheter les billets en devises étrangères. La SADC a entrepris une étude sur les compagnies aériennes de la région, mais ses recommandations ne sont pas encore totalement mises en application!

Une des limitations importantes au commerce intra-régional vient de la restriction des heures d'ouverture des postes-frontière. Même les passages de frontière pour un jour ou deux sont difficiles et nécessitent une importante paperasserie.

L'amélioration en matière d'harmonisation des opérations ferroviaires n'a pas été loin malgré la coopération existant entre les compagnies ferroviaires au sein de l'Afrique Australe et, à moins grande échelle, au sein de l'Afrique de l'Est. Les conditions de transport et les tarifs ne sont pas standardisés. Les chargements minimum diffèrent. Souvent, le matériel roulant ne peut opérer dans d'autres pays.

L'absence d'une autorité centralisée, qui serait responsable de la standardisation des conditions de transport et des tarifs de la réservation du matériel roulant, de la location du temps d'utilisation des voies, du contrôle du chargement et des mouvements et de la perception des droits est ressentie comme de sérieux obstacles.

De nombreux problèmes existent encore en matière de transport maritime, en particulier pour les petits volumes, au sein de la région. Les îles ont peu de liaisons avec le continent et les services côtiers sont inadaptés. De plus, les administrations et installations portuaires doivent être encore améliorées dans beaucoup de pays. Le personnel en charge de l'administration portuaire n'est pas formé convenablement. Les connaissances en matière de possibilités de développement de services de transport intérieurs multiformes qui lieraient les lacs aux services routiers et ferroviaires, sont très limitées.

2.5. Le Plan de Libéralisation du Commerce de la ZEP

Les Etats membres de la ZEP ont été lents à mettre en oeuvre ce plan de libéralisation du commerce de la ZEP par lequel les barrières douanières et non-douanières doivent être progressivement réduites pour être finalement éliminées.

En ce qui concerne les réductions des droits de douane, au moment de la rédaction de ce document (novembre 92), seuls le Burundi, le Kenya, l'île Maurice, l'Ouganda et le Zimbabwe étaient à jour. Tous, ils attendaient l'application de la troisième réduction des tarifs à très court terme. Le Malawi, la Tanzanie et la Zambie allaient appliquer la deuxième réduction en liaison avec la troisième réduction des tarifs rapidement. L'Éthiopie allait rattraper son retard très bientôt. Le Swaziland est encore en train de négocier les réductions de tarifs avec la SACU. Plusieurs États se sont plaints de ce que le processus administratif de réduction des tarifs était extrêmement complexe. Ceci a ralenti le rythme de sa mise en œuvre. La ZEP a reconnu que ce programme a de sérieux problèmes et a convenu de le réviser substantiellement entre autres par: l'abolition du concept de Liste Commune et la révision des règles du critère d'origine.

Des problèmes encore plus importants sont nés de la libéralisation des barrières non-douanières. Comme mentionné plus haut, plusieurs pays sont en train de libéraliser leurs importations. Cependant, très peu ont pris les mesures nécessaires à l'élimination de la principale contrainte des licences d'importation liées au programme de la ZEP. Le Programme d'Harmonisation Monétaire de la ZEP demande la libéralisation complète des paiements à l'importation via la Chambre de Compensation de la ZEP avant la fin de 1993. De même, il est nécessaire de réduire les procédures bureaucratiques qui existent dans certains pays en matière d'exportation.

2.6. Les Systèmes de Financement à l'Exportation

Certains pays dont le Kenya, l'île Maurice, l'Afrique du Sud, le Swaziland et le Zimbabwe, opèrent avec des systèmes de crédit pré- et/ou post-expédition. L'Afrique du Sud possède le système le mieux développé et le secteur de services financiers le mieux développé. Le Burundi est en voie de mettre en œuvre un système, tandis que la Namibie cherche actuellement la possibilité d'en établir un. Ces systèmes connaissent des réussites diverses. Un consensus général s'est fait, cependant, sur le fait qu'il faut absolument étendre les opérations de ces systèmes et les introduire là où ils n'existent pas.

La Banque de la ZEP a accordé quelques prêts commerciaux depuis 1989 mais ils ont été extrêmement limités. De plus, ils n'étaient pas directement orientés vers le commerce intra-régional, sauf en Éthiopie où un montant d'environ 5 millions US \$ a été mis à la disposition d'exportateurs pour importer des matières à transformer et à ré-exporter dans la région. Au Burundi les prêts servent à importer du pétrole et exporter du café. Au Zimbabwe, les prêts de 10 millions US \$ furent accordés pour le financement général des pré- et post-expéditions et ont été très rapidement épuisés.

Les seuls pays jouissant d'une organisation viable d'assurance de crédit à l'exportation sont l'Afrique du Sud (Crédit Guarantee Insurance Corporation of Africa Ltd) et le Zimbabwe (Zimbabwe Crédit Insurance Corporation). Ces compagnies fournissent une couverture tout risque d'assurance à l'exportation (court, moyen et long-terme), assurent des conseils pour le financement à l'exportation et enquêtent sur le répondant financier des acheteurs. Une couverture est assurée tant pour les risques commerciaux que pour les risques liés à la politique et aux transferts. Cette couverture n'est cependant pas assurée pour tous les pays de la région.

Bien qu'il y ait une demande pour ces facilités dans les autres pays, elles ne pourraient être viables que dans les pays plus largement exportateurs. Le faible volume des exportations rendrait de telles

opérations impossibles dans certains pays. La possibilité d'établir une institution régionale a été envisagée dans le passé et jugée non-viable. La situation changeante de la région peut maintenant entraîner un résultat différent.

2.7. Les Systèmes de Facilitation du Commerce de la ZEP

Seuls quelques Etats appliquent actuellement les taux transitaires harmonisés de la ZEP pour le trafic transitaire : le Burundi, le Malawi, la Zambie et le Zimbabwe. Alors que certains Etats membres de la ZEP n'ont aucune circulation transitaire, plusieurs pays n'ont pas instauré les taux harmonisés ou, s'ils les ont instaurés, pratiquent encore des droits additionnels de transit et des péages. Certains pays insistent aussi sur un paiement en dollars US.

Le Système d'Assurance-Tiers des Véhicules à moteurs (Carte Jaune) fonctionne dans les pays suivants : Burundi, Kenya, Malawi, Rwanda, Tanzanie, Ouganda, Zambie et Zimbabwe. Cependant, plusieurs pays rapportent que les règlements de plaintes ont été retardés par les Banques Centrales.

Le document de déclaration de douane pour transit routier «Road Customs Transit Déclaration» (RCTD) est actuellement utilisé dans nombre de pays, y compris le Burundi, le Kenya, le Malawi, le Rwanda, la Tanzanie, l'Ouganda et le Zimbabwe. Certains de ces pays demandent encore d'autres documents, tandis que d'autres n'ont pas encore instauré ce système. La Zambie devrait appliquer ce système bientôt. Néanmoins, ce document traite seulement du trafic transitaire et ne peut être utilisé pour les importations ou exportations directes. L'application effective du document RTCD pourrait être encouragée par l'instauration du Système Régional de Garantie des dépôts.

2.8. Les Autres Mesures de Facilitation du Commerce

Seuls quelques pays ont mis en oeuvre ou sont prêts à lancer le Système Automatisé des Données Douanières (SYDONIA) qui facilite le traitement des importations par les services douaniers et les statistiques commerciales. Ces pays comprennent : le Burundi, Madagascar, l'île Maurice, le Rwanda et le Zimbabwe. L'Ethiopie, le Malawi, la Namibie et la Tanzanie préparent son application. Le Swaziland souhaite l'instaurer mais attend de l'aide. Quelques pays ont instauré des systèmes informatiques, dont l'effet est similaire à celui du SYDONIA. Le Kenya a mis en place le système BOFIN. L'Afrique du Sud a mis en place le système de Traitement Douanier Automatisé des Entrées (CAPE). La Zambie a l'intention d'instaurer le système TAXNET fin 1993.

La plupart des pays ont désormais instauré ou sont en train d'instaurer le Système Harmonisé de Classification dont le Burundi, le Kenya, Madagascar, le Malawi, l'île Maurice, la Namibie, l'Afrique du Sud, le Swaziland, la Tanzanie, l'Ouganda, la Zambie et le Zimbabwe. L'Ethiopie et le Rwanda espèrent démarrer ce système très bientôt.

Des Bureaux Nationaux des Standards existent dans un certain nombre de pays de la région, y compris : l'Ethiopie, le Kenya, le Malawi, l'île Maurice, l'Afrique du Sud, la Zambie et le Zimbabwe. Un Bureau des Standards a été créé au Burundi mais il n'est pas encore opérationnel. La coopération régionale en matière de standardisation commence à se mettre en place. La plupart des bureaux nationaux existant sont membres de l'OIS, tout en étant aussi membres de l'Organisation Régionale Africaine des Standards (ARSO), basée au Kenya. L'ARSO a établi 684 standards pour servir de critères aux bureaux nationaux. Sept pays de la région sont membres de l'ARSO. Les standards nationaux correspondent souvent aux standards OIS et/ou ARSO.

La coopération entre pays s'installe aussi. Là où les facilités sont limitées, les bureaux nationaux envoient souvent les produits à tester vers d'autres bureaux. L'année dernière, le Bureau des Standards sud-africain a aidé un certain nombre d'autres pays, comme le Botswana, le Kenya, le Lesotho, la Namibie, le Swaziland, la Zambie et le Zimbabwe. Le Zimbabwe envoie aussi des produits à tester au Kenya qui a des installations plus perfectionnées. La SADC s'est embarquée dans un projet de standardisation et a mis sur pied un comité d'experts en standardisation dans le but de former le personnel des bureaux nationaux et aussi les milieux d'affaires. La circulation des informations sur les standards a aussi commencé au sein de la région SADC. La ZEP développe un projet de standardisation et de contrôle de qualité. La COI a oeuvré sur un projet de normes et standards communs, pour lequel les Etats membres ont été désignés comme chefs de produit dans l'établissement des standards des biens d'importance à leur exportation.

3 LES PROBLEMES DES INVESTISSEMENTS

3.1. Développement des Investissements Transfrontaliers

Il n'existe pas beaucoup d'exemples d'investissements transfrontaliers dans la région, si ce n'est ceux venant d'Afrique du Sud. Le Zimbabwe et l'île Maurice ont récemment été à l'origine de quelques investissements extérieurs régionaux. L'investissement d'Afrique du Sud dans le secteur minier, l'agriculture, la transformation, le tourisme et les services financiers est, de tradition, important dans les pays de la SACU et au Zimbabwe et, plus récemment, au Mozambique, Malawi, Maurice et Kenya.

Entre 1986 et mi-1992, les investissements transfrontaliers du Zimbabwe vers la région, pour lesquels les devises ont été obtenues depuis le Zimbabwe, ont atteint un total de 5,3 millions US \$. Ces investissements furent opérés au Botswana, Malawi, Maurice, Mozambique, Namibie et Afrique du Sud. Les secteurs touchés par ces investissements comprenaient les secteurs bancaire et financier, les transports, l'entreposage et le transport des marchandises, la transformation, les mines, l'industrie hôtelière, la construction et l'architecture, le commerce de détail et le marketing et la publicité.

Les investissements régionaux à partir de l'île Maurice se sont accrus, ces dernières années, pour atteindre une valeur annuelle de 1,4 million US \$ en 1991. De tels investissements se concentrent dans les pays de la COI (90% ces trois dernières années) et le solde en Afrique du Sud. Les secteurs principaux sont le tourisme et la transformation et dans la Zone de Traitement de l'exportation de Madagascar. Les

investissements à Madagascar auraient été plus élevés sans l'instabilité politique de ces dernières années. Plusieurs investisseurs ont obtenu les autorisations nécessaires mais ne se sont pas encore établis.

Quatre investissements transfrontaliers ont été entrepris depuis le Kenya vers le Botswana, le Rwanda, la Tanzanie et l'Ouganda, dans les domaines de la transformation du poisson, des services et de l'usinage. Nombre d'autres investissements sont actuellement à l'examen. Des investissements transfrontaliers occasionnels ont eu lieu depuis d'autres pays tels que le Burundi, le Malawi, la Namibie et la Zambie.

En ce qui concerne les investissements vers l'intérieur, 10% des investissements étrangers en Ile Maurice en 1990 venaient de la région, alors qu'en 1988 ces investissements représentaient seulement 6% du total. Ces investissements sont venus de Madagascar, de Namibie, de la Réunion, des Seychelles, d'Afrique du Sud et du Zimbabwe (indirectement). Récemment, le Kenya a reçu une demande d'investissements du Burundi (tourisme), d'Afrique du Sud (industrie) et du Soudan (industrie).

3.2. Les Codes et le Climat de l'investissement

La plupart des pays ont établi des programmes pour attirer et encourager l'investissement privé, tant intérieur qu'extérieur. A cette fin, ils ont créé des stimulants spécifiques et ont entamé des actions promotionnelles.

Dans certains pays, le code des investissements est un recueil d'obligations légales, tandis que dans d'autres, c'est un guide qui laisse le règlement des détails définitifs au cas-par-cas. Beaucoup de pays ont créé ou sont en train de créer un centre de promotion des investissements pour coordonner les nouveaux investissements. Certains sont allés plus loin et ont établi des bureaux «une seule étape» qui ont pour fonction d'assurer toutes les autorisations et permis nécessaires aux nouveaux investissements.

En reconnaissant la nécessité de garanties d'investissement, beaucoup de ces pays sont entrés dans la Convention de l'Agence de Garantie Multilatérale de l'investissement (MIGA). Certains d'entre eux se sont aussi joints à la Convention sur le Règlement des Conflits d'investissement entre Etats; et Originaires d'autres Etats, 1965, et à la Convention de New York sur «the Recognition and Enforcement of Foreign Arbitral Awards», 1958. L'accord entre le Mozambique et le Zimbabwe est le seul exemple d'accord bilatéral d'investissement entre pays dans la région.

Malgré de récentes mesures dans beaucoup de pays, les délais et procédures bureaucratiques constituent encore une sérieuse dissuasion pour les investisseurs. Au Kenya par exemple, trente cinq types d'autorisation sont encore nécessaires pour un investissement, encore que tous les investisseurs n'ont pas besoin de tout. La plupart des organismes d'investissement se considèrent encore comme des institutions réglementaires plutôt que comme des organismes de promotion. En général, les centres d'investissement devraient abandonner leur côté réglementaire et devenir des promoteurs actifs et des facilitateurs de nouveaux investissements. Même là où des organismes jouent un rôle promotionnel actif, cette action promotionnelle est en général dirigée vers l'Europe, l'Amérique du Nord et l'Asie. Elle est rarement axée sur la région, à part la récente tentative d'attirer les investisseurs d'Afrique du Sud. Nombreux sont les

investisseurs régionaux potentiels qui ne connaissent pas le climat de l'investissement dans les pays de la région.

Une des principales contraintes à l'investissement dans la région tient aux réglementations et aux pratiques de contrôle du change qui souvent restreignent la récupération des dividendes, le capital, les gains sur capital et les salaires des expatriés. Récemment, l'Ile Maurice a totalement libéralisé la rapatriation des capitaux et les gains sur capital lors du désinvestissement, mais elle reste un cas unique dans la région en ce domaine. Les membres de la Zone Rand (Lesotho, Namibie, Afrique du Sud et Swaziland) ne rencontrent généralement pas de difficultés dans ces versements, mais ils sont réglementés par le mécanisme du Rand financier. Même dans les autres pays où les réglementations entérinent les versements de tels fonds, l'accord de la banque centrale est toujours indispensable et, en pratique, les fonds n'arrivent pas toujours.

Laplupart des pays restreignent les secteurs d'investissements ouverts aux étrangers. Le secteur des services est souvent fermé aux investisseurs étrangers ou fortement limité. La plupart des pays recherchent des investissements portant sur la technologie avancée afin d'élever le niveau de technologie au sein du pays. Les montants minimum d'investissements pour les étrangers sont souvent relativement élevés, de l'ordre de 500.000 US \$ en Ethiopie et Ouganda. Ces deux facteurs de restriction des secteurs et de montant minimum d'investissement limitent les investissements transfrontaliers potentiels.

Aucun pays de la région n'accorde de préférence aux investisseurs régionaux. De tels investisseurs sont traités de la même façon que les plus éloignés, ou même moins favorablement, bien qu'il soit reconnu que des investisseurs régionaux conviennent mieux du fait qu'on peut supposer qu'ils auront une meilleure compréhension du pays et que leur technologie pourra être mieux adaptée.

3.3. Les Accords de Double Taxation

Le seul pays qui ait conclu des accords de double taxation avec les autres pays de la région est l'Afrique du Sud. De tels accords couvrent habituellement les dividendes, mais certains couvrent aussi les intérêts, les droits d'exploitation et autres sources de revenus. Ces accords existent entre l'Afrique du Sud et le Botswana, le Lesotho, le Malawi, l'île Maurice, la Namibie, le Swaziland, l'Ouganda, la Zambie et le Zimbabwe; le Kenya et la Zambie; le Malawi et le Kenya; le Malawi et la Tanzanie; et la Tanzanie et la Zambie.

L'Ile Maurice et le Zimbabwe ont passé un accord qui va bientôt être d'application. L'Ethiopie négocie actuellement avec le Soudan. D'autres accords existent mais ils sont mal adaptés et pas toujours opérationnels.

3.4. La Circulation des Personnes

Si les ressortissants des pays du Commonwealth n'ont pas besoin de visas pour voyager dans les autres pays du Commonwealth à l'intérieur de la région et s'il existe quelques accords bilatéraux, les visas sont toujours nécessaires pour circuler entre beaucoup d'Etats de la région. Bien qu'il soit souvent affirmé que les visas sont nécessaires pour des raisons de sécurité nationale et de santé, il semblerait qu'en pratique

ils constituent bien souvent une source de revenus. C'est une des raisons pour lesquelles les Etats ont été lents à ratifier et mettre en application le Protocole de Réduction et d'Elimination Finale des Visas de la ZEP.

Ce protocole permettrait aux citoyens d'un Etat membre de se voir accorder un visa à son arrivée dans un autre Etat membre. Il a été ratifié par le Burundi, le Kenya, le Malawi, le Rwanda, le Swaziland, la Zambie et le Zimbabwe. Ce protocole prévoit aussi que huit ans après sa mise en oeuvre, les ressortissants de la ZEP devraient pouvoir entrer dans les autres pays de la ZEP pendant 90 jours sans demande de visa. Des adaptations seraient souhaitables pour une extension des mesures de ce protocole aux pays ne faisant pas partie de la ZEP. Bien que les visas de sortie ne soient pas habituellement demandés, les Ethiopiens voyageant hors du pays en ont encore besoin.

On rencontre des problèmes, en matière d'obtention de permis de travail et de résidence, dans la plupart des pays. Non seulement la procédure est très lente, mais il n'y a souvent pas de certitude d'en obtenir. Ceci constitue une contrainte à l'investissement transfrontalier. Il serait utile d'arriver à des accords séparés pour un traitement rapide des demandes de permis de résidence et de travail en ce qui concerne les investissements transfrontaliers.

3.5. Les Transactions et le Financement de l'investissement

Dans la plupart des pays, les investisseurs potentiels sont empêchés d'investir du fait d'un contrôle des changes restrictifs. Bien que quelques investissements transfrontaliers aient été réalisés ces dernières années, comme décrit plus haut, beaucoup de demandes ont été refusées par les banques centrales des investisseurs potentiels. Les marchés de capitaux de la région sont sous-développés. Généralement, les mécanismes pour rendre des fonds locaux accessibles n'existent pas, excepté en Afrique du Sud, au Zimbabwe et, dans une certaine mesure, au Kenya. Les bourses existent dans ces pays depuis de nombreuses années et de nouvelles bourses ont été récemment créées en Ile Maurice, au Botswana et au Swaziland. D'autres pays tels que le Malawi et l'Ouganda sont en train d'étudier les possibilités d'établir de telles institutions.

Les capitaux à risque sont difficiles à obtenir dans la sous-région, ce qui, non seulement, restreint l'investissement sur le marché intérieur, mais aussi sur les autres marchés de la sous-région.

L'impossibilité de commercer dans les devises régionales à des taux de marché déterminés pour les transactions d'investissement est un empêchement sérieux à de telles transactions. D'autres contraintes résident dans le fait que les bourses ne peuvent enregistrer et négocier les actions des autres bourses régionales et dans l'absence d'aménagements pour les capitaux à risque.

3.6. La Charte de la ZEP sur les Entreprises Industrielles Multinationales

L'Administration de la ZEP a adopté et signé une Charte sur les Entreprises Industrielles Multinationales (MIE) en novembre 1990, Cette Charte doit être ratifiée par douze Etats membres avant de prendre effet. Jusqu'à présent, le Malawi, la Zambie, le Zimbabwe et l'Ouganda l'ont ratifiée. La plupart

des autres Etats membres sont en voie de la ratifier, sans problèmes fondamentaux. Son but principal est de fournir un cadre au développement des investissements conjoints dans la région. Elle s'applique à tous les secteurs économiques liés au développement industriel, y compris les services. Dès qu'elle sera mise en application, cette Charte devrait éliminer beaucoup des contraintes à l'investissement transfrontalier.

Les principaux avantages de l'approbation de la MIE comprennent

- Q la possibilité de transférer des capitaux tant vers l'intérieur que vers l'extérieur;
- la délivrance de visas, de permis de résidence et de travail aux employés des MIE, de même que la rapatriation des salaires;
- la possibilité d'importer hors taxes des biens d'équipement et des matières intermédiaires d'un autre Etat membre;
- l'obtention d'un congé d'impôts de Cinq ans sur les revenus de l'entreprise;
- O l'obtention d'un traitement à égalité avec les entreprises nationales en matière de taxation, approvisionnement public et accès au crédit local;
- des paiements de compensation en cas de nationalisation, d'expropriation ou autres événements similaires.

Les Etats ne doivent pas seulement ratifier cette Charte, mais ils doivent aussi prendre un certain nombre de mesures pour intégrer ses clauses dans la législation nationale. De telles mesures entraîneront probablement des amendements à la législation en matière de compagnies, Douanes et Accises et Impôts sur le Revenu et aussi à la réglementation en matière de Contrôle des Changes, Banques et Immigration.

Les conditions de la Charte sont, cependant, ressenties par les GTT comme des mesures inutilement restrictives ne pouvant résulter qu'en très peu d'investissements. Le pays d'établissement pourrait y trouver un avantage même si le total des actions détenues par les ressortissants des Etats membres est inférieur aux 51 % stipulés. Il peut aussi exister des cas où l'investisseur de l'autre Etat membre devrait se voir accorder 100% des actions. Dans beaucoup de cas, le montant requis d'actions sera inférieur à 500.000 UAPTA. En fait, les investissements dans le secteur des petites et moyennes entreprises sont encouragés par les pays de la région et devraient donc être encouragés par la Charte.

4. LES PROBLEMES DES PAIEMENTS

4.1 Les Banques de Commerce dans la Région

Dans l'ensemble, les relations entre les banques commerciales au sein de la région sont très faibles. Cela est dû, tout d'abord, au manque de transactions qui a conduit les banques à ne pas ouvrir de relations inutiles dans beaucoup de pays. Quelques exceptions à cette situation existent, en particulier en Afrique du Sud, où, du fait des liaisons commerciales traditionnelles, le réseau de correspondants bancaires est développé. Cependant, quelques améliorations notables se sont produites durant les dix dernières années en dehors de liaisons traditionnelles. Une nouvelle image, qui n'est pas surprenante, montre que **de bonnes relations existent** avec chacun des partenaires commerciaux majeurs dans la région. En outre,

il existe une grande disparité entre les différents pays dans l'ampleur et la qualité des services financiers intérieurs disponibles.

Même quand il existe des relations de correspondance, quelques problèmes demeurent en matière de transferts inter-banques:

- Les charges sont souvent élevées du fait du faible volume d'affaires;
- la communication est difficile et compliquée et les transactions ne sont donc pas traitées rapidement;
- la qualité du personnel et des méthodes suivies par les banques commerciales dans certains pays est inadaptée et les pratiques bancaires internationales ne sont pas toujours suivies;
- les banques commerciales ne sont pas habituellement habilitées à maintenir des soldes portant intérêts sur les comptes des correspondants régionaux. Ceci entraîne que chaque transaction, quelque soit son importance, doit être financée au moment où elle est passée. Tandis que si les banques étaient autorisées à travailler avec des soldes actifs, elles ne devraient réapprovisionner leurs comptes que périodiquement au lieu de devoir le faire à la demande, ce qui diminuerait les coûts.

Aucune possibilité de formation n'est offerte aux banquiers pour améliorer l'étendue et la qualité des services financiers disponibles et pour assurer que les méthodes bancaires internationales sont suivies. En ce qui concerne les banques commerciales, elles manquent d'informations systématiques sur les activités des banques centrales de la région et sur leurs clients commerciaux, particulièrement en matière de retards de paiement.

4.2. Les Mécanismes de Paiement

La Chambre de Compensation de la ZEP (CCZEP) a été créée pour faciliter les transactions de paiement intra-régionales. Il s'agit d'un aménagement des paiements multilatéraux impliquant les banques centrales des Etats membres de la ZEP y compris celles du Burundi, des Comores, de l'Ethiopie, du Kenya, du Malawi, de l'île Maurice, du Rwanda, du Swaziland, de Tanzanie, d'Ouganda, de Zambie et du Zimbabwe. Pourtant, les Comores utilisent la CCZEP plutôt pour les transactions de voyageurs chèques en UAPTA et les contributions aux institutions de la ZEP que pour les transactions commerciales.

Les recettes (liées aux exportations intra-ZEP) se sont accrues d'une moyenne de 35,5% depuis son ouverture en 1984. Le Kenya, le Zimbabwe et la Zambie en ont été les premiers bénéficiaires. Ils ont enregistré des taux de croissance sensibles jusqu'à 1990 où un déclin a commencé pour se prolonger en 1991. La part de recettes de ces trois pays a été réduite de 85% en 1986 à 65% en 1991. En conséquence, les plus petits pays ont enregistré des augmentations de leurs recettes. La Zambie a connu les paiements les plus importants (liés aux importations intra-ZEP), presque le double de ses recettes, suivie du Zimbabwe et du Malawi. Le total des paiements du Kenya et du Zimbabwe furent de beaucoup inférieurs à leurs recettes. Les seuls autres pays qui aient eu un commerce excédentaire furent le Swaziland et la Tanzanie.

Parmi les limitations à l'utilisation de la CCZEP, se trouvent:

- les restrictions aux licences à l'importation;
- Q les autres réglementations de contrôle des changes telles que les restrictions aux paiements pour les services et les transactions d'investissement;
- l'insistance de certains pays à être payés en devises convertibles pour certaines exportations de biens traditionnelles;
- O certains instruments de paiements ne sont pas disponibles en UAPTA, tels que les lettres de change;
- le manque de couverture du marché pour les monnaies locales;
- la non-utilisation par certains pays dans la région;
- les programmes de soutien à l'importation des agences de coopération qui, souvent, dirigent les paiements via des banques étrangères.

Les mesures qui pourraient supprimer ces obstacles sont :

- la libéralisation des transactions du compte courant via la CCZEP qui couvrirait les paiements des biens et services, y compris mais non exclusivement, financiers, d'assurance, de transport (passagers et marchandises), de conseils et le tourisme;
- la libéralisation de l'accès aux voyageurs chèques en UAPTA pour circuler au sein de la région;
- O le développement de mécanismes appropriés à la CCZEP pour un commerce de libre marché en devises régionales qui n'exigerait pas un règlement par les banques centrales. Des transactions pourraient être entreprises pour les activités ne tombant pas dans le champ des transactions libéralisées par compte courant;
- un accord pour que toutes les exportations puissent être réglées en devises nationales via la CCZEP;
- le développement de nouveaux instruments financiers tels que des lettres de change en UAPTA;
- la mise en place d'une couverture du marché pour les monnaies nationales et l'UAPTA;
- Q l'extension de l'adhésion à la CCZEP à tous les institutions monétaires de la région.

Dans certains pays comme le Kenya, l'île Maurice, le Rwanda, la Tanzanie et l'Ouganda, il est désormais assez facile de garder des comptes en devises convertibles, mais aucun pays ne permet de maintenir des comptes en monnaies régionales. Les transactions seraient plus simples si cela était possible.

La plupart des pays imposent des restrictions sur la durée du crédit que les exportateurs peuvent offrir à leurs clients. Quatre-vingt-dix jours est souvent le maximum. Ceci met les exportateurs régionaux dans une situation désavantageuse par rapport aux autres exportateurs qui peuvent offrir des durées de crédit d'au moins 180 jours et quelquefois plus longues. Du fait du facteur haut risque dans les transactions avec certains pays, les institutions monétaires exigent aussi souvent des lettres de crédit confirmées et irrévocables.

5. LES INSTITUTIONS

Les rapports nationaux abordent le sujet des institutions de manières différentes suivant les besoins de leur pays respectif. La plupart des avis et recommandations traitent de leurs propres institutions nationales. Quelques traits communs se retrouvent cependant dans ces rapports :

- tous les pays ont des chambres de commerce et/ou d'industrie qui, ces dernières années, ont joué des rôles plus actifs dans les opérations économiques intra-régionales. Elles souffrent en général de leur faiblesse et de leurs ressources faibles;
- plusieurs de ces chambres sont membres de la Fédération des Chambres de Commerce et d'industrie de la ZEP et/ou du Régional Business Council de la SADC. Ces institutions régionales n'ont pas rempli leur rôle aussi bien que prévu et sont en train de perdre leurs appuis. Toutes deux ont souffert du manque de soutien de la part de leurs membres constituants et d'une trop grande interférence de la part de leurs contre-parties inter-gouvernementales. Une initiative a cependant vu le jour pour restructurer ces organismes en une seule, nouvelle, indépendante institution qui représenterait le milieu des affaires en Afrique de l'Est et Australe;
- dans la plupart des pays existent une ou plusieurs organisations nationales de développement du commerce, organismes soit tournés vers le secteur privé, soit gouvernementaux, tandis que des organismes d'affaires en participation existent dans certains pays. Ceux-ci varient énormément quant à leur capacité et leurs opérations. Certains d'entre eux doivent être sensiblement restructurés. Tous ont besoin d'aide pour pouvoir améliorer leurs services en matière de commerce intra-régional;
- nombre de pays sont affiliés à plus d'un organisme de coopération ou de développement régional. Ceci entraîne, de temps en temps, confusions et problèmes. Au sein de cette région, les quatre groupements majeurs traitant des problèmes de commerce et d'investissement sont la COI, la ZEP, la SADC et la SACU, mais il existe une quantité d'autres organismes régionaux qui partagent aussi un intérêt dans ces domaines. Les affiliations à ces groupements sont répertoriées dans le Tableau 1. De plus, un mouvement entre le Kenya, la Tanzanie et l'Ouganda existe actuellement pour faire revivre l'ancienne Communauté d'Afrique de l'Est.

Tableau 1 : Affiliations aux Organismes Régionaux

Pays	COI	ZEP	SADC	SACU
Afrique du Sud		P	P	X
Burundi		X		
Comores	X	X		
Ethiopie		X		
Kenya		X		
Madagascar	X	p		
Malawi		X	X	
Maurice	X	X		
Namibie		p	X	X
Ouganda		X		
Réunion	X			
Rwanda		X		
Seychelles	X			
Swaziland		p X	X	X
Tanzanie		X	X	
Zambie		X	X	
Zimbabwe		X	X	

x = membre

p = membre potentiel

Comme on peut le voir, neuf pays sont affiliés à deux organismes ou plus. Une plus grande rationalisation entre ces organismes, particulièrement en matière de commerce, est très souhaitée. Il conviendrait de supprimer le double emploi des ressources pour en améliorer l'efficacité. Un meilleur dialogue entre ces organismes et le secteur privé serait aussi nécessaire.

Une liaison étroite entre les sociétés de conseil de la région traitant des problèmes d'intégration régionale serait souhaitable, de façon à rendre plus faciles les études de marché, les enquêtes d'investissement, etc, pour le milieu des affaires.

6. PROPOSITION DE PROGRAMME COMMUN D'ACTION

En décembre 1992, les groupes de travail techniques se sont réunis à Harare, Zimbabwe, pour débattre des problèmes mentionnés plus haut et pour formuler le programme commun d'action décrit ci-dessous. La liste des participants est incluse dans ce document (Appendice C). Ce programme représente les points de vues et le consensus atteint au niveau technique. Il ne reflète pas nécessairement les points de vues des gouvernements, ni des institutions collaboratrices.

A la fin de chaque mesure proposée, se trouve une note indiquant à qui imputer la responsabilité de la mise en application ainsi que le temps prévu pour sa mise en place.

GN = Gouvernement National

OR = Organisation Régionale

SP = Secteur Privé

CT = Court Terme (12 mois)

MT = Moyen Terme (3 ans)

6.1. Mesures Commerciales

6.1.1. Libéralisation des importations

Les importations en provenance de pays participants seront exemptées de licence d'importation, d'allocation en devises et autres restrictions similaires. Des dispositions légales et administratives appropriées seront prises pour mettre en place la libéralisation nécessaire sur base de concessions communes entre les pays participants. Une courte liste négative sera dressée pour des raisons de sécurité et de santé. (GN-CT)

Tous les pays participants devront rattraper et se tenir strictement au calendrier des réductions de tarifs régionaux acceptées. Le concept de Liste Commune de la ZEP sera aboli, permettant ainsi le traitement préférentiel de tous les biens produits dans la région et conformes aux règles d'origine. Les règles d'origine seront encore revues pour réduire le taux de plus-value ou de contenu régional requis. Il conviendra de tenir compte des résultats des études et travaux entrepris actuellement par le secrétariat de la ZEP dans ce domaine. (GN/OR-CT)

6.1.2. Libéralisation des exportations

Les exportations vers les pays participants (excepté les marchandises en transit) seront exemptées de licence d'exportation, sauf en ce qui concerne la courte liste négative. (GN-CT)

6.1.3. Libéralisation du paiement des services

Les paiements des services, y compris mais sans restriction les services financiers (intermédiaires bancaires et non-bancaires), les assurances, le transport (passagers et marchandises), les conseils et le tourisme, prestés dans les pays participants seront libéralisés de la même façon. Une liste d'exceptions spécifiques pourrait être dressée. (GN-MT)

Les pays participants libéraliseront l'accès aux devises pour les voyages d'affaire et de loisir à l'intérieur de la région. L'utilisation des chèques de voyage en UAPTA sera encouragée. (GN-CT)

6.1.4. Facilitation du commerce intra-régional

Les droits de transit harmonisés de la ZEP seront mis en place et tout autre droit similaire aboli. Un système de bons en UAPTA pour le règlement de ces droits sera étudié et mis en place. (GN/ZEP-CT)

Le système de la Carte Jaune de la ZEP sera appliqué et un système plus rapide étudié pour le règlement des plaintes (GN-CT)

La déclaration RCTD de la ZEP remplacera tout autre document similaire. Un système pour l'introduction d'un document de douane unique, couvrant l'exportation, l'importation et le trafic transitaire, sera étudié et mis en service. Un système régional de garantie des dépôts sera également mis en oeuvre. (GN/ZEP-C/MT) Le système SYDONIA ou un système compatible sera instauré, pour le traitement des informations douanières. (GN-CT)

La convention sur l'harmonisation de la classification des tarifs douaniers sera mise en oeuvre et ses dispositions appliquées. (GN-MT)

6.1.5. Amélioration des procédures de standardisation

Tous les standards nationaux seront étudiés en harmonie avec les standards ISO/ARSO. Les actuels bureaux nationaux des standards et les installations de contrôle seront renforcés. Ces installations seront mises à la disposition des pays n'en possédant pas. (GN/OR-MT)

6.1.6. Amélioration des transports régionaux

Les pays participants veilleront à ce que les billets délivrés par les compagnies aériennes puissent être achetés en monnaies nationales. (GN-CT)

La cinquième édition du Droit de Libre Circulation sera mise en application dans tous les pays participants, pour permettre aux passagers entre deux destinations intermédiaires. (GN/OR-MT)

Les lignes aériennes nationales amélioreront l'harmonisation entre leurs horaires en s'appuyant sur les initiatives régionales. (GN/OR-CT)

Les compagnies aériennes des pays participants accepteront que leurs billets soient endossés par des transporteurs d'autres pays participants. Ces mesures seront appliquées en consultation avec l'AFRA. (GN/OR-CT)

Dans le cas de transports par bateau sur mers, fleuves et lacs, les objectifs seront d'établir à court ou moyen terme Une politique commune des transports sur eau et de créer ou de renforcer des compagnies maritimes viables financièrement et économiquement, grâce à la coopération régionale. (GN/SP-MT)

6.1.7. Amélioration des facilités financières du commerce

Les gouvernements des pays participants oeuvreront avec les banques commerciales et les institutions financières régionales pour mettre au point les mécanismes appropriés dans le but d'améliorer le financement à crédit des exportations avant et après transport. (GN/SP-MT)

Dans le but d'offrir des délais de crédit comparables à ceux de nombreux pays exportateurs hors de la région, les institutions monétaires des pays participants autoriseront au moins 180 jours de crédit à l'exportation aux autres pays participants. (GN-CT)

6.1.8. Instauration d'activités en matière de développement du commerce

Les organismes nationaux de développement du commerce des pays participants organiseront des activités de formation et de développement du commerce intra-régional. (GN/SP-MT)

Un système sera mis en place, par lequel une assistance sera fournie aux firmes des pays participants pour les aider à couvrir les coûts de développement de nouveaux marchés régionaux à l'exportation. Cela devrait couvrir les coûts d'opérations tels que les études de marché, les visites de prospection, les visites d'acheteurs, les rencontres acheteur-vendeur et la participation aux foires commerciales. (GN/SP-CT)

6.2. Mesures pour l'investissement

6.2.1. Cadres réglementaires nationaux

Les procédures actuelles d'autorisation d'investissement seront sensiblement simplifiées par un raccourcissement des délais d'approbation, de même que par une réduction, une rationalisation et une harmonisation des réglementations existantes. La liste complète des instruments réglementaires actuels sera dressée et des recommandations spécifiques seront énoncées pour une simplification de ces instruments. (GN-CT)

6.2.2. Ratification et mise en place de la Charte MIE de la ZEP

La Charte MIE de la ZEP sera ratifiée et totalement appliquée par chaque pays participant. Les législations et réglementations nationales seront amendées en conformité avec cette Charte. Afin de supprimer les retards bureaucratiques dans le traitement des demandes d'investissement pour les investisseurs régionaux, ces demandes, si elles sont conformes à la Charte, seront considérées comme approuvées si elles ne sont pas refusées dans les 45 jours. La Charte sera modifiée :

- O pour éliminer les restrictions à l'actionnariat et l'ouvrir à toute firme régionale;
- pour supprimer le minimum requis d'investissement;
- pour assurer l'application des procédures automatiques d'approbation pour les investissements conformes aux dispositions de la Charte. (GN/ZEP-MT)

6.2.3. Facilitation des investissements transfrontaliers

Chaque pays participant publiera les informations sur son code, ses encouragements et ses réglementations en matière d'investissement. (GN/SP-CT) Chaque pays se fera membre de l'Agence de Garantie Multilatérale de l'investissement (GN-CT)

Des accords de double taxation seront signés entre les pays participants (NG—MT)

Les bourses des pays participants seront habilitées à coter et négocier les actions des autres bourses régionales. (GN-MT)

6.2.4. Mise en place de nouveaux mécanismes pour l'apport de capitaux d'investissement

Les gouvernements de pays participants travailleront avec le secteur privé pour faciliter l'emploi et, le cas échéant, pour mettre au point des mécanismes appropriés, en matière d'apport de capitaux d'investissement en vue de faciliter les activités transfrontalières. (GN/SP/OR-C/MT)

6.2.5. Amélioration de la circulation des personnes

Les pays participants signeront, ratifieront et appliqueront les deux phases du protocole de la ZEP sur l'allègement et la suppression finale des Visas, pour parvenir à une suppression des visas pour les ressortissants des pays participants. Des dispositions seront également prises pour l'approbation automatique des demandes de permis de résidence et de travail pour les travailleurs liés aux investissements transfrontaliers. (GN/ZEP-CT)

Les procédures d'immigration seront amendées pour permettre le libre passage des frontières pour les personnes. Cela pourrait impliquer l'octroi de courts permis de séjour d'au moins 24 heures (sur présentation d'une pièce d'identité, comme par exemple dans le cas des dispositions de la CEPGL) aux résidents des pays participants. (GN-CT)

6.3. Mesures de Paiement

6.3.1. Réduction des obligations de liquidités en devises

En vue de minimiser la nécessité de liquidités en devises, les banques centrales des pays participants canaliseront, dans la mesure du possible, les transactions de paiement entre les pays participants via la CCZEP. Ces transactions seront considérées comme des opérations entre banques centrales et des dispositions seront prises pour garantir le prompt paiement aux opérateurs économiques concernés, en monnaie nationale. Plus exactement, la banque commerciale de l'exportateur sera créditée du montant correspondant par la banque centrale, dans un délai d'une semaine après preuve du paiement par l'importateur via sa banque commerciale. (GN/CCZEP-CT)

6.3.2. Facilitation des transactions de paiement financières et commerciales.

Chaque fois qu'il sera possible, les transactions liées au commerce et à l'investissement pourront se faire aux taux de change déterminés par le marché. En outre, des efforts seront accomplis pour publier les taux des marchés parallèle et officiel. (GN/SP-MT)

6.3.3. Amélioration des instruments financiers

De nouveaux instruments financiers, tels que les lettres de change en UAPTA, seront mis au point. Un marché à terme pour les monnaies locales et l'UAPTA sera mis en place, là où il s'avérera commercialement viable. (ZEP/GN/SP-MT)

6.3.4. Amélioration du secteur bancaire commercial

Un programme de formation sera mis en oeuvre pour les banquiers des pays participants pour améliorer l'étendue et la qualité des services financiers disponibles et pour assurer le respect des pratiques bancaires internationales. (OR/SP-CT)

Les banques commerciales seront autorisées à maintenir des comptes actifs chez leurs correspondants dans les autres pays participants et ces comptes pourront rapporter des intérêts. Les pays participants autoriseront l'ouverture et le fonctionnement de comptes dans n'importe quelle monnaie nationale. (GN/SP-CT) Les lois réglant l'accès au secteur bancaire commercial seront modifiées et simplifiées de façon à assurer une transparence. (GN-MT)

6.4. Mesures institutionnelles

6.4.1. Renforcement des institutions nationales

Les Chambres nationales du Commerce et de l'industrie et les organismes de développement du commerce seront renforcés pour leur permettre de jouer un rôle plus actif. Ceci impliquera l'accroissement de leurs capacités techniques et l'amélioration de certains de leurs services comme l'information et la formation. (SP/GN/OR-C/MT)

6.4.2. Maintien des GTT

Les GTT nationaux seront maintenus dans chaque pays participant en tant que comité-conseil vis-à-vis de leur gouvernement pour les questions d'intégration régionale. Un programme sera mis sur pied pour qu'ils continuent à oeuvrer en faveur de l'intégration régionale. Des dispositions seront prises pour la création de GTT dans les pays de la région qui n'ont pas encore pris part à cette initiative. On s'efforcera aussi d'établir des canaux de communication entre ces GTT et avec les organismes régionaux. (GN/SJP-CT)

6.5. Mesures concernant les Organisations Régionales

Outre les mesures citées plus haut qui doivent être mise en place par les pays participants, nombre d'autres recommandations doivent être mises au point par les organismes régionaux pour accroître l'activité économique intra-régionale. Ces recommandations comprennent :

6.5.1. Le renforcement des institutions régionales du secteur privé

La FCCI de la ZEP et le SRBC devront être restructurés pour devenir une seule, indépendante et viable organisation qui couvrira tous les organismes commerciaux membres au sein de l'Afrique de l'Est et Australe. (OR/SP-CT)

Le secteur privé aura une participation adéquate dans le processus décisionnel des organismes régionaux. (OR/SP-C/MT)

6.5.2. Le renforcement des actions de promotion du commerce et de l'investissement

La COI, la ZEP et la SADC devront publier des guides sur les investissements et des annuaires commerciaux pour leurs Etats membres. (OR-CT)

Le système TINET de la ZEP devra être mis à jour et élargi. Il devrait être installé dans tous les pays, à un endroit facilement accessible au milieu des affaires, comme les chambres de commerce. Les logiciels et les disquettes de données devront être achetables par toute firme ou organisation intéressée. Les informations devront être disponibles sur papier comme sur disquettes. (OR/SP-CT)

Les organismes régionaux continueront à organiser et à coordonner les activités intra-régionales de développement commercial telles que les foires commerciales, les rencontres acheteur-vendeur, etc. (OR-C/MT)

6.5.3. La rationalisation des organismes régionaux

Les études en cours sur l'harmonisation et la rationalisation des institutions régionales en Afrique de l'Est et Australe et dans l'Océan Indien seront prises en considération. (OR/GN-CT)

6.5.4. La facilitation du, Programme Commun d'Action

Les organisations régionales faciliteront la mise en oeuvre du Programme Commun d'Action. Ceci impliquera la possibilité d'étendre les dispositions spéciales aux pays non-participants comme, par

exemple, la possibilité pour tous les pays membres de la CCZEP ou de la Charte MIE de s'y joindre, et l'application de la RTCD et autres mesures de facilitation du commerce. (OR-CT)

Afin d'élargir le soutien international pour ce programme, les propositions devront être présentées au sous-comité de la Coalition Mondiale pour l'Afrique en matière de Coopération et Intégration Régionales.

7. CONCLUSIONS

Tous les pays participants ont répondu extrêmement positivement à cette initiative. Le travail de recherche qui a été entrepris démontre le souhait, tant du secteur public que du secteur privé, de travailler ensemble pour arriver à éliminer les contraintes qui ont sérieusement freiné le développement de l'activité économique intra-régionale.

Naturellement, il existait des divergences entre pays quant aux mesures recommandées. Certains proposaient des mesures plus libérales que d'autres. Certains ne doivent pas opérer beaucoup de changements car ils sont déjà bien avancés dans leur programme de libéralisation. D'autres ont une longue route à parcourir. L'insistance n'était pas la même pour tous. Malgré tout, les ateliers et les rapports nationaux ont démontré qu'il est possible d'avancer sensiblement en ce domaine et qu'il existe un terrain commun. La volonté de briser les barrières aux commerce, investissement et paiements intra-régionaux est là.

Les GTT nationaux ont déterminé les contraintes principales aux liaisons économiques intra-régionales, dans leur pays. En ce qui concerne le commerce, les problèmes majeurs tiennent à la restriction en matière de licences à l'importation et de procédure d'allocation de devises, bien qu'il existe d'autres barrières non douanières. Une des restrictions importantes à l'investissement transfrontalier réside dans l'impossibilité générale de transférer des capitaux d'un pays à l'autre à des fins d'investissement. Les réelles pénuries de liquidités et de capitaux sont également significatives. Les procédures bureaucratiques représentent une limitation sérieuse tant au commerce qu'à l'investissement. Les mécanismes de paiements ne favorisent pas le commerce et l'investissement régionales. Les services financiers et la disponibilité des crédits sont inadaptés dans toute la région.

Les recommandations présentées dans le Programme Commun d'Action sont basées sur l'analyse et les recommandations contenues dans les rapports nationaux. Une tentative a été faite d'identifier les mesures qui pourraient être prises sur base réciproque par les pays qui souhaitent évoluer plus rapidement vers l'intégration régionale. Le principe de la réciprocité est important car la plupart des pays n'appliqueront ces mesures que si les autres pays en font simultanément autant. Un calendrier commun devra donc être établi. L'ensemble des mesures constitue un programme de promotion des activités économiques transfrontalières, qui complète les mesures de politique économique que grand nombre des pays mettent en oeuvre dans le cadre des programmes d'ajustement structurel national. Dans ce sens, le programme commun d'action adresse la dimension régionale de l'ajustement.

La mise en oeuvre des mesures décrites plus haut impliquera certains coûts de transition. Les revenus des gouvernements seront peut-être affectés et des ajustements pourront s'avérer nécessaires. Néanmoins, il est prévu que le résultat net de ces ajustements sera profitable. Il est aussi probable que l'activité économique accrue fera plus que compenser la réduction des revenus gouvernementaux. Afin d'en alléger les coûts de transition, il est prévu que le programme commun d'action sera soutenu par des agences d'aide extérieures. Ce soutien pourrait omprendre l'assistance technique et financière, la formation et l'aide aux facilités d'investissement.



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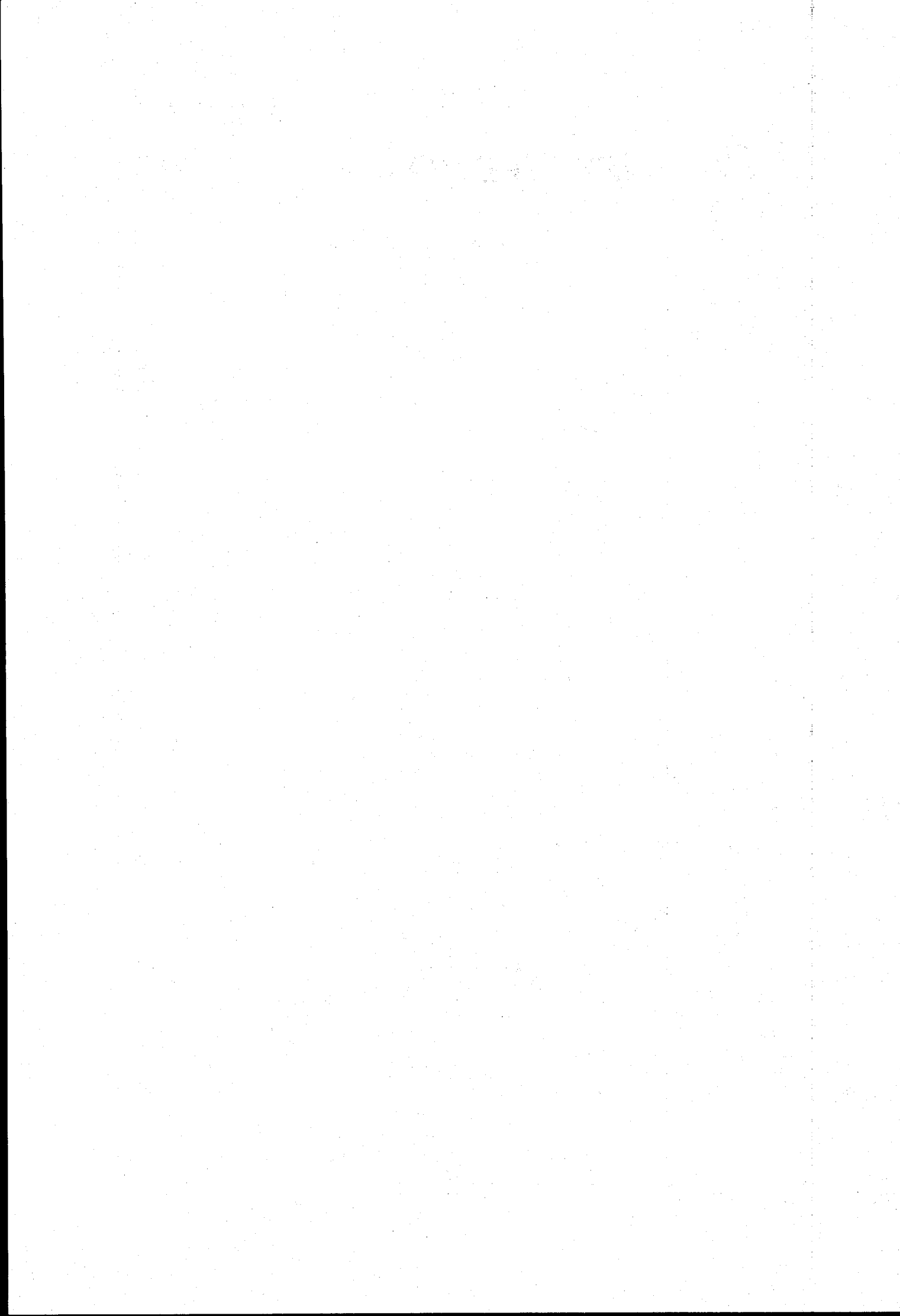
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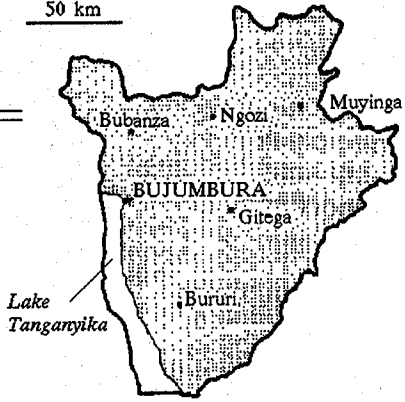
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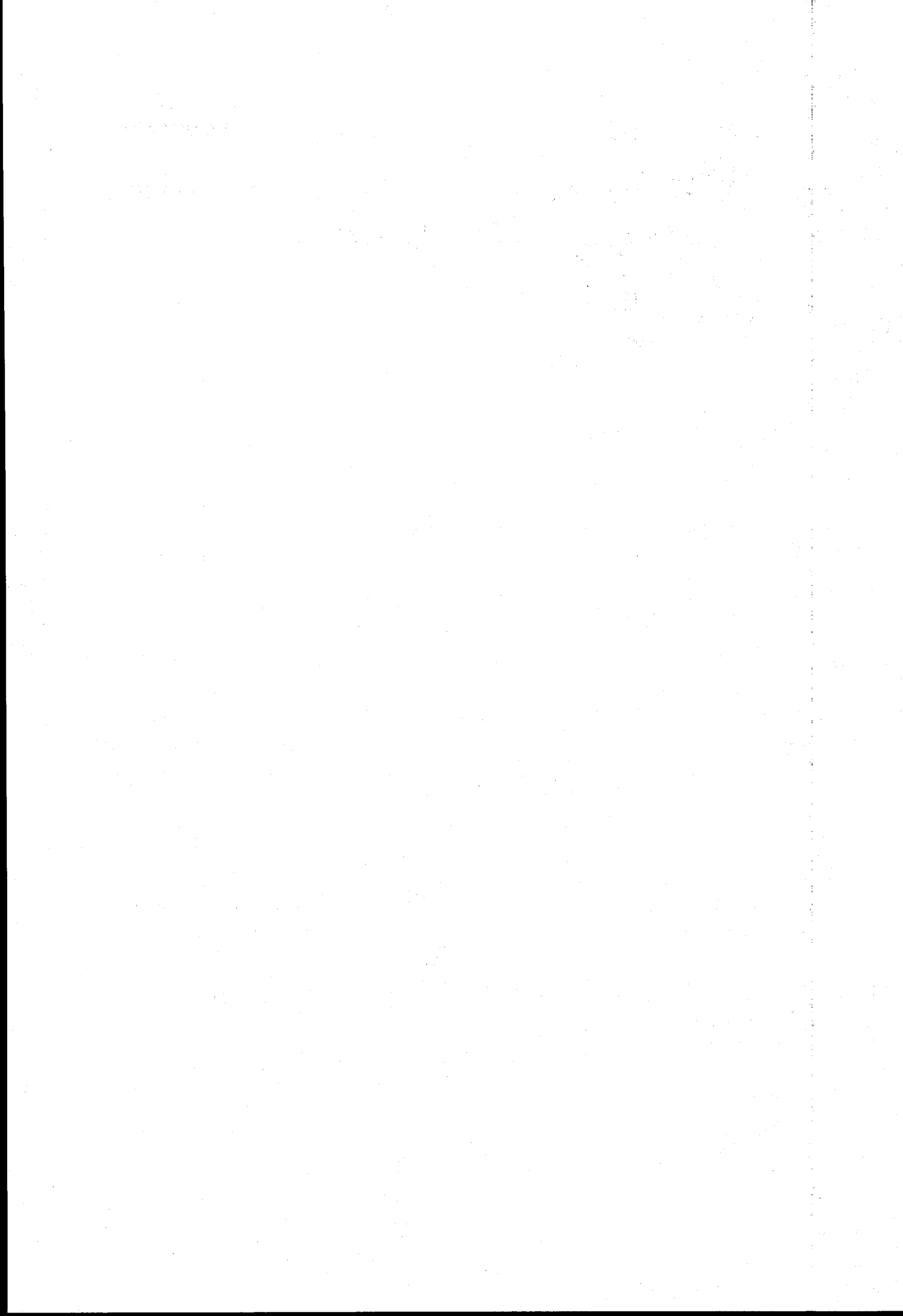
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Burundi



1. INTRODUCTION

L'objectif majeur visé par toute politique d'intégration régionale est d'accroître les flux de biens et services dans la région afin de mieux satisfaire les besoins des populations, et partant, de réaliser l'objectif de développement économique. Dans ce but, la ZEP a élaboré un programme visant une évolution progressive comprenant notamment des objectifs spécifiques convenus entre les Etats membres conformément aux dispositions du Traité l'instituant. Chaque participant était censé réaliser, l'application du programme arrêté par les instances habilitées et mettre en place toutes les mesures contribuant à promouvoir les investissements et les échanges intra-zone.

Après une décennie d'intégration, il importe de faire le point sur la situation à ce jour. L'étude que nous faisons aujourd'hui nous semble donc d'une importance capitale. Elle apportera, nous l'espérons,, un nouveau souffle où un groupement qui, bien qu'il incarne une réelle dynamique de croissance par le biais de l'intégration, ne parvient pas encore à décoller effectivement du fait de contraintes de plusieurs ordres que nous soulèverons ici.

Dans ce contexte, les commanditaires de cette étude - qui se réalise dans plusieurs pays de la ZEP - ont recommandé la mise sur pied de Groupes Techniques Nationaux de Travail (GTT) pour le compte desquels ils ont soigneusement élaboré des Termes de Référence, afin de permettre aux conclusions de l'étude de refléter une meilleure approche en terme d'évaluation du niveau déjà atteint par chaque Etat, de comparaisons inter-pays et de déboucher sur un véritable Plan d'Action.

Pour ce qui est du GTT du Burundi, nous suivrons scrupuleusement la méthodologie recommandée dans lesdits Termes de Référence, soit une analyse critique des différents domaines proposés (nous y ajouterons cependant celui de la "Communication") en termes de Réalisations et de Contraintes.

Nous formulerons à la fin de chaque section (domaine), une série de Recommandations que nous jugeons susceptibles d'insuffler à la ZEP (dans la mesure où elles seraient traduites dans les faits), une dynamique à la hauteur de ses ambitions.

2. INVESTISSEMENT

2.1. Situation actuelle

2.1.1. Le code des investissements.

Au Burundi, le code des investissements est l'instrument essentiel de stimulation et de promotion des investissements. Son objectif est de définir les garanties accordées aux investissements au Burundi, les divers régimes permettant leur mise en oeuvre, ainsi que les droits et obligations qui s'y rattachent en vue de promouvoir la mobilité du capital ZEP.

Institué pour la première fois en 1969, il a été régulièrement révisé afin de traduire dans les faits les décisions de politique économique progressivement arrêtées. Ainsi, sa dernière révision fondamentale date de 1987, c'est-à-dire au lendemain de l'adoption du Programme d'Ajustement Structurel. A cette date, une attention particulière fut accordée aux entreprises à vocation exportatrice, celles de transformation de matières premières locales, celles utilisant une forte densité de main-d'oeuvre, ainsi qu'à la décentralisation industrielle.

Les quelques aménagements intervenus en 1990 concernaient la taxe de transaction sur l'équipement de production et le lot initial de pièces de rechange ainsi que sur les articles régissant l'octroi d'une convention à certaines entreprises.

Les dernières modifications en date, celles de 1991 portaient sur la promotion des secteurs de l'artisanat et des PME auxquels il fut accordé des avantages automatiques portant essentiellement sur des mesures d'exonération et d'allègement fiscal.

Le code distingue 3 catégories d'investissements en fonction de leur origine : capitaux burundais, capitaux étrangers et capitaux mixtes. L'on note à ce jour cependant qu'aucune discrimination n'est établie entre investissements burundais et étrangers en matière d'octroi des avantages. Ainsi, pour les investisseurs étrangers, le transfert des revenus de la rémunération du capital investi sous forme de dividendes, et des capitaux en cas de cession ou de cessation d'activité a été autorisé (art.7). Bref, les rubriques du code des investissements intéressant directement l'économie peuvent être résumées comme suit :

- Les différents régimes (1) régime de droit commun, régime de l'agrément, régime de la convention, régime de la décentralisation.
- Les garanties et avantages particuliers.

(1) Voir en annexe A1 liste 1 établissant les avantages octroyés aux différents régimes d'entreprises.

2.1.2. Mesures d'incitation et d'amélioration du climat d'investissement.

En complément aux multiples modifications du code des investissements, le gouvernement a pris toute une série de mesures d'incitation s'inscrivant dans le cadre d'une forte amélioration du climat général d'investissement (1). Ainsi, les instances de planification ont élaboré, en plus des mesures générales de promotion des exportations intervenues en 1988, des mesures d'incitation spécifiques à la promotion de la PME, ainsi que des mesures de libéralisation et de simplification des différentes réglementations et procédures administratives conformément à la nécessité de modernisation de l'économie. Enfin, le gouvernement a initié une réforme de l'ensemble de la législation commerciale et des lois sectorielles apparentées avec l'objectif de créer un environnement juridique particulièrement favorable à l'initiative privée (législation bancaire, modernisation du code du commerce, droit des sûretés, etc...).

2.1.3. Ampleur des investissements provenant de la sous-région.

De manière générale, l'investissement étranger au Burundi est quasiment inexistant. Oscillant autour de 100 millions de FBu depuis 1984 (environ 500.000 \$US), il est composé de firmes occidentales uniquement et tend même à baisser. Malgré leur totale absence à ce jour, les investissements ZEP vers le Burundi devraient voir le jour dans l'avenir suite aux modifications favorables apportées à leur endroit par le code des investissements actuel.

2.1.4. Ampleur des courants d'investissement vers d'autres pays de la sous-région.

Il n'existe pas d'investissements quantifiables du Burundi vers la sous-région ZEP.

2.1.5. Impact des règlements sur le contrôle de change sur les investissements du Burundi vers la sous-région ZEP.

Les actes d'acquisition de biens, valeurs ou créances par les personnes physiques ou morales résidentes et de nationalité burundaise sont soumis à l'autorisation de la Banque de la République du Burundi (BRB), exception faite des avoirs en devises, actes d'acquisition ou de disposition avec une contre valeur inférieure à 100.000 FBu (environ 500 \$US). De surcroît, les avoirs en devises acquis par un résident sont obligatoirement cédés à une banque agréée.

2.1.6. Charte sur les entreprises industrielles multinationales de la ZEP.

Cette charte signée en 1990 n'a pas encore été ratifiée par le Burundi. Conforme aux règles d'origine de la ZEP (51% du capital social doit appartenir aux ressortissants de la ZEP), elle contraste quelque peu avec la taille de ses économies. En effet, le montant minimum requis est de 500.000 Unités de compte ZEP (UC ZEP), soit autour de 125 millions FBu (environ 625.000 \$US),

(1) Voir en annexe A I liste 2 reprenant les mesures d'incitation prévues dans le code des investissements.

Enfin, comme cela transparaît dans les points A. 1 et A.2 (et leurs annexes), toutes les dispositions favorables à l'implantation de firmes étrangères au Burundi ont été déjà prises. Comme il ne subsiste aucun obstacle, l'on peut penser qu'après la ratification de la Charte, toutes les conditions de faveurs seront alors réunies pour accueillir les investissements ZEP au Burundi.

2.1.7. Garanties susceptibles d'être réclamées par les investisseurs étrangers au Burundi[^]

Ces garanties tiennent essentiellement à certaines des différentes entraves qui inhibent l'investissement et que nous développerons plus loin à savoir : le risque de change, le taux d'intérêt, la fiscalité et le risque politique.

2.1.8. Convention sur la double imposition.

Bien qu'il n'existe pas de convention sur la double imposition entre les pays de la ZEP et le Burundi, ce dernier ne pratique pas de double imposition à l'égard de ses ressortissants installés à l'étranger. De plus, les avantages du code des investissements permettent -

- de supprimer l'imposition pour un délai déterminé sur les investissements jouissant des faveurs offertes par ce dernier;
- de supprimer la taxe de transaction sur le chiffre d'affaire et de n'imposer les bénéfices réalisés qu'à concurrence de 50%.

2.1.9. Protocole relatif à la libéralisation progressive et à l'élimination ultérieure des formalités de demande et d'octroi de visas à l'intérieur de la ZEP.

Ce protocole a été ratifié par le Burundi en 1985 (voir la loi n°1/04 du 28 juin 1985) bien que les premières mesures concrètes sont intervenues en 1989 (décret-loi n°1/007 du 20 mars 1989, spécialement en ses articles 11 et 17). Le résident permanent bénéficie aujourd'hui d'un visa d'établissement indéterminé lui permettant la sortie et le retour dans les mêmes conditions que les nationaux. Eu égard au contexte politique du moment cependant, la deuxième phase dudit protocole à savoir l'élimination des formalités de demande et d'octroi de visas devra attendre, pour des raisons de sécurité. JT

2.2. Contraintes.

2.2.1. Absence de volonté politique.

Comme cela a été dit dans les lignes précédentes, la volonté politique est un facteur primordial dans la réussite d'un processus d'intégration régionale. Pour se réaliser, l'engagement pour un effort collectif doit prendre en compte des divergences de vue d'ordre politique, pour se réaliser, des social ou culturel. En matière d'investissement, l'absence de volonté politique au sein de la ZEP s'est traduite par

la non ratification de certains instruments régionaux conçus pour le promouvoir. Il s'agit en réalité de documents signés de commun accord et pour lesquels la ratification est loin de faire l'unanimité à ce jour. En effet, ni la charte sur les entreprises industrielles, multinationales de la ZEP, ni le protocole relatif à la libéralisation progressive et à l'élimination ultérieure des formalités de demande et d'octroi de visas n'ont été ratifiés. Un tel climat ne peut donc convenir à la mobilité du capital, quelle qu'en soit la forme.

2.2.2. Absence de projets communs d'investissement productif.

> Dans le Traité portant création de la ZEP, le souci d'harmonisation des choix de développement a accordé une importance particulière aux projets d'investissement productif, condition sine qua non d'une croissance durable des échanges régionaux. De manière spécifique, des domaines prioritaires ont été ciblés (article 3 du Protocole sur la coopération dans le domaine du développement industriel).

Dans la pratique cependant, la ZEP affiche une absence caractérisée des programmes communs d'investissement productif et de la coordination des activités industrielles à l'échelon régional. Face à une telle situation, les pays de la ZEP risquent d'attendre encore très longtemps avant de voir les échanges décoller de manière effective.

2.2.3. Divergence de politiques monétaires.

La principale contrainte macro-économique rencontrée par les investisseurs de la région est la non-harmonisation des politiques monétaires des Etats membres. D'une part, la surévaluation, les écarts et l'instabilité (des taux de change) des monnaies des Etats membres de la ZEP constituent une sérieuse entrave à l'investissement trans-frontalier. D'autre part, le contrôle de change en vigueur dans la plupart des pays de la région limite le transfert de capitaux à l'étranger ;

Enfin, les taux d'intérêt réels demeurent négatifs d'où la faiblesse de l'épargne qui devrait servir de base à l'investissement. L'on notera également que la faiblesse des institutions financières existantes ne peut permettre de pallier à ce problème de l'épargne ainsi qu'à l'insuffisance d'investisseurs potentiels, d'où l'absence de capitaux d'investissement.

2.2.4. Le risque politique et l'absence de mécanisme de capital-risque.

Au climat d'instabilité monétaire s'ajoute un risque politique très accentué. Ainsi, face à la quasi-absence de mécanismes de capital-risque, la majorité des entrepreneurs hésitent à investir chez les partenaires de la sous-région, quels que soient les avantages fiscaux qui leur sont proposés.

2.2.5. Le problème de fiscalité.

Malgré une ferme volonté d'assouplissement fiscal constaté ici et là, il subsiste dans la région une absence de convention sur la double imposition, ce qui complique énormément l'initiative d'investissement trans-frontalier.

2.3. Recommandations.

- En matière de volonté politique, les organes directeurs de la ZEP doivent trouver des moyens d'exiger le suivi des décisions arrêtées car il s'agit là d'un problème fondamental. Chaque Etat doit en effet respecter les engagements auxquels il a souscrit.
- Concernant l'absence de projets communs d'investissement, des actions d'envergure doivent être entreprises :
 - Le comité de coopération industrielle et la commission devraient d'abord se réunir pour déterminer à quel niveau se trouve le blocage, afin de permettre la conception et l'exécution des programmes, conformément au Traité.
 - Les organes de la ZEP devraient ensuite pouvoir solliciter auprès des bailleurs de fonds, l'important soutien financier que ces projets nécessitent, en complément du rôle que devait tenir la Banque de la ZEP en matière de financement.
 - Enfin, les experts de la ZEP devraient promouvoir une meilleure coordination de l'investissement à l'échelon régional.
- Q En matière de politique monétaire, la ZEP et la CEPGL doivent solliciter auprès des organismes spécialisés (FMI et Banque Mondiale), la prise en compte par leurs experts, du facteur intégration régionale dans les Programmes d'Ajustement Structurel. Cela permettrait d'harmoniser les politiques économiques et monétaires de la sous-région de la ZEP.
- Concernant le risque politique et l'absence de capital-risque qui inhibent l'investissement; les organes de la ZEP et de la CEPGL doivent étudier les possibilités de création d'un mécanisme commun de protection des investissements inter-régionaux et d'adopter les instruments déjà existants tels que MIGA (Multilateral Investment Guarantee Agency) et de la CEPGL.
- Enfin, en matière de fiscalité, la ZEP devrait s'attacher à élaborer une convention régionale sur la double imposition et à harmoniser les politiques fiscales.

3. LES ECHANGES

3.1. Analyse des statistiques des échanges du Burundi avec les pays membres de la ZEP,

L'analyse du tableau n°1 (Annexe A2) représentant les statistiques des échanges totaux du Burundi avec la ZEP montre un déficit très important du Burundi; soit au total environ 9.392,7 millions de FBu (soit environs 47 millions de \$ US) de déficit sur la période analysée (1987-1990). L'analyse du tableau n° 1 montre en effet que la balance commerciale du Burundi n'est excédentaire que pour deux pays seulement: à savoir, le Rwanda (32,4% des exportations dans la ZEP) et l'Ouganda; respectivement

deuxième et troisième débouchés du Burundi derrière le Kenya (36,7% des exportations dans la ZEP). Pour ces derniers, les principales exportations du Burundi concernent les tissus en coton, les bouteilles en verre foncé et les piles électriques (Rwanda), les matelas en mousse, les bouteilles en verre foncé, les couvertures et des plastiques (Ouganda).

Les plus gros déficits résultent des échanges avec la Zambie (27,7% des importations dans la ZEP), le Kenya (24,1% des importations dans la ZEP) et le Zimbabwe (tableau n°1). Les principales importations du Burundi dans ces pays concernent le ciment Portland et le sucre cristallisé (Zambie), l'huile de graissage et les extraits pour la fabrication des boissons (Kenya) ainsi que le fer à béton (Zimbabwe). En gros, les tableaux 4 et 6 en annexe montrent les principaux produits d'importations et d'exportations du Burundi dans la ZEP.

Bref, les principaux partenaires du Burundi dans la ZEP sont les suivants (tableau n°2) :

- en matière d'exportation, le Kenya (36,7%), le Rwanda (32,4%), l'Ouganda (16,6%) et le Zimbabwe (12,1%);
- en matière d'importation, l'on a la Zambie (27,7%), le Kenya (24,1%) et le Zimbabwe (16,8%).

Concernant les valeurs, l'on note que dans l'ensemble, les exportations tendent à baisser avec les principaux partenaires cités plus haut alors que les importations connaissent une nette croissance avec les mêmes partenaires (voir l'évolution des importations et des exportations en valeur de 1987 à 1990 dans le tableau n°2.)

Enfin, l'on constate au tableau n°1 que les échanges du Burundi dans la ZEP connaissent une nette tendance à la croissance du déficit de la balance commerciale (Kenya, Zambie, Zimbabwe et Tanzanie) et une nette diminution de l'excédent là où il y en avait (le Rwanda et en quelque sorte l'Ouganda). Bref, le déficit total du Burundi dans ses échanges avec la ZEP tend à s'accroître (de 3,8 millions \$US à environ 46,9 millions \$US).

Pour ce qui est du commerce non déclaré, les statistiques sont difficiles à réaliser. Il convient cependant de signaler qu'avec la libéralisation des échanges et les mesures d'assouplissement des procédures douanières, les pratiques de spéculation et de fraude vont sensiblement diminuer.

3.2. Les contraintes

3.2.1. Contraintes macro-économiques principales rencontrées par le secteur privé.

Dans la correction des distorsions dues à une forte surévaluation des monnaies des pays de la région, l'adoption des mesures de dévaluation préconisées par le Programme d'Ajustement Structurel de façon non concertée et intervenant à des périodes différentes chez les différents partenaires a nécessairement des retombées négatives sur les échanges et crée un climat de spéculation et de doute qui inhibe souvent l'initiative privée.

De même, des taux d'inflation très sensibles induisent d'importantes perturbations qui alourdissent le doute des opérateurs privés soucieux de la promotion du commerce.

Les taux d'intérêts débiteurs, très élevés, découragent l'initiative privée car ils compromettent la rentabilité des projets et partant, l'expansion du secteur privé.

Au Burundi, la faiblesse du pouvoir d'achat (250 \$US/tête/an) a comme conséquences directes l'étroitesse du marché intérieur, la faiblesse de l'épargne intérieure et de la consommation. Le climat n'est donc guère favorable à la croissance de l'investissement.

3.2.2. Nature des règlements et pratiques en matière de licence d'importation.

Depuis quelques mois, le Burundi a adopté un régime de libéralisation complète des importations. Pour ce faire, la Banque de la République du Burundi (BRB) a mis au point depuis mai 1992 une nouvelle réglementation en matière d'importations. En matière de paiement (souvent l'un des principaux problèmes), l'article 43 de ladite réglementation stipule que le paiement des importations en provenance de la ZEP doit être effectué dans la monnaie du fournisseur ou alors en UC ZEP.

Actuellement, le régime libéral n'exige que de remplir la "Déclaration d'importation et de paiement" et quelques documents d'accompagnement pour délivrer ensuite la licence d'importation à tout importateur agréé. Plus aucune procédure bureaucratique de nature à gêner l'importation ne subsiste.

Par la suite, le Burundi devrait effectivement supprimer complètement les licences d'importation avec les pays membres de la ZEP. Cette ultime étape n'attend plus qu'un minimum de réciprocité qui fait défaut encore chez ses partenaires.

3.2.3. Règlements applicables aux permis d'exportation.

Le Burundi a depuis un certain temps simplifié toutes les procédures administratives relatives à l'obtention du permis d'exportation. Actuellement pour devenir exportateur, il suffit d'être agréé par le Ministre ayant le Commerce et l'industrie dans ses attributions. Pour cela, il faut adresser une demande d'agrément au Ministre du Commerce et de l'industrie après remplissage d'un formulaire administratif d'usage. L'opération d'agrément est effectuée en moins de deux jours.

3.2.4. Réductions tarifaires et suppression des barrières non tarifaires.

Pour ce qui est des réductions tarifaires, le Burundi n'enregistre pas de problème par rapport au calendrier de la ZEP. En effet, les droits de douane ont été réduits de 10% en 1988, de 10% en 1989 et de 10% en 1992. Parallèlement, le Nouveau Tarif National a intégré les nouveaux produits admis sur la liste commune de la ZEP et les 3 colonnes du tarif préférentiel ZEP établies en fonction de la part nationale du capital-action dans l'entreprise exportatrice ont été remplacées par une colonne de taxation unique, plus précise et favorable à l'importateur.

Pour ce qui est des barrières non tarifaires, le Burundi a le mérite de figurer parmi les tout premiers pays à avoir libéralisé l'octroi des licences d'importation et d'affectation des devises pour les produits en provenance de la sous-région. Actuellement, tout importateur agréé peut demander et obtenir une licence d'importation en moins de 4 jours. Quant à l'allocation de devises, un règlement unique sur le contrôle de change a donné plus de liberté aux banques commerciales, achevant ainsi l'effondrement des barrières non tarifaires.

3.2.5. Analyse des contrats commerciaux souhaités et ceux réalisés entre les firmes burundaises et leur partenaires de la ZEP.

Les opérateurs économiques burundais ont participé à un certain nombre de rencontres entre acheteurs et vendeurs et de foires commerciales. A la quasi-totalité des dites rencontres, le Burundi était intéressé comme importateur uniquement (sauf pour les produits pharmaceutiques que le Burundi proposait d'offrir) comme l'indique -le tableau n°7 en annexe. Dans la mesure où il s'avère difficile et incertain de rassembler les données de manière ponctuelle sur les contrats conclus et ceux effectivement réalisés, nous dressons le tableau n°7 récapitulant toutes les importations des produits ayant fait l'objet de rencontres entre acheteurs et vendeurs.

Pour ce qui est des foires organisées par la ZEP, quelques entreprises burundaises ont exposé des produits (BRARUDI, COTEBU, ONAPHA, FADI, SOSUMO) qui ont fait impression mais sans succès commercial par la suite.

3.2.6. Impact des entreprises de commerce d'Etat sur la restriction des importations et des exportations.

Depuis que le Burundi a adopté le programme d'ajustement structurel en 1986, les entreprises commerciales de l'Etat ont été soit privatisées (partiellement ou totalement), soit réhabilitées. De plus les mesures de libéralisation des prix et du commerce ont également contribué à supprimer l'impact des entreprises de commerce d'Etat sur la restriction des importations et des exportations. Elles se retrouvent aujourd'hui en concurrence avec les autres entreprises sur un même pied d'égalité.

3.2.7. Introduction du système harmonisé de classification et de codification des marchandises au Burundi.

La taxation douanière est actuellement dispersée dans trois ouvrages différents :

- Le "tarif des douanes à l'importation" qui reprend la taxation normale à l'importation, c'est-à-dire le droit de douane applicable aux marchandises qui ne bénéficient pas de la taxation réduite.
- Le tarif de la ZEP : pour chaque produit concerné, ce tarif ZEP comporte actuellement trois taux plus ou moins réduits selon la part des financements nationaux dans le capital de la

société qui a produit les marchandises. Au Burundi, le taux applicable est celui qui est le plus favorable à l'importateur.

O Le tarif des droits de douane de sortie qui reprend la taxation applicable à l'exportation des marchandises.

Dans chacun de ces 3 ouvrages, les marchandises sont classées sur la base de la version de 1959 de l'ancienne Nomenclature du Conseil de Coopération Douanière (NCCD), qui est aujourd'hui largement obsolète, de moins en moins utilisée. Conscient de ce problème, les autorités burundaises ont décidé d'adhérer à la convention du Système Harmonisé (S.H.). C'est ainsi que le S.H. est intégré dans SYDONIA (Système automatisé des données douanières) et a été retenu comme base du Tarif National des Douanes du Burundi.

3.2.8. Progrès accompli par le Département des Douanes dans l'application du système automatisé des données douanières (SYDONIA).

Au Burundi les travaux de mise en place du traitement automatisé des déclarations douanières sont pratiquement terminés. Ils ont été initiés à travers le projet SYDONIA qui existe au sein du Département de la Douane depuis janvier 1990. A Partir du mois d'octobre 1992, des tests seront effectués sur le module qui pourra être fonctionnel dès janvier 1993.

L'utilisation de SYDONIA donne la possibilité de créer la nomenclature douanière de son choix et compte tenu des avantages offerts par le S.H., il a été décidé d'adopter cette nomenclature comme base du Tarif National des Douanes.

3.2.9. Application des redevances harmonisées du transit routier de la ZEP.

Théoriquement, tous les pays membres de la ZEP s'étaient convenus de mettre en application l'harmonisation des charges de transit routier. Pour le Burundi, cette mise en application a été sanctionnée par la signature de l'Ordonnance Ministérielle n°540/236 du 15/12/1989 relative au Fonds Routier National. Malheureusement, les mesures individuelles contraires à cette pratique prises par certains pays comme l'Ouganda et la Tanzanie s'avèrent être une entrave non moins importante pour les échanges burundais dans la ZEP.

3.2.10. Application du système d'assurance aux tiers des automobiles de la ZEP.

Dans la mesure où l'assurance responsabilité civile automobile est obligatoire au Burundi, Une saurait en être autrement pour les véhicules circulant sur son territoire. Ainsi, le système d'assurance responsabilité civile automobile via l'utilisation des cartes jaunes de la ZEP est bel et bien en vigueur dans plusieurs pays de la ZEP. Seule l'Ouganda utilise encore son bureau national dans le règlement des litiges relatifs aux accidents des automobiles des Etats de la ZEP. En attendant le gouvernement est en train d'élaborer une loi relative à cette matière (l'admission de la Carte jaune par ce dernier).

3.2.11. Efficacité du document relatif à la déclaration douanière du transit routier (RCTD).

Au Burundi, l'efficacité de ce document est manifeste. Les transporteurs burundais empruntant le corridor nord ne paient plus les divers frais de transit, de pesage, de parking etc... et réduisent d'environ cinq jours, les très longs délais de stationnement.

Il convient cependant de signaler que quelques autres documents à savoir le passavant-à-caution et le manifeste sont encore exigés au Burundi. De même, le Kenya exige d'autres documents comme le P27 par exemple, qui multiplie procédures et formalités aux dépens des utilisateurs de son réseau.

3.2.12. Impact des normes et critères existants sur le commerce extérieur et évaluation des offres d'harmonisation régionale en cours dans les pays de la ZEP.

Le Burundi a déjà initié un système de normalisation et de contrôle de qualité et a créé un Bureau de Normalisation et de Contrôle de la Qualité respectivement par Décret-loi n°1/036 du 13 décembre 1989 et Décret-loi n°1/17 du 17 mai 1992. Au stade actuel cependant, le système n'est pas encore opérationnel.

3.2.13. Contraintes à la libéralisation des échanges.

L'absence de volonté politique se traduit par une non-réciprocité manifestée de la part des partenaires du Burundi tant en matière de réductions tarifaires que dans la suppression des barrières non tarifaires. De même, les mécontentements politiques entre partenaires de la ZEP peuvent sérieusement entraver les échanges (voir l'exemple des échanges du Burundi avec le Rwanda). Certains partenaires refusent d'utiliser le mécanisme prévu par la Chambre de Compensation dans leurs transactions. En plus les problèmes de gestion occasionnent des ruptures de stock du fait du faible niveau de fonctionnement des usines des fournisseurs et des commandes très dispersées de la part des importateurs burundais.

L'exportation se heurte aux barrières non tarifaires chez les partenaires et aux problèmes financiers tels que l'absence de moyens pour la prospection des débouchés.

3.2.14. Contraintes en matière de transport.

Des contraintes liées au transport de marchandises alourdissent le coût des échanges burundais dans la région. Parmi ces contraintes on peut citer:

- le mauvais état des infrastructures routières du corridor nord rend les marchandises burundaises non compétitives;
- les frais occasionnés par l'exigence de documents nationaux supplémentaires parallèlement à la DTDR (le passavant-à-caution, le manifeste, les documents C34, P.27, etc);
- le non respect des redevances harmonisées de transit routier de la ZEP par certains partenaires comme l'Ouganda et la Tanzanie.

3.3. Recommandations

Q Aussi bien au niveau de la ZEP que de la CEPGL, les autorités politiques devraient plus que par le passé, réaffirmer la volonté de mettre en application les décisions prises lors des réunions de Chefs d'Etat et d'autres instances régionales. ■

□ S'agissant de la libéralisation des échanges, la ZEP et la CEPGL doivent instaurer des mesures pour amener les partenaires violant les accords à respecter leurs engagements tant en matière de réduction tarifaire que dans la suppression des barrières non-tarifaires. Parallèlement à cette tâche, les institutions de promotion des échanges dans chaque pays membre doivent veiller à l'élimination progressive de tous les autres problèmes d'ordre technique ou administratif entravant le commerce d'import-export.

□ La ZEP et la CEPGL devraient inciter les Etats à accepter l'harmonisation de la documentation douanière par l'utilisation des documents Uniques pour le commerce d'import-export.

□ S'agissant du problème des normes de qualité* la ZEP devrait encourager la création de normes qualitatives à la hauteur des normes internationales.

4. LES FINANCES ET LES PAIEMENTS.

4.1. Utilisation de la Chambre de compensation de la ZEP

Les opérations du Burundi effectuées par le biais de la Chambre de Compensation de la ZEP ont connu une évolution sensible en passant de UC ZEP 1.422.812 (soit environs 1.778.515; \$US) en -1987* à UC ZEP 8.547.590 (soit environs 10.684.489 \$US) en 1991. Cette performance reste cependant en deçà du potentiel d'utilisation de la Chambre de Compensation si l'on prend en compte les transactions commerciales du Burundi avec les pays de la Zone ZEP. En pourtant, au niveau réglementaire, les opérations d'importation et d'exportation doivent être réglées en monnaie nationale ou en Unités de Compte ZEP.

La sous-utilisation de la Chambre de Compensation de la ZEP est la conséquence de la faiblesse du commerce intra-ZEP due elle-même aux facteurs développés ci-après :

□ Les courants traditionnels des échanges commerciaux: La structure du commerce extérieur des pays membres de la ZEP montre que leurs échanges commerciaux continuent de suivre avant tout l'orientation traditionnelle Nord-Sud. Une telle situation est en partie imputable au fait que les hommes d'affaires et les banquiers ont du mal à se détacher de leurs relations commerciales et bancaires traditionnelles de dépendance vis-à-vis de leurs partenaires occidentaux pour engager une action dynamique d'exploration en direction des pays membres de la ZEP.

- Absence d'une volonté politique réelle de procéder à l'intégration régionale: Des mesures prises par les organes directeurs de la ZEP destinées à assurer la pleine utilisation de la Chambre de Compensation n'ont eu qu'un effet limité à cause de la réticence des autorités monétaires à les appliquer en raison principalement des difficultés de la balance des paiements auxquelles ces pays se trouvent confrontés.

Q Difficultés de la balance des paiements: Pour résoudre les problèmes de la balance des paiements, certains pays ont pris des mesures qui ont eu un impact négatif sur le volume des opérations de la Chambre de Compensation. Parmi ces mesures, il faudrait citer la possibilité accordée par certains pays exportateurs de détenir une partie du produit de leurs exportations en devises. Cette mesure d'incitation à l'exportation a eu pour conséquence que les entreprises exportatrices ont tendance à facturer toutes leurs livraisons en devises convertibles.

De plus, certains pays membres de la ZEP imposent des restrictions tarifaires ou des quotas pour protéger la production locale ou pour faire face à la pénurie des devises.

- Insuffisance et inadéquation de la production: L'offre de produits originaires des Etats membres est insuffisante en raison de la faiblesse des capacités de production de ces derniers. Par ailleurs cette production s'avère parfois inadéquate pour la consommation dans la sous-région.
- Distorsions monétaires: La plupart des monnaies de la sous-région sont surévaluées d'où des prix à l'exportation élevés et partant peu concurrentiels par rapport aux prix des produits provenant des pays aux taux de change plus réalistes. La faiblesse des échanges intra-ZEP qui en résulte n'est pas sans incidence sur l'utilisation de la Chambre de Compensation. Pour d'autres pays de la sous-région ayant opté pour la politique d'ajustement structurel, il se pose le problème de l'instabilité monétaire qui incite les opérateurs économiques à se retourner vers des monnaies de facturation traditionnellement fiables.
- Difficultés liées au transport et à la communication: Dans la sous-région, le transport est peu développé et coûteux. En outre, le réseau de communication est beaucoup plus orienté vers les pays développés que les pays de la sous-région. Ceci a une incidence négative sur les échanges sous-régionaux et sur l'utilisation de la Chambre de Compensation.
- Insuffisance de l'information commerciale: Les hommes d'affaires de la sous-région ne connaissent pas tous la Chambre de Compensation, les services qu'elle rend ainsi que l'intérêt que celle-ci représente pour les Etats membres de la ZEP.

4.2. La banque centrale et ses correspondants au sein de la sous-région

Dans la sous-région CEPGL, les correspondants de la Banque de la République du Burundi sont les banques d'émission des Etats membres, c'est-à-dire le Zaïre, le Rwanda et le Burundi. De même les banques commerciales du Burundi sauf la nouvelle Banque Populaire du Burundi «B.P. B.» ont chacune un correspondant dans chaque Etat membre.

Dans la sous-région ZEP par contre, à cause de sa grande dimension géographique, ni la Banque Centrale (BRB) ni les banques commerciales du Burundi ne disposent toujours pas d'un réseau de correspondants implantés dans chaque Etat membre. Les principales contraintes sont reprises ci-dessous:

- les risques pays dans les pays de la sous-région qui empêchent l'implantation des banques pouvant servir de correspondants; les Institutions Financières Internationales considèrent les banques de la sous-région comme institutions implantées dans des pays à haut risque;
- le problème de trésorerie; certaines banques exigent des provisions de 100% avant d'exécuter une opération de confirmation d'un crédit documentaire ou de transfert.
- l'impossibilité d'utiliser directement les codes bancaires (clés télégraphiques) internationaux, faute de correspondants dans chaque Etat membre.
- l'impossibilité d'utiliser des lignes de crédit auprès des correspondants sans le parrainage d'une banque européenne ou américaine; les commissions perçues en devises par les banques correspondantes s'avèrent souvent élevées.
- les défaillances des réseaux de communication dans la sous région.

4.3. Système de crédit pré- et post-exportation.

Le système est encore au stade embryonnaire et pourrait se développer parallèlement à l'évolution des échanges, eux-mêmes conditionnés par la suppression des obstacles évoqués précédemment. Il serait souhaitable que le Secrétariat de la ZEP, en collaboration avec la Banque de la ZEP, Banques Centrales, étudie la possibilité de création d'un mécanisme de financement souple et d'assurance pour encourager les échanges intra-ZEP.

4.4. Disponibilité de devises pour les affaires.

Faute de documentation sur les autres pays l'analyse portera uniquement sur les règlements en vigueur au Burundi. La réglementation en vigueur au Burundi permet l'ouverture des comptes tenus en FBu convertibles pour quelques personnes physiques ou morales à statut spécial (représentations diplomatiques et consulaires ou assimilées).

Par contre les comptes en monnaies étrangères librement convertibles sont ouverts en faveur des personnes physiques ou morales n'ayant pas de résidence au Burundi mais dont les activités principales sont exercées en dehors du Burundi. Ces mêmes comptes peuvent être ouverts à toute personne physique ou morale autorisée par la Banque Centrale. Les contraintes principales rencontrées sont :

- les longues procédures administratives, qui encouragent le recours au marché parallèle; et
- le traitement discriminatoire entre résidents et non résidents; les résidents exportateurs sont obligés de céder à leur banquier toutes les devises provenant des produits exportés.

4.5. Les systèmes d'assurances en vigueur dans le contexte d'échanges régionaux.

4.5.1. Régime sous-régional d'assurance responsabilité civile.

Le règlement des sinistres survenus aux porteurs des Cartes jaunes ZEP souffre de beaucoup d'imperfections. Plusieurs raisons sont à l'origine de cet état de fait :

- le problème lié au transfert de devises dû à la non utilisation de la Chambre de Compensation;
- le manque de coopération des assurés qui ne signalent pas toujours les sinistres dans les bureaux nationaux concernés;
- le problème de communication dû à la coexistence du Français et de l'Anglais dans la sous-région;
- le problème d'ordre institutionnel : certains pays membres n'ont pas institué chez eux un système d'assurance responsabilité civile automobile obligatoire (ex. : Ouganda, Swaziland) et chez d'autres, il n'y a pas d'instrument juridique permettant d'appliquer ce régime;

O certains pays n'acceptent pas facilement la libre circulation des personnes des autres Etats sur leur territoire pour des raisons de sécurité.

4.5.2. La compagnie sous-régionale de réassurance "ZEP-RE".

Faute de données suffisantes, cela étant du au fait que la ZEP-RE n'a pas encore véritablement commencé à fonctionner, nous ne saurions en déterminer l'efficacité. Cependant des études menées par un comité technique du Secrétariat de la ZEP sur la viabilité financière de la ZEP-RE ont prouvé que la compagnie serait rentable même dans les conditions les plus pessimistes.

4.6. La communauté des affaires et la Banque de la ZEP.

Les activités de la banque de la ZEP sont très récentes. En effet, les premières opérations ne datent que de 1989. Son intervention au Burundi se limite à quelques financements, relatifs aux facilités accordées pour l'importation du pétrole (500.000 \$) et celles disponibles pour l'exportation du café par le secteur privé burundais. Par ailleurs certains projets ont été initiés à savoir la *Tanganikaise, Amélioration, des télécommunications et l'exploitation de l'or.*

Comme on peut le noter, les interventions de la Banque de la ZEP sont encore timides dans le pays. Cependant cette faiblesse d'intervention n'est due en grande partie qu'à la jeunesse de la banque et pourrait être plus substantielle à l'avenir. En témoignent quelques projets d'envergure cités plus haut qui sont soumis au financement de la Banque. Néanmoins, les facilités disponibles sont encore faibles et les milieux d'affaires de la sous-région ne sont pas encore familiarisés avec les activités de la Banque.

On constate que les milieux d'affaires burundais ne sont pas suffisamment informés sur l'existence de ces facilités de crédit.

4.7. Recommandations

4.7.1. La Chambre de compensation

- Les Etats membres devraient libéraliser toutes les opérations commerciales entre les Etats membres. Bien qu'une telle décision ait été prise par les organes directeurs de la ZEP, on a vu que certains pays continuent d'appliquer des politiques de change restrictives. Une telle attitude est de nature à freiner l'intégration régionale. Les autorités responsables de la politique de change devraient se fixer un calendrier d'exécution de cette décision qui ne devrait pas excéder 6 mois.
- Toutes les opérations commerciales et financières intra-ZEP devraient passer par la Chambre de compensation. Cela implique que les factures commerciales ou les autres paiements à effectuer à l'intérieur de la sous-région soient libellés en monnaie nationale ou en UCZEP. Une fois de plus, les politiques de change suivies par certains pays encouragent la facturation en devises fortes même pour les opérations intra-ZEP. Il va de soi que de telles mesures sont contraires aux recommandations adoptées par les organes directeurs de la ZEP.
- Une cellule devrait être créée à cet effet au sein de la Chambre de compensation dont la mission permanente serait de promouvoir une plus grande utilisation de la Chambre de compensation par la diffusion adéquate de l'information. De même, on devrait créer au sein des Chambres de Commerce nationales une cellule chargée spécialement de la promotion du commerce intra-ZEP.
- Les distorsions monétaires observées parmi les pays de la sous-région ont un impact négatif sur le commerce intra-ZEP. Les Etats membres devraient se fixer comme objectif à terme l'harmonisation des politiques monétaires avec l'appui des institutions internationales telles que la CCE, la Banque Mondiale, le FMI, la BAD,...

4.7.2. Le développement des relations inter-banques

Dans cet objectif, il faut notamment:

- Avoir un correspondant dans chaque Etat membre afin de traiter directement de banque à banque sans devoir transiter par la maison-mère ou par un correspondant basé en dehors du pays bénéficiaire.
- S'accorder mutuellement des traitements spéciaux afin d'éviter notamment de payer des intérêts sur des fonds immobilisés à cause de la faiblesse de nos transactions.

O Créer les comptes NOSTRO franco frais.

- Encourager l'utilisation de l'Unité de Compte ZEP ou le DTS comme moyen de paiement dans la sous-région. Viser à terme la convertibilité des monnaies, première étape avant l'union monétaire commune.
- Encourager l'utilisation des travellers chèques ZEP afin de faciliter la circulation des hommes d'affaires de la sous-région.
- Améliorer les moyens de communication (télex, fax, téléphone, route et chemins de fer) et inviter les banques de la sous-région à utiliser davantage les techniques modernes en matière de communication. A titre d'exemple, nous pensons que le système de courrier en matière d'ouverture de crédit documentaire quoique moins onéreux nous semble dépassé.

4.7.3. La détention des comptes en devises

- Il faut élaborer dans tous les Etats membres une politique souple de l'octroi et de la détention des devises spécialement pour les exportateurs. Le fait de laisser au moins 30% des devises provenant des exportations aux exportateurs à utiliser à leur propre convenance contribuerait à la promotion des opérations d'exportation.
- Il faut également permettre aux hommes d'affaires la détention des comptes en devises étrangères une gestion identique à celle des comptes courants en monnaie locale.

4.7.4. Systèmes d'assurance en vigueur dans le contexte d'échanges régionaux

- S'agissant des problèmes que posent les retards de règlement, il serait souhaitable que les bureaux nationaux engagent des pourparlers bilatéraux pour surmonter ces difficultés.
- Quant aux problèmes causés par l'absence de déclaration des sinistres dans les deux bureaux nationaux, le Secrétariat du Conseil des bureaux nationaux devrait engager les campagnes d'information pour faire connaître aux automobilistes les avantages et les obligations liés à la carte jaune.

4.7.5. Les institutions

La Chambre de commerce, de l'industrie, d'agriculture et d'artisanat du Burundi (CCIB)

Dans le but d'en faire un catalyseur d'échanges et de partenariat, le GTT recommande :

- La recherche de ressources suffisantes et sûres, aptes à lui permettre une planification à long terme;

- L'accès direct au réseau d'informations commerciales de la ZEP, le TINET;
- La poursuite des démarches pour la mise sur pied d'un forum industriel de la ZEP; à Bujumbura à l'instar du forum industriel ACP-CEE de Libreville et Yaoundé.

L'Agence de promotion des échanges extérieurs (APEE)

En vue de permettre à l'APEE d'accomplir pleinement Sa mission, le GTT formule les recommandations suivantes:

- Le renforcement de ses actions d'informations commerciales surtout en direction des exportateurs;
- La multiplication des missions de prospection commerciale.

La Banque de développement des Etats des Grands Lacs (BDEGL)

En vue de permettre à cette institution de remplir pleinement sa mission* le GTT recommande la mise sur pied rapide d'une formule efficace de couverture du risque de change sans laquelle la BDEGL est condamnée à l'immobilisme.

La Banque de la ZEP

Dans le but d'accroître l'efficacité de cette banque sous-régionale, le GTT formule les recommandations suivantes :

- Adhésion de tous les pays de l'Afrique Australe (y compris l'Afrique du Sud) à la ZEP et souscription des mêmes pays au capital social de la banque, si possible avant le 31 décembre 1994.
- La ratification d'un accord donnant à la ZEP le monopole sous-régional dans son domaine avant le 31 décembre 1993.
- La libération du capital social par les pays membres de la ZEP avant le 31 décembre 1993.
- La création d'un fonds d'égalisation garanti par les Etats membres dont le but serait d'amortir le risque de change.

La Cour d'Arbitrage de la ZEP

Compte tenu du fait que cette institution de création récente n'est pas connue dans les milieux d'affaires de la sous-région, le GTT recommande au Secrétariat de la ZEP, à la Fédération des Chambres de Commerce et d'industrie de la ZEP et aux Chambres de Commerce nationales d'en faire une publicité.

5. INSTITUTIONS

5.1. La chambre de commerce, de l'industrie, d'agriculture et d'artisanat du Burundi (CCIB)

Dans le cadre de l'intégration régionale, la CCIB peut apporter une contribution significative en concentrant ses efforts sur les activités suivantes dans lesquelles elle est déjà engagée:

- L'information commerciale: La Chambre a souvent exprimé le souhait que le réseau TINET d'informations commerciales de la ZEP disponible au Ministère du Commerce et de l'industrie soit également implanté chez elle. Elle souhaite également que l'extension des domaines couverts par ce réseau se poursuive rapidement.
- Le partenariat: La CCIB organise des rencontres de partenariat avec des opérateurs économiques burundais et des entrepreneurs étrangers. Cette expérience qu'elle développe pourrait s'étendre à des entreprises des pays de l'Afrique Orientale et Australe et ceux des Etats de l'Océan Indien.

5.2. Agence de promotion des échanges extérieurs (APEE).

L'Agence de Promotion des Echanges Extérieurs a été créée le 7 mars 1990. Au cours de l'exercice 1991, l'APEE a mis sur pied et assisté 2 filières d'exportation : la filière textile (FILITEX) et la filière fruits et légumes (GEXHOBU). En plus l'APEE a poursuivi l'étude sur l'établissement d'un régime de zone franche industrielle qui vient d'être créé par décret-loi.

L'Agence cherche à développer des accords-cadres avec certains pays de la ZEP et bientôt l'Afrique du Sud. Elle constitue un cadre-type de promotion des échanges et cherchent des financements pour que des exportateurs potentiels, souvent aux moyens limités, puissent effectuer des missions commerciales à l'étranger.

5.3. La Banque de développement des Etats des grands lacs (BDEGL)

La Banque de Développement des Etats des Grands Lacs a été créée dans le souci de promouvoir le développement économique et social des pays membres, renforcer la coopération entre les Etats membres en finançant les projets communs ou communautaires ainsi que les projets nationaux visant l'intégration de leurs économies. Pour accomplir cette mission, elle est appelée à mobiliser les ressources financières publiques et privées, intérieures et extérieures à des fins de développement.

Depuis sa création, la BDEGL a déjà financé des projets à concurrence de 32.363.963 UC. Cependant, le Burundi n'a bénéficié que de 6,1 % du montant global, ce qui est marginal comparé par exemple à la part du Zaïre qui s'élève à 71,2 %.

La situation actuelle s'explique en grande partie par les contraintes que connaît cette institution.

- Le manque de pipeline de projets communs, communautaires ou nationaux;

O Le problème de la couverture du risque de change en ce moment des dévaluations en cascade. Faute d'une couverture, les promoteurs ont réduit leur demande de financement à la BDEGL. Face à cette situation, il a été recommandé que les Etats, sous une forme ou une autre, prennent en charge le risque de change pour encourager les promoteurs privés à l'instar du Zaïre.

- Le manque de ressources qui n'est qu'un corollaire aux contraintes précédentes. En effet, faute de projets bancables, la BDEGL éprouve des difficultés à mobiliser des lignes de crédit à l'extérieur, surtout sur les places financières européennes.

L'intervention de la BDEGL au Burundi reste marginale. Cependant, si les Etats membres se concertent pour résoudre certaines difficultés, notamment celles liées au risque de change, cette institution régionale dont la vocation statutaire est, entre autre, le développement des investissements transfrontières pourrait mieux s'acquitter de sa mission.

5.4. La Banque de la ZEP.

La Banque de la ZEP a été conçue comme étant un instrument de facilitation des actions conjointes pour l'identification, l'évaluation et le financement des programmes et des projets de la ZEP, dans l'objectif ultime d'assurer l'intégration économique de la sous-région.

Les **missions d'identification des projets** avaient permis à la Banque de constituer jusqu'en 1991, une réserve de 17 projets bancables et à divers étapes de développement, dont le coût total d'investissement était estimé à 444 millions d'UC ZEP et la participation possible de la Banque de la ZEP évaluée à 51 millions d'UC ZEP.

Les activités de **financement du commerce** ont démarré en 1989 et ont surtout couvert* le financement de l'importation des produits de première nécessité destinés aux industries d'exportation ou d'import-substitution dans les pays membres.

Par ailleurs, la Banque a conclu un arrangement avec des banques commerciales internationales afin de garantir et de confirmer les lettres de crédit et de permettre aux importateurs des Etats membres d'importer des matières premières et autres intrants de première nécessité.

La Banque a enfin signé les accords de co-financement avec des banques internationales pour financer certaines importations de première nécessité dans ses pays membres.

Il y a lieu de citer également les rachats et escomptes de factures, les assurances et garanties des crédits à l'importation, les fonds renouvelables en devises etc...

La Chambre de compensation et des paiements a confié à la Banque la tâche d'émettre et de gérer les chèques de voyage libellés en UC ZEP en tant qu'opération spéciale. Cette activité est devenue opérationnelle le 1er août 1988.

L'analyse de l'efficacité de la Banque pour la période 1989-1991 ne peut pas encore donner des résultats significatifs dans la mesure où la plupart de ces objectifs sont à long terme alors que la Banque n'a commencé à être opérationnelle qu'en 1989. La Banque n'a pas pu obtenir dès le départ des lignes de crédit extérieures parce que les bailleurs de fonds approchés exigeaient d'abord, un pipeline de projets et surtout un portefeuille assez étoffé, ce qui ne peut pas se réaliser dans une période de trois ans.

5.5. La cour (l'arbitrage) de la ZEP de Djibouti.

Afin d'éviter des procès souvent longs et coûteux une structure d'arbitrage a été mise sur pied par la ZEP. Elle devrait être rapidement opérationnelle et montrer son efficacité. ;

5.6. Recommandations relatives aux institutions.

Concernant le renforcement des institutions nationales, à savoir la CCIB et l'APEE, le GTT recommande au Gouvernement :

□ de les aider à se doter de ressources financières suffisantes et stables aptes à leur permettre le renforcement de leurs structures et une plus grande efficacité;

□ de leur permettre l'accès direct au réseau d'informations commerciales de la ZEP: le TINET;

□ d'appuyer la CCIB dans l'organisation d'un Forum industriel de la ZEP à Bujumbura;

□ la création d'un fonds de prospection des marchés extérieurs.

En vue de permettre aux institutions régionales de remplir pleinement leur mission, le GTT recommande aux pays membres :

□ de mettre en place un mécanisme de couverture du risque de change dont l'absence handicape actuellement leurs activités;

□ de décentraliser les activités de la Cour d'Arbitrage de la ZEP au niveau de chaque pays.

6. LA COMMUNICATION AU SERVICE DE L'INTEGRATION REGIONALE

6.1. Situation

Le document initial fixant les termes de référence pour le GTT ne proposait pas de réflexion sur la communication comme un des instruments essentiels pour réussir l'intégration régionale.

Dans cette situation, l'objectif unique de la note que nous proposons est d'indiquer qu'il est urgent d'introduire la communication dans la liste des domaines majeurs pour assurer l'intégration régionale. Cette dernière s'effectue en effet dans l'intérêt des peuples et non à leurs dépens. Aussi, c'est à travers la communication que les responsables de l'intégration se doivent de convaincre ces derniers de la pertinence de la devise "L'union fait la force".

Cette pédagogie est développée pour l'essentiel à travers les supports médiatiques, la télévision, la radio, la presse écrite, et par les outils de communications les plus divers : brochures, dépliants, livres, drapeaux, autocollants, épinglettes, cassettes vidéo, conférences débats, compétitions sportives, événements culturels, etc.

L'Afrique ne peut donc faire l'impasse sur cette pédagogie de l'union à travers les médias. Même dans les ensembles régionaux où celle-ci est très développée, on s'aperçoit que la cohésion et l'intégration régionale sont contestées parfois violemment par les paysans américains ou européens, par exemple, voire considérées comme une menace directe contre les intérêts des peuples comme l'a montré le vote récent du Danemark sur l'intégration économique et politique de l'Europe.

Avec l'assentiment des instances habilitées, la tâche qui est la nôtre consistera à définir une stratégie globale de communication pour la ZEP. Cette tâche capitale peut en effet être accomplie par une société de conseil en communication, par un expert ou un groupe d'experts ressortissant ou non de la région. La stratégie de communication (et les actions déterminées pour la mettre en oeuvre) serait soumise au Secrétariat de la ZEP avant d'être exposée et débattue dans les instances de concertation commune.

6.2. Contraintes

La première contrainte est psychologique. Les experts et les politiques, habitués à travailler en vase clos, supportent mal en général l'idée que toutes leurs propositions doivent être exposées, débattues, voire contestées par l'opinion publique. Leur tentation première consiste toujours à exercer une rétention de l'information.

La deuxième contrainte provient des décideurs. Ces derniers ne voient pas toujours l'intérêt d'investir dans la communication pour promouvoir l'intégration régionale. Il est pourtant indispensable de savoir si les peuples concernés connaissent les réformes proposées par les experts et les politiques, et acceptent les sacrifices que ces réformes impliquent.

La troisième contrainte majeure provient de la carence dramatique de journalistes et de bureaux de conseils en communication spécialisés dans le domaine de T intégration économique dans la sous-région.

6.3. *Recommandations*

En matière des communications, les recommandations suivantes ont été formulées par le GTT à l'endroit des organes de la ZEP :

- Q Convaincre les experts et les décideurs de la ZEP d'introduire la communication sur la liste des urgences;
- O Définir une stratégie globale et solliciter le concours des bailleurs de fonds pour la traduire dans les faits;
- O Former et sensibiliser les journalistes et les conseils en communication de la région;
- Créer des banques de données accessibles et des mécanismes d'échange d'outils de communication entre les pays de la région.

7. RESUME

7.1. *Les investissements*

Mesures à prendre	Personnes ou Instances devant prendre ces mesures	Calendrier
Exiger le suivi des décisions arrêtées car il s'agit là d'un problème fondamental.	Les organes directeurs de la ZEP.	C.T.
Déterminer les blocages afin de permettre l'exécution des programmes convenus dans le Traité.	Le comité de coopération industrielle et la Commission de la ZEP.	C.T.
Solliciter un soutien des bailleurs de fonds (CCE, Banque Mondiale,...) dans le financement des projets régionaux.	Les organes de la ZEP, CCE, BAD et Banque Mondiale.	C.T.
Viser une meilleure coordination de l'investissement à l'échelon régional.	Comité de Coopération Industrielle et les Ministères du Plan et de l'Economie.	M.T.

Prendre en compte le facteur intégration régionale dans la formulation des politiques économiques et monétaires de la sous-région de la ZEP.	Les; experts des organismes spécialisés (FMI, CCE, Banque Mondiale) et les Ministères du Plan et de l'Economie.	M.T.
Etudier les possibilités de création d'un mécanisme commun de garantie réciproque.	Les organes directeurs de la ZEP et les Ministères du Plan et de l'Economie.	M.T.
Promouvoir une convention régionale sur la double imposition et encourager la création et l'harmonisation des conventions inter-Etats.	Les experts de la ZEP en matière de la fiscalité.	M.T.

7.2. Les échanges

Mesures à prendre	Personnes ou Instances devant prendre ces mesures	Calendrier
User des mesures de rétorsion et des pressions politiques, pour amener les partenaires violant les accords à respecter leurs engagement tant en matière de réduction tarifaire que dans des barrières non tarifaires	Les organes directeurs de la ZEP et le Ministère du Commerce.	C.T.
Exiger la modernisation des voies d'accès régionales.	Les organes directeurs de la ZEP et le Ministère des Transports.	M.T. ;
Exiger l'harmonisation de la documentation par utilisation du DTDR comme unique document de transit.	Les organes directeurs de la ZEP et le Ministère des Transports.	C.T.
Encourager la création de normes qualitatives à la hauteur des normes internationales.	Les organes directeurs de la ZEP et le Ministère du Commerce.	M.T.

7.3. Les finances et les paiements.

Mesures à prendre	Personnes ou Instances devant prendre ces mesures	Calendrier
Libéraliser toutes les opérations commerciales.	Les Ministères du Commerce.	M.T.
Toutes les opérations financières devraient passer par la Chambre de compensation. Ceci implique que les factures commerciales ou les autres paiements à effectuer à l'intérieur de la sous-région soient libellés en monnaie nationale ou en Unité de compte ZEP.	Banques Centrales	C.T.
Mise au point de programmes adéquats pour faire connaître aux milieux de la sous-région le fonctionnement de la Chambre de compensation.	Le Secrétariat de la ZEP et la Banque Centrale.	C.T.
Chercher un correspondant dans chaque État membre afin de traiter directement par la maison-mère ou par un correspondant basé en dehors du pays bénéficiaire.	Les Banques Centrales et les banques commerciales.	C.T.
S'accorder mutuellement des traitements spéciaux afin d'éviter notamment de payer des intérêts sur des fonds immobilisés à cause de la faiblesse des transactions intra-communautaires.	Les Banques Centrales et les banques commerciales.	C.T.
- Encourager l'utilisation de l'Unité de Compte ZEP et les travellers chèques ZEP comme moyen de paiement dans la > sous-région.	La Banque Centrale du Burundi.	C.T.
Elaborer dans tous les Etats membres une politique souple d'octroi et de détention des devises spécialement pour les exportateurs. - Permettre aux détenteurs des comptes en devises étrangères une gestion identique à celle des comptes courants en monnaie locale.	Les Banques Centrales de la ZEP.	C.T.

Créer une cellule dont la mission essentielle serait de faire la publicité des services de la Banque de la ZEP.	La Banque de la ZEP.	C.T.
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7.4. Les institutions.

Mesures à prendre	Personnes ou Instances devant prendre ces mesures	Calendrier
Accès direct au Réseau TINET de la ZEP.	Ministère du Commerce et de la CCIB	C.T.
Renforcement des actions d'information commerciale et de prospection commerciale.	APEE	C.T.
Mise sur pied d'une formule de couverture du risque de change.	Les Etats de la CEPGL, Banques Centrales et Ministères des Finances.	M.T.
Souscription des pays membres au capital social de la Banque de la ZEP.	Ministres des Finances.	C.T.

7.5. La communication.

Mesures à prendre	Personnes ou Instances devant prendre ces mesures	Calendrier
Introduire la Communication sur la liste des programmes de la ZEP.	Le Secrétariat de la ZEP et les Ministères de la Communication.	C.T.
Définir une stratégie globale et la traduire dans les faits avec le concours des bailleurs de fonds.	Le Secrétariat de la ZEP avec la Banque Mondiale, la CCE, le FMI.	M.T.
Former et sensibiliser les journalistes et les conseils en Communication de la région.	Le Secrétariat de la ZEP et la CCE.	C.T.

Créer des banques de données accessibles et des mécanisme d'échange d'outils de communication entre les pays de la région.	Les Ministères du Plan et de la Communication.	M.T.
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ANNEXE A1

LISTE 1 :

Avantages octroyés aux différents régimes d'entreprises par le Code des Investissements.

I. Pour les entreprises prioritaires, le code prévoit en fonction de l'importance des critères de cette catégorisation les avantages ci-dessous:

1. Exonération totale ou partielle pour une période ne pouvant excéder 8 ans : a) d'impôt sur les bénéfices et d'impôt mobilier; b) de l'impôt foncier; c) de l'impôt forfaitaire sur les salaires.
2. Pour une entreprise à caractère régional et les projets à maturité lente de plus de 4 ans, exonération totale ou partielle des taxes à l'importation : a) sur les équipements; b) sur les matières premières pour une période ne dépassant pas 5 ans.
3. En outre, les entreprises exportatrices peuvent bénéficier des avantages suivants : a) exonération des droits et taxes de sortie; b) exonération des taxes à l'importation sur les équipements et sur les matières premières pour une période de 5 ans renouvelables.
4. Outre ces multiples avantages, les PME peuvent bénéficier de taux d'intérêts bonifiés.

II. S'agissant des entreprises décentralisées (établies en dehors de Bujumbura); elles peuvent bénéficier, en plus des avantages ci-haut cités, de ceux suivants :

1. Extension de la période d'exonération fiscale à une période pouvant atteindre 10 ans.
2. Distribution des dividendes au cours de la période d'exonération pour un montant pouvant atteindre 40% du capital social.
3. Prise en charge par l'Etat, pour une période ne dépassant pas 5 ans de la partie du coût de l'énergie et de l'eau qui excéderait le tarif appliqué aux entreprises installées à Bujumbura et dans les environs.
4. Réduction du taux d'imposition sur les bénéfices de 45 % à 35 % après la période d'exonération.
5. Attribution de terrains gratuits.
6. Crédits bonifiés pour le crédit à long et moyen terme.

III. S'agissant des entreprises conventionnées, elles peuvent bénéficier, outre les avantages conférés à une entreprise prioritaire agréée, d'une convention lui assurant un régime fiscal stabilisé en matière d'impôt direct, spécialement l'impôt sur le revenu et l'impôt réel, pendant une période pouvant atteindre 10 ans. Elles peuvent également dans le cadre d'une convention spéciale négociée avec le gouvernement, bénéficier des avantages complémentaires à ceux ci-haut cités.

LISTE2:

Mesures d'incitation et d'amélioration du climat d'investissement prévues par

le Code des Investissements.

S'agissant des mesures de promotion des exportations, le Décret-loi n°1/012 du 15 avril 1988 prévoit entre autres :

- exonération des droits et taxes à la sortie;
- restitution des droits de douane à l'importation et autres taxes d'effet équivalent acquittées sur les intrants et les articles de conditionnement destinés à la fabrication ou à l'emballage de produits exportés par un système de Crédit Impôts;
- «restitution de la taxe de transaction et autres taxes indirectes acquittées sur les intrants et les articles de conditionnement destinés à la fabrication ou à l'emballage de produits exportés par un système de Crédit Impôts;
- les frais de prospection, de mission et de documentation et autres frais afférents à l'exportation sont fiscalement déductibles dans les limites fixées par le Ministère des Finances;
- sur les bénéfices réalisés à l'exportation il est instauré en faveur de l'exportateur un taux d'imposition préférentiel fixé à 50% du taux normalement applicable.

Dans les limites des dispositions fixées par la Banque de la République du Burundi, il est accordé à l'exportateur :

- des facilités de prêt pour le financement des opérations destinées à l'exportation ainsi que la bonification des intérêts d'emprunt;
- l'acquisition de devises nécessaires à l'importation de biens et services dans le cadre des activités;
- l'octroi des frais de voyage autant de fois que de besoin ainsi qu'un pécule pour frais de représentation et de contact;
- un régime préférentiel en ce qui concerne le transfert des salaires et des bénéfices distribués pour les salariés et les actionnaires étrangers dans les sociétés exportatrices.

D'autres mesures d'incitations plus spécifiques ont été mises en place pour la promotion de la PME dont notamment :

- la mise en place d'une série de fonds d'études en vue de la constitution d'une banque de projets;
- la mise en place d'une série de lignes de crédit en faveur de la PME;
- la création d'un Fonds de Soutien à l'investissement Privé (FOSIP) pour faciliter l'accès au crédit aux promoteurs ne disposant pas de participation "suffisante";
- le renforcement du Fonds National de Garantie;
- la mise en place et/ou le renforcement des structures d'appui et des institutions d'encadrement et de promotion du secteur privé tels que la Chambre de Commerce, d'Industrie, d'Agriculture et d'Artisanat, le Ministère du Commerce et de l'industrie et le Ministère du Plan.

Afin d'améliorer le climat d'investissement, le Gouvernement a initié avec l'appui du PAS, une autre série de mesures visant le renforcement de la libéralisation et la simplification de toute autre procédure administrative gênante afin de permettre au code de répondre aux nécessités de modernisation de l'économie. L'on peut citer à ce jour :

- la révision du Code des Investissements déjà amorcée en vue de rendre automatique et transparent l'accès aux avantages préconisés;
- l'introduction d'un taux de change plus flexible;
- la libéralisation des prix;
- la libéralisation complète du rapatriement des profits, des dividendes et de 60% du salaire des travailleurs étrangers;
- la décentralisation des licences d'exportations et d'importations en faveur des banques commerciales;
- la libéralisation des procédures de recrutement des travailleurs et suppression de l'impôt progressif sur la main d'oeuvre;
- la révision de la législation sur l'emploi de la main d'oeuvre étrangère.

ANNEXE A2: ECHANGES

Tableau 1

Déficit ou excédent de la balance commerciale du BURUNDI par pays en valeur (MF)

Pays \ Année	1987	1988	1989	1990	TOTAL
Tanzanie	-82,5	-167,4	-353,5	-479,5	-1.082,9
Kenya	-291,9	-626,5	-92,0	-717,2	-1.727,6
Djibouti	-332,2	-255,1	-86,2	-105,6	-779,1
Rwanda	+605,9	+511,9	+188,0	+89,6	+1.395,4
Zambie	-1032,3	-968,1	-710,0	-1141,8	-3.852,2
Zimbabwe	-148,4	-315,0	-495,8	-836,6	-1.795,8
Malawi	-11,5	-584,2	-441,1	-209,5	-1.246,3
Uganda	+600,3	+2,6	+29,6	+105,0	+737,5
Ethiopie	-0,0	-2,3	-39,7	-	-42,0
Swaziland	-87,0	-204,0	-280,0	-439,0	-1010,0
TOTAL	-779,6	-2608,1	-2280,7	-3734,6	-9403,0

Source :

Tableau confectionné par nous-mêmes à partir des statistiques d'importations et d'exportations.

Tableau 2

Exportations et importations du Burundi par pays membre de la ZEP (en MFBU)

Pays	Année	1987	1988	1989	1990	Total	Moy. ann.	*	**	Exp. % / Imp.
	Tanzanie	Exp. Imp.	33,4 115,9	43,2 210,6	1,4 354,9	7,7 487,2	85,7 1168,6	21,4 292,1	1,9	8,4
Kenya	Exp. Imp.	404,2 658,6	179,0 805,2	801,6 893,6	286,4 1003,6	1671,2 3361	417,8 840,2	36,7	24,1	49,7
Rwanda	Exp. Imp.	613,8 7,9	515,5 4,6	216,8 28,8	129,6 65,6	1475,7 106,9	368,9 27,5	32,4	0,8	13,41
Zambie	Exp. Imp.	6,6 1038,9	- 968,1	8,5 718,5	0,4 1141,9	15,5 3867,4	3,9 966,8	0,3	27,7	0,4
Ouganda	Exp. Imp.	601,0 0,7	4,6 3,6	30,5 0,9	118,5 13,5	754,6 18,7	188,6 4,8	16,6	0,2	39,3
Zimbabwe	Exp. Imp.	81,7 230,1	137,0 452,0	155,1 650,9	177,4 1014	551,2 2343	137,8 585,7	12,1	16,8	23,5
Djibouti	Exp. Imp.	- 332,2	- 255,1	0,3 86,5	0,1 105,7	0,4 779,5	0,1 194,9	0,0	5,6	0,05
Ethiopie	Exp. Imp.	- 0,0	- 2,3	- 39,7	- 0,0	- 42	- 10,5	0	0,3	0
Malawi	Exp. Imp.	- 11,5	- 584,2	- 441,1	- 209,5	- 1246,3	- 311,6	0	8,9	0
Swaziland	Exp. Imp.	- 87,0	- 204,0	- 280,0	- 439,0	- 1010	- 252,5	0	7,2	0
TOTAL	Exp. Imp.	1740,7 2482,8	879,3 3488,7	1214,2 3494,9	720,1 4480	4554,3 13946,4	1138,6 3486,6	100	100	32,65
* : Part de chaque pays aux exportations ** : Part de chaque pays aux importations										

Source : BRB + données calculées

Tableau 3

Importations du Burundi par pays de provenance (ZEP)

V : en MF

Q : en tonne (poids net)

Année	1987		1988		1989		1990		TOTAL
	Q	V	Q	V	Q	V	Q	V	Valeur
Tanzanie	8026	115,9	12.253	210,6	12.090	354,9	19.378	487,2	1.168,6
Kenya	4.855	658,6	4.697	805,2	7.671	893,6	5.001	1.003,6	3.361
Djibouti	4.612	332,2	3.300	255,1	1.129	86,5	1.414	105,7	779,5
Anda	97	7,9	18	3,6	65	28,8	191	65,6	105,9
Zambie	60.238	1.038,9	43.240	968,1	34.729	718,5	46.050	1.141,9	3.867,4
Zimbabwe	4.867	230,1	5.424	452,0	7.958	650,9	9.316	1.014	2.343
Malawi	428	11,5	12.153	584,2	5.172	441,1	2.190	209,5	1.246
Uganda	2,5	0,7	31,8	3,6	26,0	0,9	252,8	13,5	18,7
Ethiopie	1,0	0,0	3,6	2,3	1098,9	39,7	0,1	0,0	42
Swaziland	701,0	87,0	1.184,0	204,0	2025,8	280,0	1.767,0	439,0	1.010
TOTAL	83.827,5	2.482,8	82.304,4	3.488,7	71.964,7	3.494,9	85.599,9	4.480	13.946
Moyenne / an									3.486,5

*Sources : Rapport annuel B.R.B.**Département du Commerce extérieur**Données calculées*

Tableau 4

**Importations du Burundi en provenance des pays de la ZEP
pour les produits ayant fait l'objet des rencontres des acheteurs et des vendeurs**

Produits	1986		1987		1988		1989		1990		1991	
	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
1. Engrais fabriqué	-	-	-	-	572,0	37,0	347,	21,0	405	20,0	3.270,1	200,1
2. Outils & instruments agricoles	-	-	-	-	26,0	4,0	-	-	-	-	-	-
3. Produits pharmaceutiques	6,0	6,5	55,0	7,3	8,0	23,0	5,0	8,0	73,0	31,0	47,0	40,0
4. Ciment	5.292	57,8	46.931	503	46.227	711	41.880	788,6	52.177	1.106,7	66.854,5	1.576^
5. Articles en cuir	-	44,3	17,0	16,0	14,0	23,0	-	-	-	-	-	-
6. Sel	1.000	19,1	7,0	1,0	1.427	27,7	7.839	256,5	6.254	147	11.148,4	379
7. Pièces de rechange	-	-	-	-	-	-	-	-	-	-	-	-

Tableau 5

Exportations du Burundi par pays de destination (ZEP)

V : en MF

Q : en tonne (poids net)

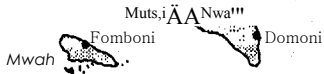
Année	1987		1988		1989		1990		TOTAL
	Q	V	Q	V	Q	V	Q	V	Valeur
Tanzanie	751	33,4	1.542	43,2	32	1,4	203	7,7	85,7
Kenya	2.795	404,2	856	179,0	2.977	801,6	644	286,4	1.671,2
Rwanda	4.548	613,8	2.948	515,5	1.324	216,8	854	129,6	1.475,7
Zambie	23	6,6	-	-	46	8,5	-	0,4	15,5
Uganda	1.803	601,0	15	46	297	30,5	430	118,5	754,6
Zimbabwe	382	81,7	708	137,0	718	155,1	636	177,4	551,2
Djibouti	-	-	-	-	1	0,3	-	0,1	0,4
TOTAL	10.302	1.740,7	6.069	879,3	5.395	1.214,2	2.767	720,1	4.554,3
Moyenne/an									1.138,5

*Sources : Rapport annuel B.R.B.**Département du Commerce extérieur**Données calculées*



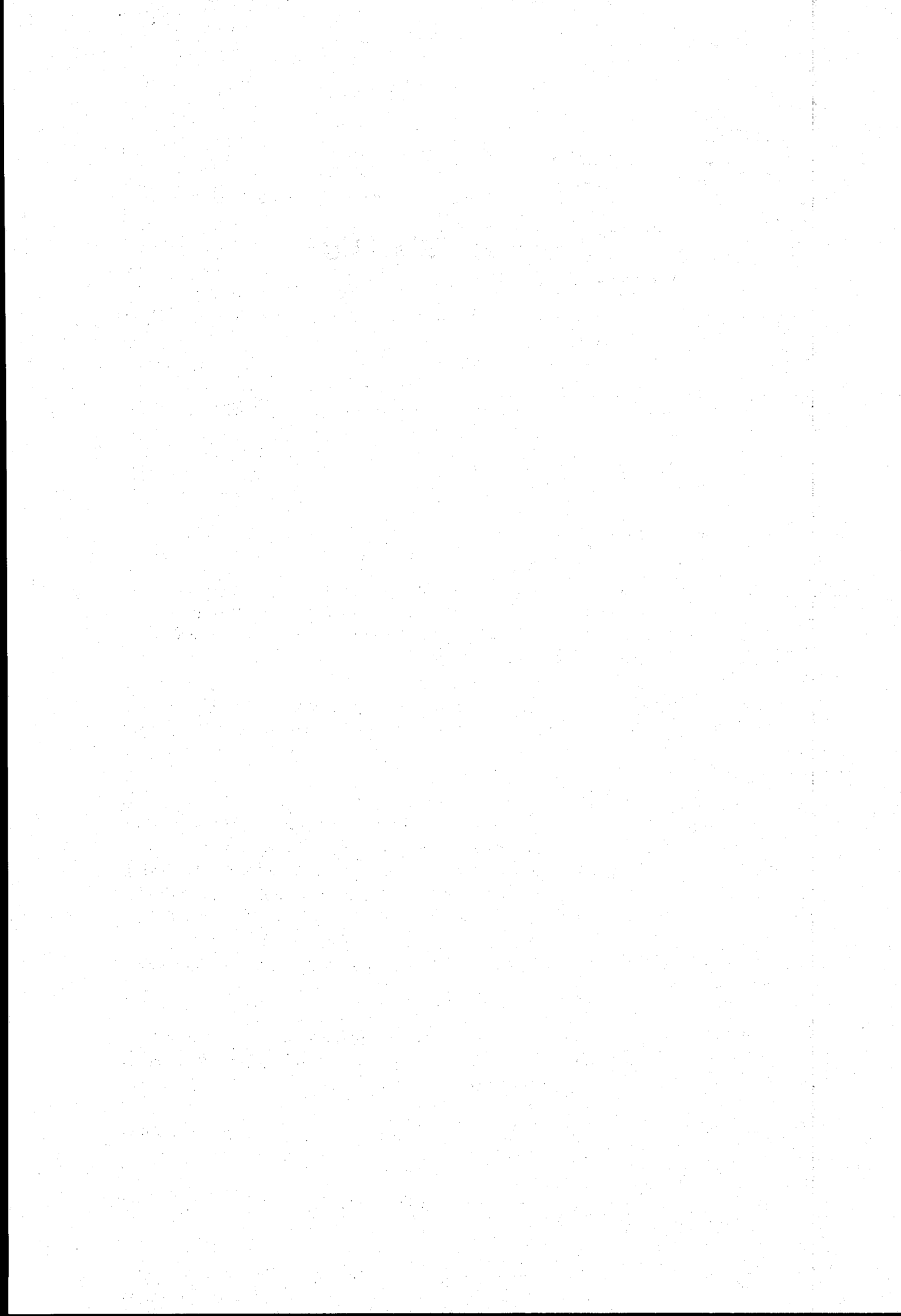
50 km

Indian Ocean



Mozambique
Channel

Comores



1. INTRODUCTION

1.1. Engagement en faveur de l'intégration

La République Fédérale Islamique des Comores est parmi les pays les moins avancés du monde (PMA) avec une population de l'ordre de 500 000 habitants et un Produit Intérieur Brut (PIB) au prix du marché, de 70 488 millions de FC en 1991.

La croissance économique a été soutenue au début des années 80 avec un taux de croissance du PIB d'environ 7% par an en moyenne, entretenu par un niveau élevé d'investissements financés par l'extérieur. L'économie qui avait marqué une légère reprise en 1990, s'est dans l'ensemble ralentie en 1991. Le déficit extérieur courant a atteint 13% du PIB (à l'exclusion des dons).

La balance commerciale des Comores est structurellement déficitaire, et l'équilibre du solde des opérations courantes de la balance des paiements est à peine assuré malgré des transferts unilatéraux importants (aides publiques budgétaires ou sous formes de dons en nature ou associés à des projets, transferts de fonds des Comoriens résidant à l'étranger), dont le montant est estimé à 20 % du PIB en 1991. La parité fixe du Franc Comorien se traduit aussi par une détérioration de la compétitivité de l'agriculture comorienne. Les exportations résistent de plus en plus mal à la concurrence des autres pays producteurs, et soit stagnent depuis plusieurs années (vanilles, ylang-ylang, girofle), soit ont virtuellement disparu (coprah, diverses essences naturelles), résultant en une concentration excessive des exportations sur un nombre réduit de produits, dont les perspectives de croissance sont au demeurant très limitées.

La croissance démographique enregistrée - de l'ordre de 3,3% par an - devrait aboutir au doublement de la population en une vingtaine d'années et au renforcement de la part des jeunes dans l'ensemble, part déjà très élevée; 57% des habitants auraient aujourd'hui moins de 20 ans. Cette situation est d'autant plus préoccupante que le PIB ne progresse que lentement; depuis 1985, on estime que le revenu par habitant, évalué en termes réels, a baissé de 1,8 % par an en moyenne pour se situer aujourd'hui aux alentours de 500 USD.

Au total, les perspectives de développement apparaissent limitées. L'isolement, l'ingratitude des sols, l'exiguïté, la dispersion territoriale et l'absence des ressources naturelles constituent des handicaps certains (cf, Annexe 1).

Les autorités comoriennes, conscientes de cette dure réalité, considèrent l'intégration économique régionale comme la seule alternative sérieuse pour solutionner les problèmes du développement. C'est

cela qui explique que la République Fédérale Islamique des Comores est un des premiers pays à avoir rejoint la Commission de l'Océan Indien et la ZEP.

L'étude en cours revêt pour un petit pays comme les Comores une importance particulière pour la mise en oeuvre des politiques concertées en matière de commerce, d'investissements et de paiements.

1.2. Approche adoptée

Dans le cadre de cette étude, le GTT s'est beaucoup appuyé sur les rapports récents des différentes missions qui se sont succédées aux Comores (Annexe 4: Liste des études et documents). De même, une enquête a été menée auprès d'un échantillon d'opérateurs économiques (Annexe 5: Résultats de l'enquête) (Annexe 6: Liste des opérateurs interrogés).

Pour promouvoir l'intégration économique régionale, le GTT proposerait les actions suivantes:

- a) La maîtrise de moyens de transports au niveau régional. A ce propos, la proposition de la ZEP de créer une compagnie maritime régionale s'avère pertinente et devrait obtenir l'adhésion des pays de la région non-membres de la ZEP.
- b) Une large diffusion des opportunités d'affaires dans la région auprès des opérateurs économiques. Pour y parvenir, la mise en place des «Points Régionaux d'information» diffusant TINET de la ZEP, le Guide Import-Export de la COI s'avère nécessaire. L'Union des Chambres de Commerce, d'industrie et d'Agriculture des Comores (UCCIA) envisage d'ouvrir, en janvier 1993, l'IDC (International Business Center) pour assister les opérateurs dans leurs échanges régionaux (Annexe 13: Présentation succincte de l'IBC).

A côté de ces deux contraintes majeures, d'autres problèmes apparaissent tels que le mode de paiement et la langue. Des actions communes devront être envisagées dans ce sens, tant au niveau institutionnel qu'au niveau de la formation des ressources humaines.

1.3. Résumé du plan d'actions

Actions	Responsabilité	Calendrier	Aide financière
A. Investissements			
Mise en place du guichet unique: facilitation des procédures à la création	Projet PNUD/BIT Chambre de Commerce	réalisé	PNUD/BIT
Octroyer automatiquement l'agrément dès que les conditions d'éligibilité sont remplies	Commission d'agrément	CT	-
Instaurer un système de financement plus incitatif: accorder et faciliter un fret bancaire pour le projet dès que l'agrément est accordé.	FASP et BDC	CT	Pour Mémoire P.M.
Mettre en place des zones industrielles aménagées.	CASP, Chambre de Commerce	CT	Fonds propres et PNUD/BIT
Entreprendre des actions publicitaires et de vulgarisation pour inciter la création d'entreprise de promotion-exploitation.	CASP, Chambre de Commerce et OPACO	CT	PNUD/BIT
Dispenser des séances de formation spécifique aux agents administratifs et différents techniciens qui sont impliqués dans la mise en application des textes régissant l'investissement.	Concertation CASP, Chambre de Commerce, Administration	MT	P.M.
Faire une large diffusion des textes d'application relatifs aux investissements afin que les opérateurs puissent maîtriser leurs droits et obligations (Elaboration du Guide de l'investissement)	Chambre de Commerce, Guichet Unique	CT	P.M.
Adopter une taxe unique à l'importation au lieu et à la place des Droits de Douanes et Taxe d'importation.	Administration	MT	P.M.

B. Echanges			
Concrétiser le plan d'action pour mettre en oeuvre le programme d'abaissement tarifaire tel que prévu par le PRIDE.	COI et Pays membres	MT	Agences de financement/ Bailleurs de Fonds
Apporter des réformes structurelles au niveau des ports et aéroports pour faciliter les formalités en créant un guichet de réception des documents d'expédition et en rationalisant les procédures de contrôle à l'importation	Administration, Ministère des Finances (Douane)	CT	- ...
L'octroi de visa de sortie devrait être automatique à partir du moment où la personne a obtenu un visa d'entrée.	Administration, Ministère de l'intérieur (Immigration)	MT	P.M.
Ouvrir le trafic à des sociétés de transport privées pour favoriser la libre concurrence et la compétitivité au niveau des services offerts.	COI/ZEP	MT	Agences de financement/ Bailleurs de Fonds
C. Finances et paiements			
Envisager la création d'une deuxième banque, et multiplier les réseaux de caisses d'individuel	Administration Administration, Secteur privé	MT	P.M.
D. Institutions			
Renforcer l'autonomie de la Chambre de Commerce, faire adopter le projet de nouveau Statut de la Chambre, institutionnaliser des rencontres permanentes.	Concertation	CT	PNUD/BIT

2. ANALYSE DE LA SITUATION ACTUELLE

2.1 Investissement

A considérer la lenteur de la croissance de notre économie, les problèmes généraux auxquels notre pays est confronté tels que les déséquilibres internes et externes, le poids de l'endettement public et le chômage massif des jeunes, les Comores sont actuellement dans une phase décisive de son évolution.

Le secteur public, après avoir assuré un temps soit peu la croissance de notre économie, semble aujourd'hui avouer son échec. L'économie privée doit désormais prendre le relais. Tel est d'ailleurs le message clairement exprimé par le programme de réformes économiques et les mesures d'ajustement structurel que notre pays vient de négocier avec les institutions de Bretton Woods et dont l'objectif est la remise de notre économie sur le sentier de la croissance. Pour y parvenir, les autorités ont d'ores et déjà donné leur accord pour la mise en place des mesures suivantes:

- Restructuration de la Chambre de Commerce et allègement de l'intervention de l'Etat. (cf: Projet de Nouveau Statut).
- Allègement des procédures administratives de création d'entreprise (cf: Document sur le CASP).
- Mise en place d'un nouveau Code d'investissement qui supprime les différences entre investisseur comorien et étranger, de même que la différence entre régime privilégié et Convention d'Etablissement.
- Privatisation, restructuration et dissolution de certaines entreprises publiques (Viandes, Cigarettes).

La libéralisation de l'économie et le recentrage du rôle de l'Etat qui se désengagera des activités marchandes et directement productrices, le renforcement des services essentiels tels que les soins de santé primaire, la planification familiale, l'éducation de base et la protection de l'environnement sont autant d'objectifs que le gouvernement entend s'y employer avec toutes les conditions requises. Le domaine des exploitations agricoles, le système de transport, le tourisme sont autant des secteurs avec des potentialités considérables prêts, attirer des investisseurs.

Pour les investissements régionaux, il convient de noter que nous n'avons que deux cas: l'Hôtel Galawa (Investissement Sud Africain) et le Projet de Fabrication de Peinture (Investissement Mauricien en partenariat).

Dans ce domaine de l'investissement, le CASP et l'UCCIA ont soumis, à l'appréciation du gouvernement qui a déjà donné son accord de principe, un projet de création d'une Mini Zone Industrielle sur une surface de 2 106 m², qui produira sa propre énergie à un prix de vente de 65% celui de l'EEDC. Cette zone industrielle sera opérationnelle en janvier 1993.

2.2. Echanges commerciaux

Depuis 1991, date de libéralisation des exportations des produits et de l'importation de viande et de cigarettes, les échanges commerciaux sont totalement libres, sauf pour ce qui concerne les produits pétroliers.

Les conditions générales à l'importation et à l'exportation ainsi que les procédures sont allégées (cf: Annexes 8 et 9).

Pour l'année 1991, les exportations comoriennes ont progressé plus rapidement que les importations (43,9% contre 16,8%) entraînant une amélioration du taux de couverture de la balance commerciale qui est passé de 35% en 1990 à 43% pour 1991.

Des chiffres précis manquent pour avoir une juste appréciation des échanges au niveau régional. Toutefois au vu du résultat de l'enquête menée auprès des opérateurs et de la Direction du Commerce Extérieur, il apparaît nettement que:

- A l'exportation, sur 10 pays clients, trois sont de la Région: Afrique du Sud, Réunion et Maurice.
- A l'importation, sur 15 pays, 6 sont de la Région: Afrique du Sud, Réunion, Maurice, Madagascar, Kenya et Tanzanie, (cf: Résultat de l'enquête; Annexe 6).

A l'exportation, les produits ayant un potentiel de vente dans la région sont: Vanille, girofle, coquillage et poisson.

A l'importation, les produits avec un potentiel d'achat dans la région sont: Bois, Fer, Sucre, Ciment, Boisson, Lait, Quincaillerie et diverses alimentations dont Viande.

2.3 Finances et Paiements

L'appartenance des Comores à la Zone Franc fait qu'il n'y a pas de véritables contraintes en matière de devises ou de paiements (cf: Annexe 11). Pour le cas spécifique de la Chambre de Compensation de la ZEP, pour différentes raisons, notamment celle évoquée plus haut de notre appartenance à la Zone Franc, les Comores n'ont utilisé les mécanismes de la Chambre de Compensation que pour payer leur contribution aux budgets de la Chambre de Compensation et au Secrétariat de la ZEP.

D'autre part, depuis le 1er août 1988, date de lancement des chèques de voyage en unité de compte ZEP, nous utilisons aussi la Chambre de Compensation pour régler ou percevoir la contrepartie des opérations de ventes ou d'achats de chèques de voyages en UCZEP.

2.4 Dans le domaine des institutions

En matière d'investissements et d'échanges commerciaux, les institutions concernées aux Comores sont les mêmes:

Direction Générale des Affaires économiques

{1 Direction Générale des Douanes

Direction du Commerce extérieur

Union des Chambres de Commerce, d'industrie et d'Agriculture

Centre d'Appui au Secteur privé

Banque Centrale des Comores.

Ces différentes institutions sont représentées au niveau du GTT pour l'exercice en cours. C'est seulement au niveau des paiements que la principale institution, la BNPI n'est pas représentée.

Pour harmoniser les vues des différentes institutions et arrêter un véritable plan d'actions, l'UGCIA, l'OPACO et le CASP ont pris la décision d'organiser au premier trimestre 1993, les «états généraux du secteur privé».

3. CONTRAINTES ET ACTIONS PRECONISEES DANS LE DOMAINE DE L'INVESTISSEMENT ETRANGER AUX COMORES

3.1 Demande d'agrément

En matière d'agrément de l'investissement étranger, toutes les contraintes ont été levées. Il n'y a plus de différenciation entre investisseur comorien ou investisseur étranger. L'éligibilité aux avantages du régime privilégié repose uniquement sur :

- la faisabilité économique et financière du projet.
- la création d'emplois, la formation des ressources humaines et l'utilisation des cadres nationaux
- la contribution importante aux activités d'exportation et en général aux activités qui tendent à normaliser la balance commerciale
- l'exécution d'un programme de rénovation totale du matériel
- l'utilisation des produits locaux (matières premières, matières consommables, produits finis, ou semi-finis d'origine locale)
- les mesures visant à juguler la pollution et à préserver l'environnement
- la prise en compte du site d'installation
- le développement de la construction sociale.

De même, la Convention d'Etablissement a été supprimée, il n'existe qu'un seul régime pour tous les investisseurs.

3.2 Visa de sortie

Au niveau de la circulation des hommes, aucun obstacle n'existe. Bien que rien n'a été entrepris sur le Protocole ZEP concernant l'assouplissement des exigences de visa, tous les ressortissants de la région peuvent entrer librement aux Comores. C'est une fois surplace, que l'on procède à la régularisation.

La réflexion est lancée pour la transformation du visa de sortie en visa d'entrée perçue à l'arrivée moyennant une taxe, mais rien n'a encore été arrêté.

3.3 Facilités bancaires

En matière de financement des investissements, la mise en place du Fonds d'Appui au Secteur Privé (FASP) permet de surmonter en partie les hésitations de la Banque Commerciale à prendre des risques. En effet, le FASP peut aider à la recherche de financement de projet, en contribuant pour les apports en fonds propres, la garantie bancaire, la bonification des intérêts, les investissements.

Toutefois, dans le cadre du suivi du Programme d'Ajustement Structurel (PAS) pour lequel il s'est engagé avec l'aide du FMI et de la BM et des autres bailleurs de fonds, le gouvernement de la RFIC a fait appel à un consultant international économiste, spécialiste du secteur bancaire pour procéder à une analyse de la situation concernant les deux banques locales, à savoir la Banque de Développement des Comores (BDC) et la Banque pour l'Industrie et le Commerce (BIC), et envisager à terme la création d'une autre banque et plus particulièrement un réseau de caisses de crédit mutuel.

Il s'agit en fait de définir une politique monétaire et de crédit visant à financer l'activité économique et à favoriser le développement du secteur privé en répondant à ses besoins légitimes de crédit dans le cadre de la dynamique de libéralisation enclenchée pour assurer une plus grande mobilisation de l'épargne.

Ces études, financées par le PNUD, viennent d'être réalisées et des actions concrètes dans ces domaines pourraient intervenir rapidement.

3.4 Zone industrielle

Les régimes de zone franche, particulièrement de Maurice et de Madagascar, et les avantages fiscaux aux investisseurs à la Réunion ont amené les autorités comoriennes à s'interroger sur la possibilité de créer une zone franche aux Comores. Une étude préliminaire a été réalisée en 1988 par François de Bruyn: - Etude préliminaire d'implantation d'une zone franche industrielle d'exportation en République Fédérale Islamique des Comores. Cette étude n'a pas été concluante. Cependant, le désengagement de l'Etat de la vie économique au profit du secteur privé et la nécessité des politiques incitatives en matière d'investissement ont amené l'UCCIA et le CASP à soumettre au gouvernement un projet de mise en place d'une Mini Zone Industrielle ONE INDUSTRIELLE, avec des coûts de facteurs moindres (cf: Document Zone Industrielle en Annexe).

3.5. Application des règlements douaniers

La mise en place du système SYDONIA notamment de la prise en charge des marchandises à partir des connaissements et le projet de création de la brigade de contrôle douanière permettront de juguler les fraudes et contrebandes à la Douane. Ceci permettra d'une part d'améliorer les recettes douanières mais surtout de traiter sans discrimination les opérateurs économiques.

La mise en place de cette brigade fait partie des dispositifs inscrits dans la matrice des mesures préconisées au niveau de la Douane par la Banque Mondiale.

4. CONTRAINTES ET ACTIONS PRECONISEES DANS LE DOMAINE DES ECHANGES

4.1 Barrières tarifaires

La R.F.I.C. continue de bénéficier d'un moratoire quant à la mise en application des réductions tarifaires suivant le calendrier de la ZEP. Toutefois, dans le cadre de la mise en oeuvre des mesures préconisées pour le PAS, une baisse générale des taux de douane a été prise, en particulier pour les produits de première nécessité.

Dans le cadre de la région, aucun tarif préférentiel n'est appliqué. Il faut cependant observer que les produits achetés dans la région (bois, sucre, cigarette, fer, etc..) font partis de ceux qui ont subi les plus grandes réductions des taux de douane.

4.2 Droits sur les importations

Pour éviter l'évasion des droits de douane, la Direction Générale des Douanes a arrêté les mesures suivantes:

- Automatisation du traitement par SYDONIA.
- Projet de mise en place très prochainement d'une Brigade de contrôle.
- Suivi des prix de facturation à partir des prix recueillis sur le marché international.
- Renforcement de la coopération douanière au niveau de la région.

4.3 Information

Les enquêtes effectuées au niveau des opérateurs ont permis de se rendre compte que la Communauté des Affaires n'est pas bien informée sur les politiques de développement de la ZEP comme de la COI. Le séminaire tenu par le secrétariat de la ZEP en août 1992 a permis de mener une première campagne de sensibilisation sur les avantages qu'offrent cette institution. L'Union des Chambres de Commerce, en accord avec l'Organisation du Patronat comorien, ont arrêté une série de mesures pour développer cette information:

- Mise en place de l'IBC centre surtout d'informations sur les affaires dans la région à partir de TINET et le Guide Import-Export.de la COI.
- Elargir la participation des opérateurs dans les manifestations commerciales régionales.
- Avancer dans la maîtrise et le traitement de l'information au niveau régional (cas de TINET).

4.4 Transport

L'éloignement des grands marchés de consommation et la faiblesse des liaisons maritimes et aériennes constituent un handicap de départ réel pour le développement de nos échanges avec la région et le reste du monde.

- Le coût élevé du transport tant à l'importation des matières qu'à l'exportation des produits manufacturés affectent la compétitivité des produits à l'exportation.
- La faible fréquence des mouvements de bateaux et d'avions, et le nombre restreint des destinations en ligne directe réduisent la souplesse et la sécurité de l'approvisionnement à l'importation et de la livraison à l'exportation.

Liaisons aériennes: Sur le plan des liaisons aériennes internationales, très peu de compagnies opèrent actuellement aux Comores. A l'heure actuelle, la fréquence de la desserte aérienne est la suivante:

- 2 vols hebdomadaires en provenance et à destination de la France.
- 2 vols hebdomadaires sur Madagascar.
- 2 vols hebdomadaires sur la Tanzanie
- 1 vol hebdomadaire sur les Emirats Arabes Unis (Dubai).
- 1 vol hebdomadaire sur la Réunion.
- 3 vols hebdomadaires sur le Kenya.

Liaisons maritimes: En moyenne, les ports de Mutsamudu et de Moroni enregistrent 4 à 5 touchées de navire par mois.

ORIGINE/DESTINATION	FREQUENCE
Europe	1/mois
Madagascar	1/mois
Maurice, Réunion	1/mois
Kenya, Tanzanie	1/2 mois
Afrique du Sud	1/30 à 40 jours

Le fret en provenance et à destination de l'Asie et des Etats Unis doit obligatoirement transiter par l'île Maurice, la Réunion ou l'Afrique du Sud. Le transbordement des marchandises accroît les risques au niveau des délais d'approvisionnement, de livraison, de Vols et de dégradation de la marchandise.

L'initiative préconisée par la ZEP de créer une compagnie maritime régionale devrait permettre de résoudre cette difficulté que constituent les liaisons régionales.

4.5 Communications

Malgré les progrès réalisés au niveau des télécommunications, les liaisons en direction de la région ne sont pas encore intégralement automatisées. A l'heure actuelle, seul le télex est intégralement automatique. La réalisation du projet de la COI sur le Centre de Transit International permettra de résoudre les problèmes qui subsistent au niveau des communications.

5. CONTRAINTES ET ACTIONS PRECONISEES DANS LE DOMAINE DES FINANCES ET PAIEMENTS

5.1 Services bancaires commerciaux

L'existence d'une seule banque dissuade bon nombre d'opérateurs qui veulent se lancer dans les échanges régionaux. Pour l'exportation, la banque demande la mise en place d'un crédit documentaire par le client. L'exportateur peut escompter ce document et obtenir une avance de 80% du montant pour 60, 90 ou 120 jours. La banque exige toutefois le rapatriement des fonds à l'échéance. A l'import, la BIC offre la possibilité de mise en place d'un crédit documentaire. Elle demande une garantie variant entre 25 et 110% de la valeur. A l'import existe aussi la possibilité d'utiliser le système de remise documentaire (payer à l'arrivée la marchandise contre les documents.) Pour le crédit de campagne la banque prend 11%.

C'est pour surmonter toutes ces difficultés que le gouvernement a demandé une étude sur le système bancaire de la RFIC (cf. Paragraphe 3.3. Facilités Bancaires).

5.2 Services d'assurances

Aucun service d'assurance à l'import comme à l'export n'existe sur place. Les opérateurs assurent leurs marchandises à partir des pays fournisseurs.

5.3 Banque de la Z.E.P.

Comme les autres institutions, l'utilité de la Banque de la ZEP n'a été comprise par les promoteurs que lors du Séminaire sur la ZEP tenu à Moroni en août 1992. Il s'agit maintenant de développer l'information auprès des opérateurs pour qu'ils puissent bien appréhender les services et opportunités que la Banque peut leur fournir.

6. CONTRAINTES ET ACTIONS PRECONISEES DANS LE DOMAINE DES INSTITUTIONS

6.1 Secteur privé

Jusqu'à une date récente, l'Union des Chambres de Commerce était très limitée dans ses actions de promotion et de présentation des opérateurs économiques par les difficultés qu'elle avait d'entrer en possession de ses propres fonds. En effet, l'obligation de faire transiter ses recettes au Trésor Public handicapait énormément l'UCCIA lorsqu'elle voulait les retirer. Toutefois, les autorités ont donné leur accord pour un renforcement de l'autonomie de l'UCCIA tout en restant dans le champ d'un établissement de droit public. Par ailleurs, la mise en place de l'Organisation du Patronat Comorien (OPACO) va permettre au secteur privé de renforcer ses institutions et de mieux faire prévaloir ses vues auprès des autorités.

6.2 Secteur public

Pour bien coordonner les actions en faveur de l'intégration régionale, il convient d'institutionnaliser des rencontres permanentes entre les OPL de la COI et de la ZEP avec les organisations du Secteur Privé et les administrations qui interviennent dans le commerce et les investissements. Ce genre de rencontres a déjà commencé dans le cadre des préparations des foires et manifestations commerciales.

6.3 La Banque de Développement

Elle a pour vocation première l'octroi de crédits à moyen et long termes au secteur productif et à l'habitat. Jusqu'à présent, elle a financé ces opérations essentiellement sur ses fonds propres et sur une ligne de crédit de 2 millions de USD accordé par l'AID. Cette facilité étant épuisée, elle a obtenu de la CCCE, plusieurs prêts d'un montant total de 750 millions de Francs Comoriens, et de la Banque Européenne d'investissement un crédit de 4 millions d'Ecus.

Evolution des crédits accordés:

1989	385 MILLIONS DE FC
1986	331 MILLIONS DE FC
1987	387 MILLIONS DE FC
1980	340 MILLIONS DE FC
1989	329 MILLIONS DE FC
1990	331 MILLIONS DE FC
1991	538 MILLIONS DE FC

Sauf en 1989, le Transport-Industrie occupe chaque année, la première place sur l'ensemble des prêts accordés, vient ensuite l'habitat.

7. CONCLUSION

De l'analyse et des discussions menées au cours de cet exercice, deux grandes observations peuvent être faites:

- a) La volonté des autorités politiques et des opérateurs économiques d'ouvrir la RFIC au reste du monde, en particulier aux pays de la région. De cette volonté se dégage une adhésion totale à l'initiative prise par la Banque Africaine de Développement (BAD), la Commission des Communautés Européennes (CEE) et la Banque Mondiale (BM).
- b) Des interrogations quant à la réussite de cette intégration régionale, surtout pour des petits pays comme la RFIC qui sont limités par leurs moyens tant en ressources humaines qu'en ressources naturelles.

La ZEP et la COI montrent qu'au delà de la volonté politique des différents états, il faut avancer de manière concrète sur un ensemble de mesures pratiques prenant en compte le niveau de développement de chaque pays. Toutefois, il faut reconnaître que des avancées sont recherchées à travers des grandes actions comme le projet de mise en place d'une Compagnie Maritime Régionale par la ZEP, le Centre de Transit International par la COI et le Programme Régional Intégré de Développement des Echanges (PRIDE).

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ANNEXE A1

CARACTERISTIQUES DU PAYS

Superficie:	1 862 km ²
Population:	500.000 H
Revenu/H:	500 US \$
P.I.B. :	70.488 millions FC (1)

Répartition PIB par secteur:

- Agriculture et pêche :	26.095 millions F.C. (37%)
- Industrie:	3.161 millions F.C. (5%)
- Bâtiments et Travaux publics:	1.382 millions F.C. (2%)
- Services publics :	3.128 millions F.C. (4%)
- Autres services :	36.722 millions F.C. (52%)

(1) Source: Banque Centrale des Comores.

ANNEXE A2

Evolution des importations des principaux produits (Valeurs en - millions de FC)

PRODUITS	ANNEE 1990	ANNEE 1991	Pourcentage
Riz	29.928,4	28.120,0	- 6,0
Viande-Poids.	1.565,0	3.518,3	+ 125,0
Farine	3.704,9	2.624,5	-29,0
Sucre	3.253,5	3.973,9	+ 22,2
Produits lait.	864,6	1.007,4	+ 16,5
Prodts pétrol.	25.116,0	24.613,0	-2,0
Ciment	39.577,9	29.618,9	-25,0
Véhicules	506,3	1.618,9	+ 219,8
Tissus confection.	275,1	359,7	+ 30,8
Fonte-Fer-Acier	1.882,0	3.279,0	+ 74,2
Autres produits	7.561,1	12.979,7	+71,7
TOTAL	114 234,8	111.713,3	

ANNEXE A3 : IMPORT/EXPORT

I. IMPORT

CONDITIONS GENERALES

Peut importer toute personne physique ou morale, nationale ou étrangère ayant rempli les conditions exigées par l'administration.

L'importateur doit:

- Etre en règle au niveau de la patente auprès de la Direction Générale des Impôts.
- Etre en possession de sa carte professionnelle de commerçant délivrée par la Direction Générale des Affaires Economiques (Carte d'importateur vaut 200 FF).
- Présenter des garanties financières suffisantes.

PROCEDURES

Toutes les importations, hors Zone Franc et CEE, sont soumises à l'obtention d'une licence. L'établissement de cette licence est conditionné par:

- les conditions générales (cf: ci-dessus)
- la présentation d'une Facture Proforma datée de moins de 3 mois, comportant les informations suivantes:
 - Désignation commerciale
 - Les quantités en poids ou en nombre
 - Le prix unitaire
 - **Le pays d'origine et de provenance**
 - Les délais de livraison

II EXPORT

CONDITIONS GENERALES

Pour exporter, l'exportateur doit a) être en règle vis à vis de l'Administration Générale des Impôts, en ayant payé sa patente et b) avoir sa carte professionnelle d'exportateur. Pour certains produits (coquillage, bois, etc...) menaçant l'écosystème, une autorisation spéciale doit être délivrée conjointement par les ministres des Finances et de l'Economie, de la Production et/ou de l'Environnement.

PROCEDURES

Toute exportation, quelle que soit la destination et dont la valeur est égale ou supérieure à 10 000 FF doit être domiciliée auprès d'une Banque. Toute exportation doit en outre requérir le visa de la Direction du Commerce Extérieur.

Tout exportateur doit souscrire auprès de la Banque Centrale un engagement de rapatriement de devises. Les devises doivent être rapatriées et cédées au système bancaire dans les 30 jours ouvrables qui suivent la date de règlement stipulée dans le contrat.

III. EXPORTATION DES CAPITAUX

L'exportation des capitaux n'est soumise à aucune contrainte. Il est seulement exigé que pour toute valeur supérieure à 10 000 FF, le transfert se fasse par voie bancaire.

ANNEXE A4.

REPUBLIQUE FEDERALE ISLAMIQUE DES COMORES

Ministère de l'Economie, des Finances,
du Budget et du Plan

Moroni, le 02 Sept. 1992

ARRETE N° 92-203/MIFB/CAB

Portant création du guichet unique au sein du centre d'appui au secteur privé.

LE MINISTRE DE L'ECONOMIE DES FINANCES, DU BUDGET ET DU PLAN

VU la constitution;

VU le Décret n°92-107/PR du 15 juillet 1992 portant nomination des membres du Gouvernement.

VU l'accord entre le gouvernement et le PNUD portant sur le projet COI/91/003 «Appui au Secteur Privé».

VU la mise en place effective du Centre d'appui au secteur privé (CASP)

ARRETE

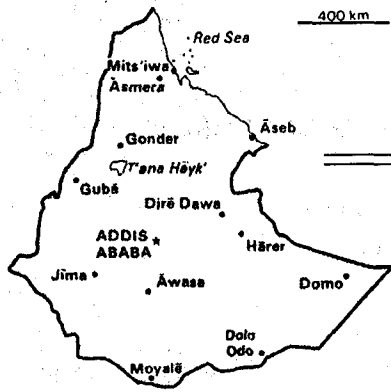
Article 1er - Il est créé au sein du CASP un guichet unique pour les formalités d'entreprises

Article 2. - Le guichet unique a pour but de faciliter les formalités de la création d'entreprises en réunissant en une seule démarche les opérations nécessaires à la constitution d'une Société.

Article 3. - Le guichet unique est chargé d'aider les hommes d'affaires à régler toutes les formalités d'entreprises selon les modalités définies dans son règlement intérieur.

Article 4. - Le guichet unique est tenu de communiquer les états statistiques aux services du gouvernement.

Article 5. - Le présent arrêté, qui prend effet à compter de sa date de signature, sera enregistré et publié partout où besoin sera.



Ethiopia



Dr. Shibabaw Yimenu
Trade & Development Services Int. (TDSI)

1. INVESTMENT POLICIES

1.1 Ethiopia's Investment Code and Incentive Schemes

Up to about 1973-74, Ethiopia had no serious program for the promotion of foreign investment in the country. In fact, the then existing feudal system was actually against the intrusion of foreigners for any purpose. The presence of foreigners in the country was seen as a potential source of corrupting influences which would work against the culture, the religion and the long-established feudal system.

Toward the end of the 1960s, it was realized that the country needed outside infusions of capital, as well as technology, in order to undertake effective development programs. Studies commissioned and government reviews of the problems encountered in the process of promoting investment showed clearly that the conditions required by the potential investors needed to be codified into law and that the process of promoting and assisting new investment was best undertaken by a central body of the government with powers to act in support of investors. Moves toward a coherent investment code were initiated through Proclamation No. 242/1967. Subsequently, a permanent Investment Committee, with a secretariat was established. By 1974, this committee and its secretariat had drafted an investment code. The establishment of an investment promotion center was also recommended. Later, it was decided that the investment promotion centre should be joined to another proposed center for the promotion of exports. The new center was to be called the Export Promotion and Investment Center (EPIC). The draft law was being discussed at the level of the Council of Ministers when the revolution of 1974 put a stop to it.

After that, foreign investment became a dirty word for the new regime which adopted socialism as its guiding principle and "anti-imperialism" as the cornerstone of its foreign policy. This blocked any meaningful development of both foreign and domestic investment. It was not until 1983 that the state to reconsidered the need for promoting foreign investment. But even then, foreign investments could only be made in the form of joint ventures in partnership with the parastatal organizations and not with the local private sector. The local private sector was shackled by a capital ceiling of only Birr 200,000. Moreover, another law had already decreed that any one person could have only one such business in his own name and no more.

Needless to say, no major investments were carried out, and only three were of a foreign origin, two small operations with Libya and one with Bulgaria, the latter of which has not yet materialized. By

1989 it was realized that the prohibitive provisions of the existing policies were inhibiting foreign and domestic investment. Moreover, it was realized that the capacity of the state to mobilize enough capital to finance the country's economic development programs had been grossly overrated.

Consequently, the first steps were taken towards the opening up of the country to foreign investment towards the involvement in investment of the hitherto un-engaged domestic private sector, as well as towards job creation and the general development of the country. Thus, the Joint Venture Proclamation of 1989 provided for the right of the private sector to participate in tri-partite joint ventures involving the state, foreign and private companies, although it still prohibited the private sector from being able to establish (bilateral) joint ventures directly with foreign companies without involving the state as well.

These obstacles, as well as many others including an article which provided for the state to be able to nationalize any industry (with compensation), ensured that the new law did not generate any serious investment. In fact the country's economic, political and social conditions deteriorated fast. The various civil wars and the droughts exacerbated the situation. This led to an attempted coup d'état in April 1990. These developments showed the then ruling Derg regime that, unless it made an about-turn in economic and political policy, its ability to hold power would be eroded fast.

It therefore launched a New Economic Policy in May 1990 which was quite liberal. In fact, in many ways, it was more liberal than the present economic policy. A new decree on investment was issued which lifted the restrictions on the private sector. The private sector was now able to engage in joint ventures with foreign firms without the need to bring in the state as a partner. The absurd capital ceiling was also lifted. The incentives scheme was expanded. However, no major steps were taken by foreign investors with the exception of some oil companies which signed prospecting agreements with the government. Most of the others were hampered by some elements in the country's situation. Although the business climate was improved somewhat by the introduction of the new economic policy and the promulgation of the investment law, the political climate had not changed at all. All the promised steps in that direction were soon nullified by foot-dragging and renegeing on promises.

Furthermore, too many important areas such as mining, energy, air and sea transport, banking and insurance and even large-scale import and export were reserved for the state. This law also provided for the state to establish businesses in many areas, with or without the participation of the private sector. This was done despite the fact that government was in no position to mobilize by itself the huge sums required for these investments.

Accordingly, new revisions of the investment law were finalized and were in the process of being passed into law when the Derg regime was finally overthrown in May 1991.

The new regime was presented with the drafts prepared by the previous government. The new regime apparently objected to many of the provisions because it took about a year to finally make a decision to introduce a new economic policy and a new investment code. Although firm evidence is not readily available, part of the problem apparently was the regime's reluctance to accept the complete opening up of the economy to the private sector, both foreign and domestic. It was only after months of argument and!

debate that it was finally approved in a form which at least would not be seen as worse off than the last Derg policy on the issue.

The new law still has many shortcomings according to the business community. Its coverage is detailed below with suggestions of areas of improvement.

1.2 The Investment Promotion Schemes and their Application

The investment promotion and incentives schemes of the new regime were put into effect by the Encouragement, Expansion and Coordination of Investment Proclamation No. 15/1992.

Like the Derg regime law, the present investment code also reserves many important sub-sectors of the economy for the state sector. These are defence industries* large-scale production and supply of electricity, telecommunications, air and sea transport, banking and insurance and other financial institutions as well as import and export trade for «selected products». The code also allows the state to invest directly by itself or in partnership with the private sector in such areas as large-scale engineering and metallurgical industries, capital and technology intensive investments in large-scale mining and energy production; large-scale pharmaceutical and fertilizer plants, and industries which can supply essential raw materials for the chemical industry.

The new law provides for the participation of the private sector in the establishment of enterprises in joint venture with foreign investors; it also grudgingly provides for wholly foreign-owned operations. However, whenever this right is given, it is always qualified by the addition of a so far operationally-meaningless phrase which declares that “priority, however, will be given to domestic investors.” This is particularly emphasized in the articles dealing with the granting of incentives. (This phrase actually seems to have been thrown in to pacify the more left-wing elements of the government who had opposed the opening up of the economy to direct foreign investment, including, in particular* wholly-owned operations.) The benefits of such legalized “priority” are now being doubted because the Ethiopian private sector has little capital to engage in any large-scale enterprise. Moreover, its own objective is to work together with foreign capital and technology inputs which it wants to bring in.

The benefits themselves are not so generous as in many other countries. For example, only firms with a foreign involvement in excess of US\$ 500,000 qualify for the incentives. For wholly locally-owned firms, the threshold is birr 250,000. Moreover, the tax holidays are only three years for most firms while they go from 3 to 5 years for those located in particularly backward regions of the country or those bringing in new technology, etc. The tax carry-forward principle is allowed only for one year. None of these incentives covers trading activities. The law still provides for the possibility and the conditions under which nationalizations may be carried out, a highly objectionable policy to investors.

Two particular issues presently affect the investment climate drastically although they may pave the way for its eventual improvement. These are the current civil strife all over the country and the devolution of power which is underway. The civil strife makes for a destabilized situation which creates a particularly negative environment for investment. The second issue is the fact that power is finally being

re-divided so that the different administrative regions of the country will have a share in a federal system. However, the limits of the power to be shared, the formulas for resource sharing and the rights and duties of federal ministries and regional administrations, etc., have not been clearly demarcated. The institutional relationship has not been worked out. The regional administrations have neither the institutional set up nor the know-how to do so. In some regions, it is possible that the central government may have to run things. Already, this has become a problem in the administration. It is now becoming increasingly difficult to have decisions of the government implemented in some regions of the country. It is therefore mandatory to finalize the arrangements in this respect urgently if investment is to be promoted and its operations made smoother. It is also essential to establish a well-structured division of powers, responsibilities and rights in order to make it easy for the business community to consider investing in all parts of the country.

Even though they are not as generous as those of many other capital-importing countries, the incentives to be offered would be a great improvement in comparison to existing conditions if they were implemented efficiently. However, their administration is still hampered by too many bureaucratic procedures. Although the incentives are authorized by one organization, it requires the inputs of other ministries and organizations in order to make the decision. Furthermore, it gives the said organization, the Investment Office of Ethiopia, and the Investment Board, the sole right to decide on the qualification of projects for the incentives, with the other concerned organizations only providing supporting opinions.'

Furthermore, especially in the opinion of the private sector, the board itself is too top heavy and ex-officio. In particular, the private sector does not like the fact that the board is only composed of top level government officials and bureaucrats and does not have any members from the private sector. On the other hand, even the Minister of Internal Affairs, who is usually the top security official in the country is included ! The assumption is that the private sector will be represented by the Secretary General of the Ethiopian Chamber of Commerce. However, the Secretary General is, up to now, appointed by the Government and generally does not come from the private sector. The private sector therefore calls for the inclusion of private sector people on the board. The meetings of the board are not open. They should be open and the private investors concerned should be able to be present with their advisers and to defend their projects. In any case, there is no reason why a meeting of this sort could not be open to the public. ?

1.3 Investment Flows from the Sub-Region into Ethiopia

According to all organizations interviewed, there is so far no discernible flow of investment into Ethiopia from firms or persons in the Sub-Region outside of Ethiopia. About the only exceptions are Ethiopians who have been living and operating in other parts of the Sub-Region after having fled their country as a result of the persecutions of the Derg regime and who are now exploring the idea of returning to and operating in their own country as well. However, such persons are generally not treated as foreign investors (although they get the same incentives) unless they have become nationals of foreign countries. The bank states that it has not dealt with any funds emanating from this source.

The business community and the officials interviewed feel that it is unrealistic to expect much foreign investment in Ethiopia until the country is more stable. The alleviation of travel restrictions and the improvement in the general accessibility of the country, as well as proven stability, may generate interest in investment in the country.

Currently, the only foreign firms active in the country with a view to making major investments are the oil companies.

These pro-investment moves of both the old and new regimes have resulted, in about two years of operation, in the registration of 22 small joint ventures. Of these only two have actually begun operations. Most of the investments are from developed countries and none from the PTA region. Those in actual operation are from socialist countries.

Although figures have proved to be impossible to obtain, it is understood that the import content of the few in operation and the proposed joint ventures or direct investments is very high as all machinery and even most raw materials have to be imported.

1.4 Ethiopian Investment to Other Parts of the Sub-Region

The mere mention of this possibility was looked at incredulously by the officials who are in a position to have dealt with this issue. Neither the Ministry of External Economic Cooperation (which is the organ coordinating PTA matters for the government), nor the Investment Office of Ethiopia, nor the National Bank of Ethiopia saw this as a practical possibility in the foreseeable future.

The consensus was that Ethiopia is nowhere near to being a capital exporting country and that its main concern is to draw in capital and not to promote its flight. The only foreseeable possibility is a government or government and private joint venture sanctioned by the government for operation in another country as part of treaty obligations. The investment outflow would then be permitted by the state itself.

Potential investors are now denied the necessary mobilization funds and even travel allowances to engage in business activities which could possibly earn foreign exchange for the country. The only exception to this is the Ethiopian Air Lines, which is able to operate maintenance and operating contracts in the subregion. It is allowed to withhold a portion of its earnings to cover its operating costs outside Ethiopia.

Recommendations: Ethiopian Air Lines is allowed this latitude with some controls. It has to declare its earnings and show proof of its expenditures. All this is done with the close cooperation of the National Bank. Unspent balances of foreign exchange are returned or sold to the Bank.

The same principle can be followed for other operators with the adoption of the most appropriate controls and follow-up mechanisms which would allow nationals to invest in the PTA region.

1.5 Exchange Control Restrictions

Ethiopia's export earnings have traditionally covered, in good times, only about a quarter of its imports. In the recent years of drought and civil strife, export earnings have declined drastically. Therefore, Ethiopia is now earning only a small fraction of what is needed to cover its import requirements.

Under these circumstances, it has been practically impossible to have an open, laissez-faire attitude with regard to the allocation of foreign exchange. Ethiopia was forced to introduce a program of rationing of foreign exchange so that essential imports get a small share. These included medicine, fuel, food and other special imports for the population, as well as urgent government needs. The days of open general licence permits are still far off.

However, the allocation is done on a product-by-product basis. It does not emphasise the origin of the goods. This means that the importer could still import them from the PTA. The above is true for trade. With regard to investment, it is completely impossible for the foreseeable future for the reasons given above.

A vicious circle of low production and low export which results in low foreign exchange earnings has caused the practice of severe exchange controls. If Ethiopia is to break out of this, a large infusion of easy term foreign capital (in hard currency) is an urgent necessity. Government should carry out the necessary policy changes which can entitle it to request such assistance and investment while the donor countries, agencies and foreign investors should respond generously and quickly.

1.6 Ratification of the Multinational Industrial Enterprise Charter

Ethiopia has not ratified this charter to date. The Ministry of Industry had approved it in principle and requested the PTA coordinating ministry (the Ministry of External Economic Cooperation) to undertake the ratification process. However, the government was changed before this could be completed. After the establishment of the new regime, there was a lapse of about a year before this issue was raised again. Recently, the Ministry of Industry has again requested ratification. The Council of Ministers responded by ordering the above ministries to re-submit all the PTA ratification requests anew. The concerned ministry is currently preparing such a submission. It is expected that all these, including the question of the past and next instalments of the tariff reductions, will be reviewed together.

It is also expected that a number of difficulties will be solved by the ratification. Chief among these are the areas of law and regulation, where the charter's provisions exceed those which are provided by Ethiopian investment and business-oriented laws. For example, the Charter's provisions on incentives are more liberal because they are given for longer periods (5 years instead of 3 under the local law) and there is no limit in areas of investment while Ethiopian law restricts certain areas of industry, mining, energy, etc. to the state. It is therefore expected that the ratification legal notice will give investment which comes through the MIE Charter more liberal incentives.

Potential investors from the sub-region would know about this particular charter. Its non-ratification is only going to send the wrong signals. As Ethiopia needs all the possible investments urgently, the ratification should be carried out immediately.

1.7 Investment Guarantees

All investors interested in operating in the country have shown strong interest not only in the incentives packages they will be provided and any other form of assistance but, more importantly, in guarantees which can be given for their investments. The number one guarantee they require is stability.

Other important considerations include the prevailing of the rule of law, the right to exist and operate in the country, to move around from region to region as required and to be able to do all this with the safety and assurance of the respect they will receive as individuals. [Many say that if these conditions were fulfilled Ethiopia would have enough potential to draw in investors even if financial incentives were not given.]

Four sets of guarantees have been raised either by investors or the governments of the countries they come from (generally European, North American and Asian countries.) These guarantees are MIGA, ICSID, BITS and double taxation treaties.

Ethiopia ratified the MIGA treaty in 1991. All the covers it provides are therefore operational. Ethiopia became a signatory of the ICSID treaty way back in 1965. However, it has not ratified it legally to this day. Preparations are currently being made at the Investment Office of Ethiopia to request government to ratify it. Bilateral Investment Treaties or BIT's, which can serve as investment guarantee tools have not yet been signed with any country. As the negotiations are similar to double taxation treaty negotiations, the signing of the latter with some countries will pave the way for these as well (see section 1.8 below)

1.8 Double Taxation Agreements

Many countries, principally the USA and Germany have been pressing the government for the signing of bi-lateral double taxation treaties as a condition for encouraging and facilitating investments by their citizens.

However, as there are no Ethiopians domiciled in Ethiopia in business in these areas, the benefit from such treaties is viewed as being too one-sided. Therefore the government has not made this one of the most important incentives to draw investors. From within the PTA region, discussions are being held to sign one with the Sudan, where substantial numbers of Ethiopians have been active in business for ages.

In any case, the urgency for and the benefits to be derived from such treaties have been diluted somewhat by the existence of various types of tax incentives for investors. These include long tax holidays, tax eliminations and reductions for those exporting at least 10% of their output, etc; There are time limits for the first category, while the latter is permanent. Therefore, the cover which double taxation agreements would have provided is already there for a good part of the life of a project anyway.

Regardless of these considerations, both double taxation and bilateral Investment Treaties (which can also include the former) should be signed with all those countries which request them. Obtaining the good-will of these governments will pave the way both for ODA transfers and investment flows from these and other countries.

1.9 Elimination of Travel Restrictions

Ethiopia has approved in principle and signed the protocol on the relaxation and eventual elimination of visa requirements for citizens of PTA member countries since way back in 1986. However, it has not ratified this particular protocol and has not carried out an across-the-board elimination of the requirements. Nevertheless, it has taken steps which in practical terms go well beyond what other countries have done. Ethiopia's procedure for the treatment of PTA region travellers is to require them to obtain visas if they are arriving from countries in which embassies are already established (such as Nairobi, Harare, Djibouti and Kinshasa) and to have the organization (whether business, individual, government or international organizations) to request visas for them here. These are given automatically. The Immigration and Refugee Affairs Department of the Ministry of Internal Affairs requires a notification period of only 72 hours for the issuance of visas on this end to be given on arrival.

Recommendations: Even 72 hours is too long for a harried businessman making shuttles from one capital to another trying to arrange a deal. Therefore, the department should strengthen itself technically to be able to undertake any national security or other formalities more efficiently so as to be able to allow travellers to come in and leave the country more speedily.

1.10. Labor Mobility and Cross-Border Trade

So far, there have been some cases of persons travelling to Ethiopia and asking for residence rights on the basis of being PTA operators. However, upon examination, it has repeatedly been found that these were transients who did not qualify as they were not nationals of any member states and had legitimate business objectives. They were therefore not accorded the right.

Outside of these there have not been any legitimate requests from any national of PTA member states. As there have not been any investments from the Sub-Region, there are no cases from which to ascertain the existence of any constraints to cross-border movement of persons into Ethiopia.

However, movement outside of Ethiopia is still restricted. Ethiopia is still one of the few countries which requires an exit visa for its citizens. The new government has relaxed the conditions for obtaining a passport and the required exist visa. However, it should go the one remaining step further in order to make passports automatic and to eliminate the practice of exist visas altogether.

1.11. Bureaucracy and Corruption

Every economic or non-economic activity which has to pass through any government offices is now discouragingly hampered by unnecessary and often counter-productive and unexplainable procedures. A study of a complete import cycle for any product (from application for foreign exchange to customs clearance) revealed that 146 different forms, 168 pages, 269 signatures and a total of nine months were required. This was for a government operation. As such the government does not really have to pay bribes. If it were a private sector operation, bribes would have to be paid at many of these stages in addition.

At the Addis Ababa Region Administrative Office (City Hall), which is in charge of allocating space for industrial establishments, the number of applicants for industrial locations, i.e., plots of land to build upon, (that means people who actually have an industrial licence) has now reportedly reached 17,000 while only a couple of hundred are approved each year! Government has to do something about this before investment promotion schemes can become successful.

1.12. Labour Policy

One of the biggest obstacles to economic and business success in the final long, years of the revolution was the loss in the power of management to ensure sufficient productivity of labour. Labour became supreme in a vulgar way. The labour law passed after the revolution enshrined this attitude. This added to political persecution of the private sector and in general meant that managers had no power at all.

This situation is in the process of being revised. However, there is fear that it may swing too far to the right in an effort to solve the problems of the past.

What is needed is a labour policy and labour law which will be fair for both sides in order to enable management to assure productivity while protecting the rights of workers in a relationship which will assure industrial peace throughout the country.

1.13. Investment Promotion Office

At present, an investor who wants to establish a business which qualifies for incentives registers at the Investment Office of Ethiopia. At this office, his project is reviewed and if approved the investor is given an investment certificate which entitles him to all the incentives in the scheme as well as a theoretical right to quick service at many organizations where he needs to get something approved.

However, the investment certificate is currently just a piece of paper at all places except the customs (if it is given exemption from duties and taxes). It does not confer any priority and the investor still faces the tortuous obstacles of a disinterested bureaucracy manned by dissatisfied, underpaid and under-trained manpower.

The government should make all these steps unnecessary by revitalizing the Investment Office and making it a "one stop shop" which would handle all procedures related to the initial permits. Furthermore, the office should be made to see its role as a promotor which is to persuade, induce, assist, etc. both nationals and foreigners to set up business in Ethiopia, rather than a bureaucratic station of government where it passes pompous yes, no and may-be if...decisions. Moreover, it should not be involved in making decisions to protect inefficient industries already established, which it currently does by rejecting investments where it sees a labour displacement potential as it recently did.

2: INTRA-PTA-TRADE

2.1 Intra-PTA Trade of Ethiopia

As can be seen from the two tables annexed to this report, Ethiopia's intra-PTA trade is really negligible with all except two countries, namely Djibouti and Kenya. The share of these two countries represents over 95% of all trade with the sub-region. Furthermore, this trade would go on with or without PTA. It is not generated by the Treaty arrangements.

In Ethiopia, there is a class of imports which are undertaken without the expenditure of officially granted foreign exchange which are called FRANCO-VALUTTA imports. Officially, these are supposed to be "gifts" from abroad. However, it is widely known that they are mostly financed by unofficial exports. The only exceptions are direct transfers for relief agencies, aid agencies, etc. The value is calculated to be much higher than the import figures as travel costs and foreign deposits must be deducted from the import figures. The figures for the last few years have, averaged about one billion birr per year. This means that unofficial exports are more than the official ones. If we add to this the traditional exchanges of border people with their neighbors, the figure will be much higher. However, much of the Franco Valutta imports, particularly those emanating from Djibouti, Kenya and, lately, from Sudan do not actually reflect exports from these regions because these are largely re-exports of goods imported from abroad for this purpose. In fact, Ethiopian businessmen open L/C's in Nairobi or Djibouti, in order to circumvent the absurdly stiff foreign exchange control regime, and get the goods shipped to Ethiopia as free gifts.

2.2 The Main Macro-Economic Constraints

In the opinion of the private sector, there are two types of major constraints which inhibit the growth of the country's trade and investment: the country's current political and security situation; and some macro-economic conditions.

Political Situation

The most widely stated problem is the lack of peace, stability and security in the country during the last four or five years in particular. The investing community (both domestic and foreign) puts a heavy emphasis on this. No one, it seems, wants to establish anything with a long-term horizon in a country which is facing destabilizing forces; and no one is interested in statements from the government saying there is peace and stability. People want evidence of peace and stability before they make any decisions.

Macro-Economic Constraints.

The main problem of the economy is that ever since the revolution of 1974, it has been running as a war economy. At the same time, the disruptions which were brought about as a result of the efforts to create a Soviet-style socialist economy had repercussions which are being felt by the economy to this day. Even now, some of the most important decisions yet to be made what to do about the economic policy legacies of the previous regime. Chief among these are the problems of the nationalized land-holding

system which prohibit individuals to sell their landed property; the nationalized housing and urban property, the question of nationalized industries (i.e. whether or not they will be denationalized and if so, whether or not they will be returned to their former owners. Privatization may also be brought about by auctioning land off to new buyers rather than returning it to its previous owners, the rationale for this being that the state has since invested huge sums in it which were beyond the capabilities of the previous owners.

The next issue is that of the adoption of a well-thought-out structural adjustment program. One of the elements of this, the adjustment of the long-over-valued Birr (which is pegged against the US \$,) was partially solved this week when the Birr was drastically devalued, reduced from birr 2.07 to 5.00 to one US \$. This needs to be followed up by other measures if the economy is to be put on a normal footing. ;

If the devaluation and the structural adjustment program are to work, the government has to reduce government expenditure. However, the announcement of the devaluation of the birr (above) was actually preceded by the announcement of huge wage increases for the lowest income salaried government employees (including factory employees who number in the thousands) and more modest ones, for the higher salaried ones.) Devaluations cause inflation often even without wage increases. More prudent approaches to this are preceded or at least followed, by wage freezes.

Another important measure which needs to be taken is to lift the absurd clamps on interest rates, so that they may go up and down on the basis of market forces (or at least on the basis of a conscious economic policy with set objectives). The commercial bank is able to pay only 6% interest on deposits. Moreover, it has a ceiling on how much anyone may hold in an interest bearing account (200,000 birr!) Currently, interest rate adjustment is not one of the tools of economic management in the country. The above cited rates have been fixed by law for over a decade.

Discriminatory interest rates prevailed until a few days ago. By decree, the state sector (and the politically-created cooperatives enjoy the lowest interest rates. For example, a housing cooperative pays only 4% interest while a businessman and a private house builder have to pay 9.5% fixed interest on their loans. The current regulations do not provide any preference to anyone.

Another issue which is felt to be a major constraint by the private sector is the level of taxation. Ethiopia is one of the countries in which the tax burden is still quite heavy. The tax on profits of most private firms and operators was a maximum of 89% until very recently. Now it has been reduced to 50%. However, the private sector feels that this is still much too high.

The import tariffs are also among the highest in the world. They are, in fact, biased against consumption. They were issued at a time when world prices were low and imports were also relatively low. The nascent but inefficient domestic industries were also given very high protective barriers. When the domestic production is nowhere near meeting domestic demand, high tariffs have meant very high prices for imported, as well as domestically, produced goods. This has worked against the cost of consumption, which is one of the reasons why national savings are so low in the country. Reductions of these tariffs will not only improve the price level for consumers in the country, but also reduce production costs for industry and agriculture, thereby contributing to a general improvement in prices.

2.3 Import Licencing and its Effect d

Commercial importers go through the following process in Ethiopia. First they must get an import trading licence from the Ministry of Trade. This only gives them the right to engage in the trade activity indicated by their title (exporters get another similar licence). It does not give them an automatic right to the foreign exchange needed to carry out their import activities as they desire. In order to actually be able to import an item or items at any given time, they must apply for foreign exchange at the National Bank of Ethiopia. When they apply, they submit the completed application form with the supporting documents required by the Bank (such as proforma invoices from at least three firms exporting the product). The Bank then reviews the application and decides on it. Even if the application is for a product enjoying high priority as a socially necessary item, it may not be allocated the full or partial amount requested.

As in the case of outward investment restrictions, only large-scale infusion of outside capital/foreign exchange can help. This requires action on the side of both the national and foreign governments and multi-lateral donor organizations. Liberalizing without the backing of such large infusion is unthinkable at the moment because of the shortages and the imbalances in supply which are expected to occur in the absence of the current system of rationing which assures limited supplies of all imported essentials.

2.4 Export Licensing Regulations and Their Impact

Ethiopia is one of the few countries in the world where restrictive licensing practices severely affect export trade. These regulations are meant to ensure that the country gets as much foreign exchange as possible from the export of its produce. This was motivated by a practice of the trading community which notoriously under-invoices its export prices and over-invoices its import prices. (This, of course, is the result of restrictive foreign exchange regulations which prohibit the traders from ready access to legal foreign exchange. In order to circumvent this barrier, traders create and maintain their own foreign exchange accounts outside by the use of these stratagems.)

The licensing procedure actually does not involve licences as such. It is a regulation which requires exporters to submit sales agreements better than or, at least, as close as possible, to the reference price maintained by the National Bank for the product in question. This becomes restrictive when the bank is out of touch with world price movements. Thus, it often refuses to allow the export of a product at a new, lower price simply because a higher price had been registered by someone or the same exporter the last time the product was exported. This can date back to a year or more ! In the meantime the price of the product in the world market may have fallen drastically.

Another potential problem is the apparent fear of the trading community that the Bank may not approve exports to the PTA region readily because of a desire to channel exports to hard currency areas. However, the Bank realizes that the country is a net importer in the sub-region and that it is not to its advantage to restrict exports this way because. In any case, it has to settle its accounts in hard currency at the end of every clearing period. The Bank therefore claims that this is no longer a barrier to intra-PTA, trade.

Recommendations: An improvement in the situation might be the creation of a trade information network which would maintain up-to-date world and domestic market movement information for the use of both exporters, producers and government policy-related organizations. Such a center can even forecast prices for better export production expansion. Using the current information provided by this center, both the National Bank and the traders could benefit. This can also assist exporters who may not actually know the world prices of their products at any given time. Thus, it should be possible to liberalize the export process to the PTA region in particular so that the transactions are completed without any obstacles. The Bank would only need to assure the receipt of earnings by a proper registration through the Clearing House. In particular, no impediments should be created by attempts to channel exports only to hard currency areas.

Inputs required for the Trade Information Networks : For this program the inputs required at each of the concerned organizations or at a central organization, are market follow-up publications, electronic market information data, hardware for the processing of such information, including some computers, printing or duplicating machinery as well as a series of training programs on this. The International Trade Center (UNCTAD/ GATT), which had initiated the first efforts toward such a program could be asked and funded to continue the job it started.

2.5 Implementation of Trade Liberalization Schemes in the PTA

2.5.1. Tariff Barriers

To date, Ethiopia has only published in its official gazette the initial reductions of the first 411 items to be put on the Common List. Since then, various stages of reductions have been decided upon by the PTA Policy Organs. However, none have been implemented.

The greatest barrier was fear of revenue loss by regimes with extremely weak revenue bases and almost negligible foreign assistance transfers for development purposes. The previous regime made a decision to slow down the implementation of the tariff reduction process because of this. Accordingly, although its obligations included four stages of reduction for some items by 1991, a decision was made to enact only the second reductions for the items on which the initial reductions had been carried out way back in 1986 and the initial reductions on all items included in the Common List since then.

Before even these limited steps could be taken, the old regime was overthrown in May 1991. Since then, the new government has been examining all the obligations in regard to the PTA. It appears that it has decided to participate even more positively in PTA activities than the previous regime.

In the past two months, steps have been initiated in order to get the approval of the state for meeting all tariff reduction obligations of the Treaty at one go. Thus, the following reductions which had been decided upon by the PTA Policy Organs are scheduled to be enacted if the Government approves the request of the Ministry of External Economic Cooperation:

- first, second, third 10% reduction on the first 411 items
- initial, 1st, 2nd and 3rd reductions for the next 319 items
- initial, 1st, 2nd and 3rd reductions for another 43 items

The Ministry of External Economic Cooperation has sent an official letter to the Ministry of Finance to this effect. According to the Customs Authority, which is under the Ministry of Finance, the latter is expected to accede to the request and submit the reductions to the Council of Ministers for approval shortly. The Customs Authority has already prepared the reduction schedules and transmitted them to the Ministry of Finance.

The next steps will probably be approval by the Council of Ministers, and then transmission to the Council of Representatives for enactment into law. The decision of the Council of Representatives will be published in the official gazette which will be the legal instrument for the official reduction of tariffs on the commodities in question. It is expected that these reductions will be carried out by October/November 1992 in order to meet PTA deadlines on this issue.

2.5.2. Non-Tariff Barriers

All sectors explain that Ethiopia does not have any discriminatory NTBs in operation. By this they mean barriers which can sway the direction of trade from one region or country to another. The only one in operation, exchange control or licensing, only sets global limits on the allocation by broad commodity groupings in order to ensure that at least a little of each product is imported for the market each year. Without such allocations, some goods could take up all the foreign exchange available. While a population of 55 million requiring basic items means a huge demand, the country's export earnings are less than 500 million a year at present. It is envisaged that all these allocative methods will be lifted once the foreign exchange earnings allow unlimited imports or at least their determination by the laws of the market.

The Government is apparently carrying out the tariff reduction measures at a time when revenue collection is at the lowest point in the recent history of the country. Foreign trade, which was one of the most important sources of revenue is negligible at present. The collection of income and other taxes from the trading and farming population has been reduced. Only employee taxes and corporate taxes in the major cities are being collected. Therefore, the decision of the government to risk taking such measures at such an inopportune time is commendable. It can only be said, however, that the decision is therefore more political than practical in economic terms. That being the case, its willingness or even ability to continue to meet its tariff reduction obligations at the same pace is questionable.

A complementary program of assistance providing a temporary "cushion" against these expected losses, of revenue would therefore help to assuage the fears and thus allow the Government to carry out its obligations at the same pace as its sister countries.

2.6 Results of Buyer/Seller Meetings

Ethiopia has participated in all buyer/seller meetings which have been organized by the PTA Secretariat. It has also received a number of enquiries. However, only insignificant portions of these initiatives have actually resulted in trade flows. This can be seen by the absence of consistent and large trade flows between Ethiopia and all other PTA countries except Djibouti and Kenya which are special cases for Ethiopia anyway. All others ended up as mere explorations.

2.7 Goods Which Can be Traded in the PTA Sub-Region

■; The traditional view that there is little potential for intra-African trade because African countries all produce and import similar goods is not entirely correct. The negotiations to build up the Common List have shown that if countries do not establish selfish and imprudent import policies and if exporting countries are actually competitive in quality and price/delivery, there are quite a large number of items which can be traded.

Ethiopia, for example, has a narrow industrial base. Most of its consumer items are imported. Even textiles production is not sufficient for domestic consumption. Therefore, almost all of Ethiopia's import list is open to supply from the PTA while some of its export products do, indeed, have markets within the sub-region. In the case of exports, Ethiopia can supply such products as salt, wheat, barley, potash and potash-based fertilizer (when its huge potash deposit has been exploited), meat and leather products, etc. In the area of services, it has extensive capacity in the construction of airports, highways, etc. in modern aircraft maintenance, (and manufacturing), and training in related fields. At present, arrangements are being made to export electric power to some neighboring countries such as Djibouti.

2.8 The Role of State Trading Agencies in Intra-Regional Trade

> Many state corporations, enterprises and authorities with trading activities were established in Ethiopia. These corporations enjoyed monopoly authority in the import, export and distribution of various consumer items. There were no restrictions on the origin of the items. In fact, the experience is that the state trading firms were the first to turn to the PTA because of the treaty obligations.

The new policy of privatization and reorganization has only strengthened the previous situation in which state trading in the Ethiopian case was not anti-integrationist and can, in fact, be even seen as a means of state action to advance regional integration. Should privatization eliminate these parastatals, the whole problem will be solved accordingly.

2.9 Adoption of the Harmonized System

Ethiopia agreed to adopt the harmonized system more than six years ago. The first draft of the new system (modified as per Ethiopian customs needs) was finished six years ago. Since then, the system has been reviewed and, after some corrections, accepted by the Customs Cooperation Council. Subsequently, the necessary work to adapt it to Ethiopian situations, usage and language has been completed.

After acceptance of the final classifications, the next problem was to translate these into Amharic in order to issue the necessary proclamations. A team of translators has been specially hired and given the sole task of translating these chapters into English. To date, the team has translated 40 chapters. The completion of the rest of the work is expected to take only three more months.

After the final approval of both the English and Amharic versions, the draft will be submitted to the Government for approval. When that is granted, it will be published in the national gazette which will make it the legal classification and tariff book at the same time.

No special assistance or input is required apart from the printing of the final gazette issue as a book; which seems to be well within the means of the authorities involved. In this case, both the will and the means are there. The Harmonized System will therefore probably be adopted within the next year.

2.10. ASYCUDA

The collection, processing and dissemination of customs data in Ethiopia is carried out according to archaic methods. The most recent published customs statistics are for 1990; and yet, government is constantly in need of the most up-to-date information on imports and exports for effective decision-making on trade issues and actions.

This was to be remedied through the adoption of the ASYCUDA system. There was even a decision by the authorities to adopt it. In order to implement the decision, a project was been initiated with the assistance of UNDP (and with UNCTAD as executing agency) but to date the project has not been finalized, let alone implemented.

The reason given is the lack of institutional decision-making and follow-up processes. A former head of the customs department held this project as his own specialty. He did not use the normal channels for the negotiations, the preparation of projects, the initiation for the work of consultants, etc. When he was removed by the new regime, there was a gap in the follow-up of the project. The new administration at customs is trying to reactivate the project where it stopped.

Since the project has been accepted in principle, the only remaining problems are finding external assistance for the purchase of the computer hardware (estimated at US\$ 310,000 in 1990 prices) and hiring two expatriate experts for two years each (one in customs procedures and another in data processing with special know-how of AS YCUDA.) The bureaucracy should now also change to working institutionally rather than on a personal basis.

2.11 Application of the PTA Harmonized Road Transit Charges

The application of this principle is still pending in Ethiopia. Before it could be initiated, technical data (inputs or parameters for Ethiopia) needed for the calculation of the charges using the formula worked out for the system have to be prepared. The establishment of parameters needs to be done in cooperation between the Ministry of Works and Urban Development (who are in charge of the highway design and construction system and the Ministry of Transport and Communications. The two are still trying to agree on this. Letters have been exchanged 11 times with little effect so far.

2.12 Adoption of PTA Third-Party Motor Vehicle Insurance Scheme

Ethiopia has no comprehensive third-party motor vehicle insurance system as required by the PTA treaty. The reluctance to implement this system is fear of the uproar it may cause among poorer vehicle owners, especially the taxi and other commercial vehicle operators. As the insurance companies are state

owned, the fear of a large number of claims perhaps exceeding the intake from premiums and the possible resulting financial loss has been one of the reasons for non-adoption. Studies have been carried out and plans for its implementation have been initiated in the past. However, to date, no decision has materialized and the issue is still pending. As its adoption will be a boon both for domestic and international road transport, the scheme should be implemented immediately.

2.13 Utilization and Effectiveness of the RCTD

Transit traffic to and from Ethiopia is still negligible. The existing transit traffic is mainly relief trucking which operates free of charge. Therefore, the need for the adoption of the system is not yet that urgent. However, with the expected deregulation of the transport sector and the opening up of the private sector, it is quite possible that shippers and truckers will want to use the facility in the near future. The need to establish the system and to work out all the necessary procedural arrangements is beginning to be felt. However, the main obstacle to utilizing the system is not just the problem of officially adopting the system. Ethiopia lacks the infrastructural facilities for heavy truck traffic, especially cross-country traffic. For example, there are no service facilities for very long stretches of the road system in the south of the country. Proper road signs have to be erected; the repair and maintenance of the bridges and road networks has to be provided for, fuel and service stations, truck-stops with all the essential facilities, telephones, tyre repair and maintenance workshops, clinics and other facilities have to be made available either on the road system or somewhere within easy reach of the road system. Currently, not all the government organizations which are required to be present at the border posts to facilitate such traffic have established offices in the border towns. The customs' office has a low level of representation; and the immigration office is also represented; but the commercial bank, the national bank, the insurance companies, the ministry of transport, and other concerned organizations should establish branches at these border posts in order to be able do their part in facilitating the flow of goods and people to and from the PTA region.

2.14 Standardization as an aid to Intra-PTA Trade

This is the least problematic area as experienced by the operators. However, it is widely recognized that the adoption of PTA-wide, or even Africa-wide, standards will be a boon to trade as both importers and exporters will have an understandable/recognizable reference point on the exact type of goods under negotiation and trade.

Ethiopia has a Standards Institute which has established and published standards for many products which are actually being traded even within the PTA system. Not many other African countries have reached the same level of institutional build-up. The efforts to harmonize this sector have been limited. A conference was held once to initiate steps in this respect. The decision of the conference was to work through and adopt the standards being prepared by the African Regional Standards Organization (ARSO) in order to avoid unnecessary duplication of effort. The meeting authorized the creation of the post of Liaison Officer to oversee this process. The post has been filled and therefore the work flow is expected to pick-up. This will help to promote Intra-PTA trade and investment by giving everyone involved a common reference for the products in question.

2.15 Other Relevant Constraints on Transport and Communication

All those who were active in sub-regional economic activities (both from the public and private sectors) had strong opinions about the poor condition of transport and communications within the subregion. One observer felt that it was easier to leave the subregion for Europe than it was to go to the country next door.

Air links are poor and far too few. Same-day flights from one country to any other within the sub-region are still impossible. For example, a businessman travelling from Addis Ababa to Mauritius will have to spend some days in Nairobi in order to solve the connection problems in both the first and second legs of his itinerary. The same is often true in trying to reach Zambia, Malawi, etc. To reach Lesotho and Swaziland, an additional day or two in Johannesburg is necessary.

Recommendations: Efforts have to be made to re-align airline routes in order to make same-day connections to any of the PTA capitals a practical reality as soon as possible. This will be a boon to trade as it will improve the speed and efficiency of airfreight deliveries as well.

The coastal shipping or trucking of goods from one country to another is still too time-consuming and costly, and the bureaucratic processes involved are still too prohibitive. This is so despite all the fine treaty arrangements. There are still countries with inadequate road connections (poor or non-existent road surfaces, weak bridges, etc.) as well as safety problems in various areas of the sub-region.

Recommendations: The road connections have to be standardized and improved so that heavy vehicles corridors are established and running smoothly between all countries of the sub-region so that the physical delivery of goods is simplified and costs reduced. The establishment of coastal shipping firms should be encouraged. The long-awaited PTA coastal shipping firm should be established either by the member states, or preferably, by private sector operators who could be organized in a multinational joint venture company.

3. FINANCE AND PAYMENTS

3.1. Utilization of the Clearing House

Ethiopia was one of the few PTA countries to start utilizing the PTA Clearing House for all trade within the PTA area right from its start. It also accepts the PTA Travellers Cheque without any problem. The central point for the operation of the Clearing is the Federal Reserve Bank of New York, at which all countries using the Clearing House maintain an account. Net transfer recipients are credited and net payers are debited at the end of every clearing period. Because of this, the Commercial Bank of Ethiopia does not feel particularly pressed to go into the expensive process of establishing correspondent relationships with other commercial banks in the sub-region other than the two it maintains in Nairobi. They feel that this will be a step to be taken if and when future trade and investment growth requires such facilities.

However, even the limited trade which goes on currently requires expensive and time consuming message re-routing systems through the national banks. They also use European and American banks for confirmation of their L/Cs. The bank is therefore relying on very expensive indirect and third-party-oriented methods. We therefore suggest that the banking arrangements should be in place to facilitate such trade as could be initiated within the PTA. This can only be done if the Commercial Bank of Ethiopia establishes a correspondent relationship with at least one bank in each country of the PTA region.

3.2 Export Credit Schemes and Export Credit Guarantee Schemes.

Ethiopia used to give preferential export credit of various types for different purposes. While the commercial interest rate was 9.5%, the most preferred export credit line provided 6%. It went on up to the commercial rate in various gradations for various objectives. As part of the structural adjustment efforts; this has been eliminated. Export credit will still be given, but not with preferential interest rates.

The exporters were actually appreciative of the low interest loans. The only things they did not like were the close control of their stocks this entitled the bank to maintain. The exporting community would like to have the access to easier loans for export production maintained. However, no export credit guarantee schemes have ever been established. At present, they are not even being considered yet. It would therefore be a great incentive to both investment and trade if such schemes were established with the most up-to-date formulations and facilities.

3.3. Foreign Currency Accounts by Nationals

In the past 10 years, various proposals have been submitted to the Government to allow Ethiopians who have access to foreign exchange of their own to be able to maintain foreign exchange accounts. In fact, the last thing I, myself, did for the Government was to write a report on how to generate foreign exchange from Ethiopians residing or working abroad which suggested allowing them to maintain such accounts which will be completely under their own control. The bank accepts this in principle. However, the Government has not given the green light to make it operational across the board.

There is extensive importation which is undertaken by Ethiopians who transmit their own foreign exchange from abroad or open L/Cs from other countries for goods to be shipped to Ethiopia. Were the bank to allow this principle, they would have been able to earn the commissions from these L/Cs as well as to have the use of the funds when not needed by the depositor. Furthermore, the bank would not have any objections to maintaining the account in any currency, including those of the sub-region.

3.4. Insurance

Ethiopian business operators are hampered by the many failures of the insurance system. In particular, the system is expensive and it is practically impossible to get any claims in a normal way. The insurance companies are parastatals. Their managers are bureaucrats. They do not have the confidence to decide on claims. Instead, they force the claimants to go to court so that if they were ever asked by government authorities they would be able to say that they were forced to pay only because of a court order.

The private sector in particular feels that this situation prevails only because there is no competition. They are sure that if there were any private companies operating in the sector, the state companies would not be so bureaucratic in their operation. The sector should therefore be opened to private competition.

3.5. Utilization of the Credit Facilities at the PTA Bank

Ethiopia was a supporter of the establishment of the PTA Bank right from the beginning and provided the Bank's first president. However, it has not utilized the credit facilities established to the extent that its early interest might indicate.

Only a line of credit amounting to about 10m Birr has so far been utilized to provide foreign exchange credits for exporters to enable them to import raw materials, etc. for production to be exported to the sub-region. However, the operation of the facility is unsatisfactory. In the first place, it bears too much interest; then the collateral requirements are absurdly high. Furthermore, the bank insists on complete control of their stocks. Thus it is impossible to produce anything without spending days trying to get the staff to come and open the warehouse to issue the raw materials. Considerable paper work is also required which wastes time and money. The bureaucracy involved has made the program undesirable. The possibility of direct access of the private sector to the PTA Bank's facilities with the National and Commercial Banks entering into the process only as guarantors is strongly recommended. Furthermore, more lines of credit for such things as project finance, expansion, etc. should also be established.

Lack of Additional Financial Markets

The private entrepreneurs and even many parastatals complain strongly about the hamstringing of their plans and activities by a lack of an alternative capital and credit market in the country. It is felt that the unreasonable practices of the banking and insurance system of the country would be eliminated and their contribution to the economic growth of the country improved greatly, if the sector were opened up to private operators as well.

It is therefore recommended that the Government should issue the necessary enabling legislation as well as the essential regulatory laws and mechanisms for the unrestricted participation of the private sector in banking, insurance and other financial and credit mobilization business activities.

4. INSTITUTIONS

The most important failing in the case of Ethiopia is that the business operators do not really know what the PTA is and how they can benefit from it. This means that the PTA, its institutions and the governments have failed in their missions. If the business community does not know enough about them, how can it take advantage of the facilities the Treaty creates for their benefit? The PTA, its institutions and the national governments should take some steps to change this situation.

4.1 The PTA

As the national government's trade promotion system is too weak to assist the business community, the PTA should consider setting up an information bureau or liaison office here (as well as in other countries with similar problems) which can deal directly with the public. Apart from this, the PTA should establish a newsletter or some organ which can inform operators aside from what national governments can do. It should also consider commercializing this.

4.2 The Government

Ethiopia does not at present have an effective trade promotion setup. There is a ministry of trade with foreign trade being handled by one understaffed department. The Ethiopian Chamber of Commerce, which has been used for PTA contacts to some extent, has neither the authority nor the financial capability to deal with the work of a national trade promotion organization. The Chamber is composed of both parastatal institutions and the private sector. Thus it is, on the one hand, an arm of the government and, on the other, a representative and advocate of the private sector. This has for long created an identity complex. With privatization now imminent, it is possible that the Chamber will become more private than public. That means that its de facto service as the government's trade promotion arm will decline even though it will still be a very important institution for the promotion of PTA objectives.

The government should therefore set up an official trade promotion organization whose job it will then be to assist all exporters and importers in exploiting market possibilities outside of the country as a major concern of the government. Although the mandate of such an organization will be global rather than just the PTA area, it will still be much better placed to deal with the technical follow-up of the problems of businessmen in trading and investing in the PTA region or other regional integration groupings, as the case may be. The Chambers of Commerce will then serve as pressure groups pressing this organization to take the necessary steps which will help their members to trade and invest effectively within the PTA area.

Such an institution will also be able to solve one critical problem in Ethiopia: lack of awareness of the business community of the opportunities which have been so laboriously and thoughtfully created. There is a surprisingly severe lack of awareness of all the PTA institutions and their various services not only among the public sector management, but also and even more especially among the private sector.

This can only be because there is no permanent focal point for PTA matters. Even at the operating ministries, which are supposed to be sources of information for their sectoral aspects, the database is either incomplete or non-existent because the information is not properly maintained. When the individual who used to handle the case is transferred, the information and even documents go with the person.

Even though operating ministries will still follow-up on their sectors, one focal point should be able to advise the business community on all matters regarding the PTA with consultation of the ministries concerned if necessary. Such an approach may fill the present void which leaves the business community confused about the PTA and the opportunities it offers.

4.3 Ethiopia's Policy Toward the PTA

Ethiopia's decision to join the PTA has never been called into question. As the host country to the OAU, it was diplomatically unthinkable not to be a part of the most important unity-oriented program which the OAU had decided to implement. The decision to join was therefore a political decision rather than an economic policy one. Any costs which would be incurred in the process were therefore to be absorbed in order to maintain the country's African diplomacy.

This was particularly clear after the revolution. The state-run factories and farms were in no position to produce price and quality competitive products for sale to the sub-region. At the same time, there were no plans to expand the private sector beyond the small-scale and handicrafts activities to which it was officially restricted until 1990. The attitude of the government to the implementation of PTA projects has always been clouded by these considerations. These implementation steps were measures which had to be taken while the capacity of its own state and private sectors to take advantage of the provisions was extremely weak. At the same time other member states were eager, ready and able to exploit the potential created.

The most important change which can be introduced in this regard therefore is to eliminate this mind set and convince both the government and the economic operators that the sub-regional arrangement stands to benefit all member states and that they should think regionally rather than only nationally to use the advantages established more effectively. In this respect, priority should be placed first on the private sector. This is essential because its decision making process is faster and better. The success of the private sector could then mobilize the more lethargic parastatals to learn to place heavier emphasis on the exploitation of the facilities and advantages provided by the PTA and all its institutions.

5. SUMMARY ACTION PLAN FOR GOVERNMENT TO ACT UPON

ST : Immediate - MT : Medium term

Traety Obligation	Action	By Whom	When
Policy on PTA	Decide to use PTA for economic objectives as well as political	Government	ST to MT
MIE Charter	Ratify & implement incentive scheme... amend law to allow MEEC this fully	Ministry of Industry	ST
Investment Policy	Establish liberal & generous scheme, eliminate bureaucratic obstacles	Government	ST to MT
Investment in the Sub. Reg.	Change Forex law to allow this so nationals could benefit from it	National Bank	MT
Exchange Control	Relax. Take steps to increase inflow	National Bank	MT
Investment Guarantees	Ratify ICSID, sign BIT's, Double Tax Agreements	Ministry of Finance MEEC	ST to MT
Visa Restrictions	Approve non-visa travel Eliminate exit visa for nationals	Ministry of Internal Affairs	ST
Political situation	Normalize & democratise Establish truly peaceful conditions	Government	ST
Macro-eco. policy	Free private investment privatize most parastatals implement SAP, reduce tax and tariffs	Government	ST to MT

Import Licencing	Liberalize	Ministry of Trade and National Bank	ST
Export Licencing	Eliminate Use market research to check on prices	Ministry of Trade and National Bank	ST
Tariff Reduction	Pass laws for all items approved by PTA so far	Ministry of Finance	ST ;
Custom Cooperation	Approve & implement the Harmonized System	Ministry of Finance	ST
ASYCUDA	Implement	Ministry of Finance	ST
Transit Charges	Adopt harmonized system Establish parameters for calculating charges	Ministry of Transport	ST
RCTD	Adopt system	Ministry of Transport	ST
Transport	Establish air, land & sea link for goods transportation	Ministry of Transport & PTA	MT
Insurance	Adopt 3rd Party insurance scheme	Government & Insurance corporations	ST
Clearing House	Avoid Foreign Banks	PTA	MT
Foreign Currency Accounts	Permit operation for nationals	National Bank	ST
PTA Bank	Assist Private Sector to borrow for projects	Ministry of Finance	ST
PTA Information	Establish info, centre on PTA & its institutions and services to be obtained from them	PTA and / or Government Chambers	MT

Annex 1

Bureaucratic Obstacles Which Face Investors

1. Customs and the Maritime & Transit Services Agency

The customs classifications as well as the tariffs which are in operation presently in Ethiopia are anti-investment. They are focussed principally at increasing the tariff receipts rather than at facilitating the proper movement of goods.

A current case in point

One investor with an industrial licence to blend and roast coffee for export as well as for local sale imported a coffee roasting machine and grinder from Italy. The machinery included a roaster which worked with gas and electric accessories such as an air blower fan, a rotating mixer to mix the coffee while being roasted. There were no electrical heating elements.

When fixing the tariff, they insisted that the machine be classified as operating both electrically and with gas, - simply in order to be able to include it in a tariff category which would assess 40% on it. Had they accepted the fact that the basic and only heating element was gas, they would have had to Classify it in a category which would earn them only 20% tariff.

In the bureaucratic back and forth which followed, the investor lost over two weeks of production time, a lot of expenses and a had a generally demoralizing experience.

Instead of assisting investors by reducing tariffs, the department is inhibiting investors by revenue oriented approaches of classification in the first place and the inability of the preliminary inspectors to understand the operations of the equipment.

Recommendations

All equipment which is imported for investment projects should be placed in a completely different category regardless of its type and assessed at a lower tariff. In addition, its clearance procedures should be speeded up as part of an investment facilitation program. If necessary, the authorities can devise a system to ensure that the goods so imported are actually used for the said investment and not sold.

2. Plots of Land for the Facility

In Ethiopia land is national property. It cannot be sold or bought. Moreover, everyone has a right to a residential plot as well as to plots for farming or for other investment activity. According to the law, an investor who is licensed to operate any facility is entitled to receive a plot of land in an appropriately

zoned area to establish his facility. The deeds are given by the local administration. Most of the cities have been zoned appropriately and the system for the granting of these plots is already established. However, the beauty of the system stops there. The rest is a nightmare for investors. There are now over a thousand people who have applied. More are applying each day, while only one or two hundred such people receive their plots each year.

The problem is exacerbated by the existence of a corrupt practice whereby some individuals who do not intend to use the land for any industry in the first place are allotted plots of thousands of square meters. They then sell it off or build villas on it. It is said that they do this with the collusion of the Municipal Authorities. The assumption is that had they not operated together, the authorities would have found the misapplication by an inspection program. This has resulted in a situation whereby many investors who have machinery already imported have no land to put it on to start operations. Even more people have temporary industrial licenses and machinery in various stages of delivery, but no access to sites.

The municipality says that they give priority to those who are investing above US\$ 5 million in joint ventures. But none of the joint ventures established so far have reached this threshold, and most are small-scale operations with a fraction of this as capital. Nevertheless, these too need to be assisted.

Recommendations

The above procedure is working completely against investors and their morale. In particular foreign investors and Ethiopians residing abroad find the procedure too cumbersome and time consuming and give up rather than continue. Therefore, the system should be completely revamped. Plots for different sizes of industries should be zoned out and the appropriate sized ones allotted automatically to anyone with an industrial licence and who has actually purchased machinery for the facility. Moreover, criteria should be worked out for assessing adequately the space requirements of different types and scale of plants. The system should include a periodic survey of the appropriate utilization of the plots for the projects for which they were allotted for. This is also necessary for environmental and other considerations to ensure that inappropriate industries are not sited where they should not. This will help to eliminate the misapplication of sites which is the *raison d'être* for the corruption. But above all, it will help to speed up the time it takes to import or buy machinery and start a production or investment facility in Ethiopia today.

Electric Installation

The Electric Light Power Authority, a state-owned monopoly, is one of the most effective parastatals. However, its consumer distribution operation is extremely inefficient. In particular, its installation of electric power to production facilities is extremely time-consuming and bureaucratic in operation.

A Current Case in Point

An investor received an industrial licence, received official credits and foreign exchange and imported machinery to manufacture table salt which is always in short supply in Ethiopia. In the meantime, he had already built a large building for the facility. He then applied to the EELPA, the power authority, for the necessary power connections, presenting the list of machinery, the layout and the estimated power requirements, as well as the specifications for control/switchboards, etc.

A year after his application, the connections had not been made. It is now four months since the machinery was erected on site. And he still does not have power. A foreign technician is coming from Germany to inspect the erection and commission the machinery by starting up and making the trial production runs. However, there is no power to do that with. The investor is still being given the run around by bureaucrats who make promises, but do not actually do the job.

Recommendations

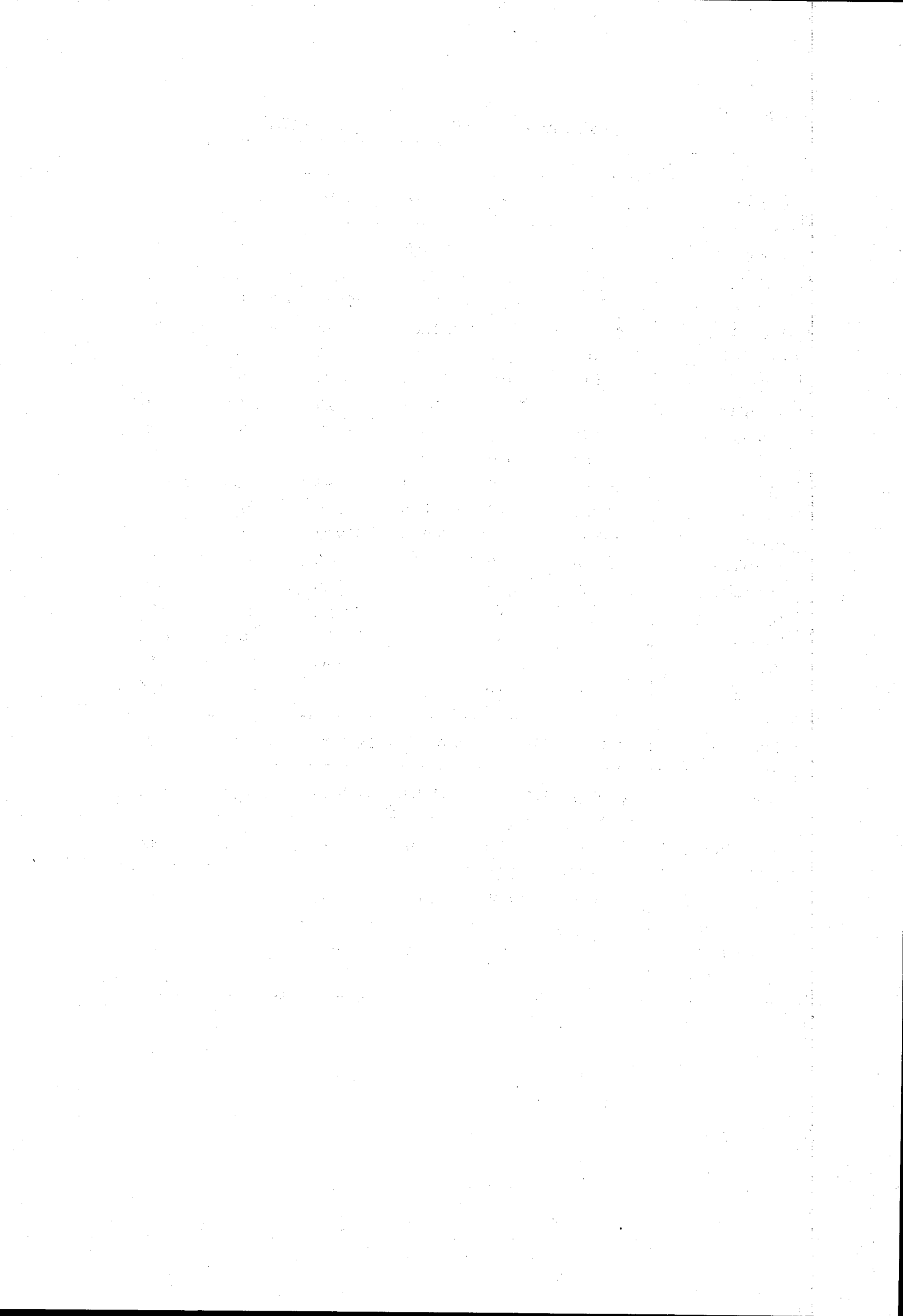
The power required by a production facility which is either officially permitted or has installed machinery on site should be provided immediately. A mandatory time limit between request and response (fulfilment) should be established. This would give investors an assurance of when they can expect to receive the power they require. Moreover, a preferential tariff should be established to assist new businesses in order to promote investment.

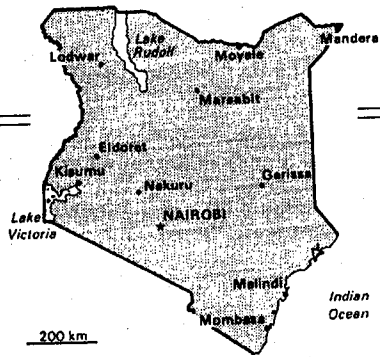
Ethiopia's imports from PTA countries (in 000 US \$)

Country	1986	1987	1988	1989	1990	1991
Angola	0,14	0,30	1,24	0,0	0,73	0,0
Botswana	0,83	1,40	0,06	0,08	0,28	0,0
Burundi	0,0	7,96	0,43	0,50	0,0	1,60
Djibouti	5566,03	9797,18	10000,76	9056,70	14158,77	21821,78
Kenja	6986,07	11477,98	9048,25	22893,69	18911,15	20349,06
Lesotho	0,0	0,08	0,48	0,06	0,09	0,0
Malawi	1,07	4,67	2,26	0,45	0,62	1,49
Mauritius	0,80	1,29	29,07	0,83	1,42	25,16
Namibia	0,0	98,41	721,43	0,0	0,13	0,0
Rwanda	0,06	1,37	2,14	1,15	1,69	0,0
Somalia	0,66	3,25	0,08	13,64	343,26	223,56
Sudan	88,93	62,46	100,83	32,27	10,15	7,14
Swaziland	7,90	0,0	0,33	0,05	26,86	96,12
Tanzania	3,16	8,68	213,72	272,10	60,25	6,28
Uganda	66,09	2,68	0,89	3,23	5,34	33,12
Zaire	2,33	0,70	0,26	0,30	0,55	0,0
Zambia	906,69	3,53	75,31	5,11	817,03	0,16
Zimbabwe	1075,26	2908,30	4225,73	1815,12	1306,13	561,46
Total PTA	14706,02	24380,24	24430,15	34095,30	35654,43	43126,95
World	1100825	1101225	1085006	952740	1076105	471810
PTA/World %	1,34	2,21	2,25	3,6	3,31	9,14
Djib + Kenya	1,14	1,93	1,76	3,4	3,07	8,94

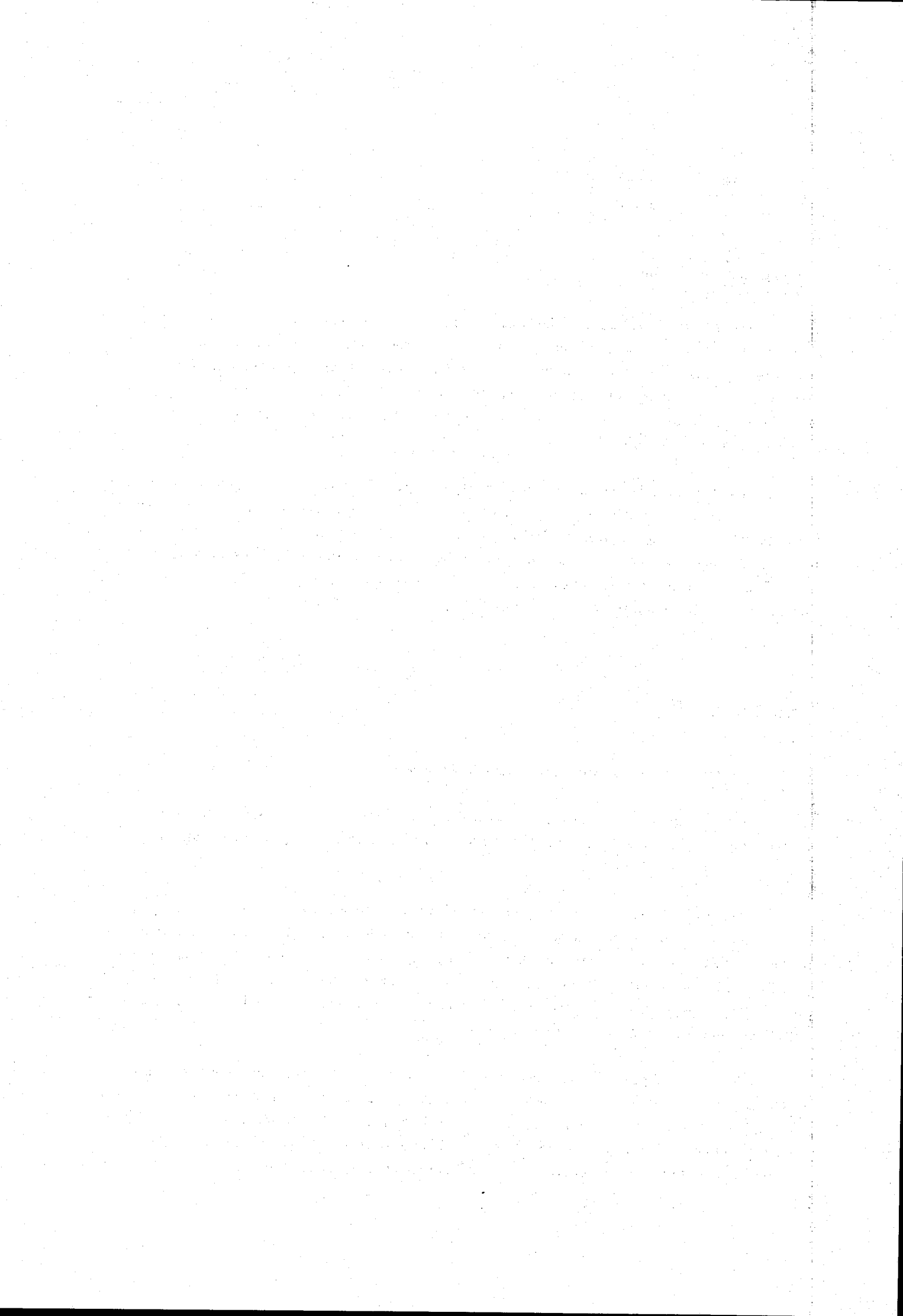
Ethiopia's exports to PTA countries (in 000 US \$)

Country	1986	1987	1988	1989	1990	1991
Angola	0,0	0,0	0,0	0,0	1,26	0,0
Burundi	1,34	4,23	3,73	1,29	0,10	0,0
Djibouti	19667,89	31409,22	44415,54	25851,95	35294,19	7285,14
Kenja	485,04	737,95	522,85	1688,15	892,36	695,89
Lesotho	0,0	0,0	0,0	7,86	0,0	544,04
Malawi	0,40	0,0	7,76	0,05	0,08	0,96
Mauritius	0,0	152,27	14,42	0,0	0,18	45,56
Mozambique	0,07	0,0	0,0	12,22	2,78	0,06
Namibia	0,0	0,0	0,0	11,53	0,45	0,0
Rwanda	0,0	0,10	4,14	1,44	0,0	0,0
Somalia	0,0	0,0	1,58	1,36	0,0	0,0
Sudan	137,83	378,27	1300,14	1179,82	261,60	3,31
Swaziland	0,0	0,0	0,0	0,0	0,19	0,0
Tanzania	31,49	0,79	0,33	2,20	0,84	0,0
Uganda	0,90	25,99	17,96	139,92	0,77	112,38
Zaire	4,34	0,0	0,0	0,0	0,0	0,22
Zambia	3,43	1,77	5,39	3,44	9,20	7,88
Zimbabwe	0,0	0,0	1,31	5,64	0,98	2,55
Total PTA	20332,72	32710,58	46454,82	28906,87	36464,99	8697,99
World	464409,7	369834,8	421100	451702,4	294147,8	188608,9
PTA/World %	4,38	8,84	11,03	6,4	12,4	4,6
Djib + Kenya	4,24	8,49	10,55	5,72	12,0	3,9
Rest of PTA % ofEth/World	0,14	0,35	0,48	0,68	0,4	0,7





Kenya



1. INTRODUCTION

This report is a synthesis of the Kenya Technical Working Group (TWG) reports on specific areas outlined in the terms of reference for the study. Each TWG member was allocated research responsibilities on the basis of his areas of interest and expertise. Other information required for the study was obtained from surveys of manufacturers and exporters, banks and insurance firms. The Kenya Association of Manufacturers (KAM) and the Kenya National Chamber of Commerce and Industry (KNCCI) were also surveyed.

A sample of 100 manufacturers and exporters were drawn from membership lists of KAM and KNCCI. A sample of 10 banks and 10 insurance companies were drawn from lists obtained from the Central Bank of Kenya (CBK) and the Commissioner of Insurance respectively. The response rate of the manufacturers and exporters was 22%. This weakens any inferences from the findings. Surveys of KAM and KNCCI have been used to reinforce the results from the manufacturers/exporters survey. The response rates for the banking and insurance sectors were 80% and 70% respectively.

2. INVESTMENTS

2.1 Foreign Investment Regulations and Procedures

Before setting up a business in Kenya, a foreign investor must apply for, and obtain, a number of approvals and registrations. Certain investments will require specific approvals in addition to the general approvals and registrations.

There are currently 35 types of approvals for investments in Kenya. These are shown in appendix A1. However, a foreign investor will not normally have to obtain all these approvals. The general approvals are those which cover authority to issue shares under Exchange control Act, Cap. 113; registration of a branch of a company incorporated outside Kenya under the Companies Act, Cap. 486; and acquisition of a Certificate of Approved Enterprise which facilitates repatriation of dividends and initial capital investments under the Foreign Investment Protection Act, Cap. 518.

After these approvals have been obtained, the investor can seek specific licenses, registrations or permits under the relevant sector of activity. For example, an investor in banking will have to obtain a banking license issued under the Banking Act, No. 9 of 1989. An investor wishing to manufacture drugs will have to obtain a license under the Pharmacy and Poisons Act, Cap. 244. Approvals for building plans must be obtained from a local authority under the Land Planning Act, Cap. 514.

2.2 Investment code

Kenya's investment code is presently under preparation. The draft code covers the Investment Promotion Centre (IPC) and procedures for investment and investment incentives. We recommend that this code be published without delay.

Under the draft investment code IPC will be a "one-stop" centre for approval of investments. To facilitate faster establishment of investments the centre is empowered to issue a general authority which allows enterprises to operate for up to 12 months while they seek the required approvals.

The general authority Will be issued after:

- the investment has been cleared On environmental, planning; health or security grounds.
- clearance has been obtained under relevant acts for restricted business which include Petroleum operations, Tourism, Forest Produce, Ferries, Manufacture UnderBond, Insurance, Banking, Financial Institutions and Mortgages, and Kxport Processing Zones.
- permission has been obtained under the Companies Act, Exchange Control Act and ⁵ Foreign Investment Protection Act.

The IPC Act stipulates that an application for a general authority must be granted or rejected within ninety days. When the application is rejected, the applicant can appeal to the Minister who may reject the appeal or issue the general authority. To speed up the processing of applications we recommend the reduction of the duration within which applications may be granted or rejected to sixty days. The appeals process is not transparent enough. We therefore recommend that the Act be amended so that an applicant is required to lodge an appeal within fifteen days of rejection of the application; and the Minister should reject the appeal or issue the general authority within thirty days of the lodging Of the appeal.

2.3 Investment Incentives

Various incentives to promote investments have been introduced within the last decade. These include those which promote: export-oriented production; dispersal of industries to rural areas; utilisation of local raw material; and use of labour-intensive technologies to increase job creation

The incentives can be classified as general or specific schemes.

2.3.1 General Investment Incentive Schemes

- A 35% allowance is given on the value of buildings, plant and machinery for investments located in Nairobi and Mombasa, while 85% allowance is granted for investments set up outside these two main towns. This investment allowance is in the form of tax benefits in accelerated capital asset depreciation and is intended to promote wider distribution of investments especially to the rural areas.

- Use of liberal depreciation rates on the book value of assets is allowed as follows: hotels (4% p.a.); industrial buildings (2.6% p.a.); plant & machinery (12.5% p.a.); vehicles (trucks) (2.5-3% p.a.); and computer and office equipment (30% p.a.). Additional depreciation may be permitted for continuous process plants.
- Net loss incurred in a trading period can be carried forward and offset by future taxable profits. The combined effect of the investment allowance, accelerated depreciation and carrying forward of losses virtually represents a tax holiday of 2-3 years depending on the location and profitability of the investment.
- Imported plant and equipment for small scale industries located outside major cities is exempted from custom duties and VAT for up to Kshs. 50 million beyond a basic rate of 10%. A 50% remission is granted above the basic rate of 10% to the same industries if established within designated boundaries of Nairobi, Mombasa and other urban centres.

2.3.2 Specific Schemes

The Manufacturing Under Bond (MUB) programme was introduced in 1987 to promote non-traditional exports. The scheme is open to enterprises producing 100% for export. Under this Programme enterprises are exempt from duty and VAT on imported plant and equipment, raw materials and any other inputs. Their import licenses are also given top priority in the allocation of foreign exchange. Goods manufactured under bond are also exempt from all export taxes and levies.

At the moment MUB operations can be set up in Nairobi, Mombasa, Kisumu, Eldoret, Nakuru, Nyeri and Thika or within their environs. They will eventually be allowed anywhere in the country. By June 1992, IPC had approved 60 MUB enterprises. There are currently 17 of these enterprises operating. All except one are in the textile sector. There are also 38 other enterprises whose construction is at various stages of completion.

The MUB operators have cited several problems which they feel limit their operations. These include an annual fee of Kshs. 40,000 which they consider excessive. Other problems are slow clearance of goods at the ports, inadequate overseas travel allowance and unsatisfactory and costly services offered by customs officers. The operators also argue that unless they are accorded similar incentives with the Export Processing Zone (EPZ) firms they will not be able to compete with these firms.

The government's position is that since MUBs and EPZs are different programmes, MUBs cannot be provided with incentives similar to those available to EPZs. MUB operators who wish to benefit from such incentives have been encouraged to establish themselves in EPZs. The problem of inadequate travel allowance has been alleviated by the introduction of a foreign exchange export retention scheme. The scheme allows exporters to retain export earnings in foreign currencies which they can then use to finance foreign travel. The government has also abolished a 2% fee levied by CBK on goods imported by MUBs with no foreign exchange. The Kshs. 40,000 annual fee is too excessive. We recommend that it be lowered to Kshs. 5,000.

The EPZ Authority was established in 1990 to administer the EPZ programme. There are five EPZs in existence. Three of them are private and two are Government owned. Of the two private EPZs in Nairobi one is fully occupied and the other is fully booked. A third private EPZ has been approved for establishment in Nakuru. The Government EPZs are in the process of implementation. Enterprises operating in the EPZ enjoy: 10 year tax holiday and thereafter a 25% tax for the next 10 years; exemption from all withholding taxes on dividends and other payments to non-residents during the first 10 years; exemption from import duties on machinery, raw material and intermediate inputs; no foreign exchange controls; and no restrictions on management and technical arrangements.

There are currently 15 enterprises operating, or in the process of establishing themselves, in the private EPZ. Unlike the MUBs these enterprises are involved in diversified activities. The sectors represented in the zone are agro-industry, paper and printing, electronics and computers, garments, pharmaceuticals and cosmetics. Most of the enterprises originate from the U.K.

2.4 Investment Climate

Kenya is endowed with abundant natural resources that provide a base for a broad range of economic activities. The estimated 10 million strong work force provides a source of well-educated but cheap labour. The physical and institutional infrastructure established since independence in 1963 provides a viable investment climate. A greater role is now being given to private sector initiatives in the Kenyan economy. This should enhance investment and trade. However, a recent KAM study lists several factors which investors perceived as contributing to a hostile investment environment in Kenya. Chief among these factors is inefficient bureaucracy resulting from the multiplicity of licenses and permits required to operate businesses. Bureaucratic controls lead to delays in approval of import licenses and foreign exchange. Lack of transparency often leads to corruption. For example, it is common to find foreign exchange being allocated to low priority imports even when foreign exchange is scarce. Restrictive controls on trade, such as price controls and trade licensing, also have negative effects on investments. The other factors are rising inflation, and high interest rates, depreciation of the shilling and political uncertainty.

Some of these problems have begun to be addressed. An anti-corruption bill has been enacted to deal with corrupt practises. Under the structural adjustment programme price decontrol and trade liberalisation continue. The government has also committed itself to the reduction of public sector deficits: as a means of reducing inflation and interest rates.

To reduce bureaucratic controls and improve policy transparency we recommend that the Government should vigorously continue with the economic liberalisation programmes. The government should also ensure that the anti-corruption act is applied vigorously and without favour.

2.5 Investment Inflows

Direct foreign investment in Kenya from the sub-region is minimal. Appendix A2 shows that only six companies have invested or have been approved for investment in Kenya since 1985. These

investments originate from Sudan, Ethiopia, Burundi and South Africa and 67% of them are in the manufacturing sector. Jobs generated by these investments are quite few. They range from 6-25 per firm.

Investments from the sub-region are also reflected in payments of dividends by Kenyan companies to individuals in the sub-region. However, almost all the payments are made to investors from Tanzania and Uganda. All the companies making the payments are quoted in the Nairobi Stock Exchange. The share holders in these companies are therefore likely to have made their investments during the era of the "Sterling Area" when exchange controls were not applied.

2.6 Investment Outflows

Enquiries for outward investment from Kenya to countries in the sub-region have been registered for some time now. The number of such enquiries has increased in the last 3-5 years. To date eighteen companies (Appendix A4) have made enquiries or been approved. Of these, seven are in the manufacturing and processing sector and nine are in the services (transport, finance and consultancy) sector. However, only four are operational in Botswana, Tanzania, Uganda and Rwanda. Most of the recent inquiries have been for possible investments in Tanzania and Uganda.

None of the banks surveyed had financed cross-border investments. The major reasons given for this were the lack of requests for the services by customers, exchange controls and the absence of the provision of services in bank policy. To increase cross-border investments exchange controls on investments to the sub-region should be relaxed. It is also recommended that investment opportunities and the use of UAPTA to finance investments in the PTA should be actively promoted.

2.7 Exchange Controls

Capital transfers to all countries outside Kenya are regulated. The exception relates to transfers by expatriate employees who can remit their savings from salaries.

Capital flows to Kenya are generally not restricted. However, to ensure eventual repatriation, it is necessary to obtain a "Certificate of Approved Enterprise" from the Treasury. Depending on the availability of foreign exchange, foreign investors may repatriate the value of the original equity capital and the value of profits that were reinvested and denominated in the currency of the original investment.

Foreign exchange approval is required for the purchase of Kenyan securities by non-residents. This also applies to purchases of foreign securities by Kenyans. Income from Kenyan securities is remittable, but proceeds from resale must first be credited to a blocked account. They may thereafter be invested in prescribed government securities for a period of at least five years. Redemption proceeds from these investments are remittable and interest earned can be remitted when paid.

Borrowing by non-resident-owned or non-resident control-led enterprises in the local financial markets require exchange control approval and is restricted. Borrowing by residents from non-residents also requires exchange control approval.

Exchange control approval procedures are lengthy and therefore constitute a barrier to free flow of investment to and from the sub-region. Delayed repatriation of the original equity and profits is also a barrier to increased foreign investments.

To promote cross-border investment we recommend that exchange control regulations should be modified to allow Kenyans to buy securities in the sub-region and for residents of the sub-region to be able to buy Kenyan securities using UAPTA. Enterprises owned or controlled by the residents of the sub-region should not be restricted from borrowing from the local financial markets. All these recommendations should be reciprocated by the sub-regional countries.

2.8 Multinational Industrial Enterprise Charter

Kenya is a signatory to the MIE Charter. It will be in the process of ratification after Government approval is received. We therefore recommend that the Government ratify the charter without delay.

The requirement that an enterprise must be a joint venture between two or more states or nationals of two or more states which are party to the Charter before being eligible for MIE status is restrictive. In an effort to attract foreign investments, most PTA States are presently providing better incentives than those stipulated by the Charter. We therefore recommend that Article 5 of the Charter be amended to remove the joint venture requirement.

2.9 Investment Guarantees

Kenya provides adequate guarantees to investors. These include guarantee against compulsory acquisition as provided under section 75 of the constitution and repatriation of capital and profits under the Foreign Investment Protection Act of 1964.

Kenya is also a signatory to the Multilateral Investment Guarantee Agency (MIGA) which issues guarantees against non-commercial risk to enterprises. Kenya is also a member of the International Centre for Settlement of Investment Disputes (ICSID). These guarantees apply equally to all investors from the sub-region and the rest of the world.

2.10 Double Taxation

Zambia is the only country in the sub-region which has signed a bilateral tax treaty with Kenya. The treaty provides for avoidance of double taxation of the incomes of citizens of the two countries. A similar treaty with other countries in the region would be useful in encouraging intra-regional trade and investment flows by removing the disincentive of double taxation. We therefore recommend that Kenya should negotiate a similar tax treaty with the PTA States and with other countries of the sub-region.

2.11 PTA Protocol on Visas

Kenya signed the PTA visa protocol on the relaxation and eventual elimination of visa requirements within the PTA in 1984 and ratified it in 1989. However, some PTA States have not ratified the protocol. We therefore recommend that, to ease travel by PTA citizens within the subregion, all the countries should ratify the protocol. We also recommend that Kenya extend benefits of this protocol to non-PTA members of the sub-region who are willing to reciprocate.

The second phase of the protocol will enable nationals of the member states to enter other PTA states without any visa requirements provided their stay does not exceed ninety days at a time. This phase is scheduled for implementation eight years after the entry into force of the first phase of the protocol. The PTA Secretariat should therefore take the initiative for the immediate implementation of the second phase of the protocol.

2.12 Cross-Border Movement of Persons

Immediately after independence, a policy of Kenyanisation of top management in foreign-owned enterprises was introduced. Under this policy, firms may only engage foreign workers if they cannot recruit Kenyans with the required skills. This policy is still applicable. However, it is recognised that investors need key management personnel such as chief executives, financial controllers, production and marketing managers. The policy is therefore not rigidly implemented. Investors in the newly introduced EPZs are exempted from this regulation. We recommend that this exemption should also be extended to investors from the PTA within the framework of the PTA MIE Charter.

3. TRADE

3.1 Export Incentives

Four export incentives programmes are operational in Kenya: Manufacturing Under-Bond, Export Processing Zones, Duty and VAT Exemption Scheme and Export Compensation Scheme. The first two are discussed in section 2.3.

In November, 1990 a duty exemption programme was introduced under which raw materials imported for use in the production of export products receive remission of duty and VAT. The scheme is restricted to specified manufacturers of goods for export. This scheme also applies to specific consignments of imported goods used in the export sector or commodities as may be determined by the Minister of Finance. Exporters who elect to utilise this scheme are not eligible to use the export compensation scheme under the same shipment.

The duty/VAT exemption scheme is administered by the Export Programmes Promotion Office (EPPO) in the Office of the Vice-President and the Ministry of Finance. Between November 1990 and

June 1992 Kshs. 500 million had been remitted to about 40 exporters on imported inputs valued at Kshs. 1 billion.

The Export Compensation Scheme was introduced in 1974. The objective of the Scheme is to compensate manufacturers for duties and taxes paid on inputs used for the manufacture of exported goods. For exports to be eligible for compensation they (1) should have at least 30% value added; (2) should be liable to at least 20% duty and not subject to either duty remission or refund; (3) should not be subject to international quotas or other form of trade restriction; (4) should not be prohibited for export under any Kenyan law; (5) should not be primary goods; (6) should not be subject to royalty or export taxes; and (7) should not be raw materials or intermediate inputs which are of high priority and in short supply domestically or the local value added of which can be substantially enhanced by further processing.

There are currently 1244 commodities eligible for refund and over 300 exporters are exporting under the scheme. The refund is equivalent to 18% of the f.o.b. value of exports. The procedures for claiming the compensation are cumbersome. This is due to the absence of clear eligibility criteria and excessive paper work. The programme is administered by Customs Department using funds from a revolving fund financed from import duties. However, shortage of funds often leads to delayed payments. The other problem is that the compensation rate is not high enough to compensate for the high bias against exports. The compensation rate has also changed many times over the years. The latest was during the 1992/93 budget speech when it was reduced from 20% to 18%. The frequent changes make it difficult for exporters to make long-term plans based on the payments from the scheme. The government should therefore guarantee the predictability of the compensation rate.

3.2 Regional Trade

The sub-region is an important market for Kenyan exports. The exports (Appendix A6, Table 1) form a high proportion of total exports to Africa. However, the share has declined moving from 95% in 1987 to 84% in 1991. The exports also form a substantial proportion of Kenya's total exports, although the shares declined from 24% in 1988 to about 20% in 1991. The nominal value of exports to the sub-region have grown slowly over the years. The exports grew from K£209m in 1987 to K£235m in 1990, and about K£320m in 1991.

The major markets for Kenyan exports are Uganda, Tanzania, Rwanda, Sudan, Zaire, Somalia, Burundi and Ethiopia. The share of exports going to these markets in 1991 was 89% of the total. Uganda (34%), Tanzania (17%), Rwanda (9%) and Sudan (9%) constituted 69% of the market. This indicates that there is geographical concentration of exports within the sub-region.

Kenya's imports from the sub-region (Appendix A6, Table 2) represent a sizeable proportion of imports from Africa as a whole. Except in 1989, this share averaged 94% between 1987 and 1990. The share dropped significantly to 78% in 1991. Kenya's imports from the sub-region form a small share of total imports (2.7% to 2.9% between 1987 and 1990).

The value of imports from the sub-region grew from K£41 m in 1987 to K£71 m in 1990. There was, however, a 14% decline in nominal values between 1990 and 1991. Imports from Zimbabwe (32%), Tanzania (18%), Zambia (18%) and Swaziland constitute 81% of total imports from the sub-region.

Kenya's commodity exports to and imports from the subregion are shown in Appendix A6 Tables 3 and 4. The major export products in 1990 were refined petroleum products (to Uganda, Rwanda, Tanzania, Burundi and Somalia), oils and perfumes (to Ethiopia, Uganda, Tanzania, Rwanda and Burundi), cement (to Uganda), paper and paperboard (to Uganda), natural sodium carbonate (to Zimbabwe and Swaziland), common salt (to Uganda) and universal plates of iron and steel (to Uganda and Zimbabwe). The main imports from the sub-region in the same period were, blooms, billets and slabs (to Zimbabwe), zinc and zinc alloys (to Zambia), coal (to Swaziland) and paper and paperboard (to Tanzania).

3.3 Macro-economic Constraints

Macro-economic instability is a major constraint on private sector activities. The variables of interest in this connection are exchange rates, interest rates, and inflation rates. Information on the impact of these variables was obtained from the survey results.

The effect of the exchange rates was found to be mixed. Of the firms surveyed 52% indicated they had been positively affected by exchange rate changes while 38% indicated they had been negatively affected and 10% that they had not been affected. The Shilling has depreciated heavily in the last few years. These results are therefore not surprising since currency depreciations have different effects at the firm level. Export-oriented firms would benefit from depreciation through improved export performance, while those which rely on imported inputs would be negatively affected.

The survey found that 52% of the firms were negatively affected by interest rates. Surprisingly, 14% of the firms indicated that they were positively affected by interest rates. The same percentage indicated that they were not affected at all. Interest rates were deregulated in Kenya in 1991. The pre-deregulation lending rate was 19%. The effect of deregulation was to push the rates to 22-25%. It also introduced credit rationing with the best clients receiving a prime rate of 16-18%. The majority of the borrowers are, however, charged rates ranging from 19-25% depending on their creditworthiness. High public-sector deficits are also a major source of high interest rates.

57% of the firms surveyed indicated that they were negatively affected by high inflation rates. 14% of the firms indicated that they were positively affected and 10% that they had not been affected. Increased money supply due to high public-sector deficits, depreciation of the shilling and relaxation of economic controls have contributed to high inflation in Kenya.

In the short term, macroeconomic instability can be ameliorated by sustained economic liberalisation. In the medium and long term, structural adjustment reforms will lead to greater efficiency and competitiveness and create a favourable climate for foreign investments. In this connection we recommend that the government should continue with economic liberalisation and speed up the process of public sector adjustment and parastatal reform.

3.4 Import Licensing

Importation of goods to Kenya is subject to import licensing requirements. The licenses are processed by the Ministry of Commerce and approved by an interministerial Import Management Committee (IMC). Approval depends on foreign exchange availability and the priority assigned to each commodity. Some licenses require prior authorization from Government Ministries or Departments before approval.

Three licensing schedules are operational. Schedules I and II are the least restrictive. They contain high priority imports and license applications are approved automatically subject to availability of foreign exchange. Goods falling under these schedules include capital goods, raw materials, intermediate inputs and items which require Ministerial or Government agency approval. The third schedule is restrictive. Items under this schedule are further classified into categories A, B and G. Goods in schedule IIIA are similar to those in schedule I, but include final goods which face higher tariffs. Some of the items in this schedule also have a problem of identification or are amenable to erroneous invoicing and may therefore face delay in granting of licenses. Items in Schedule IIIB are lower priority goods which though not restricted are subject to higher tariffs. Schedule IIIC contains low priority goods subject to quantitative restrictions.

After approval by IMC the licenses except those with items falling under Schedules IIIB and IIIC, are passed on to the Foreign Exchange Allocation Committee (FEAC). FEAC allocates foreign exchange to the licenses and advises Central Bank to release the foreign exchange. Since the introduction of foreign exchange retention-scheme goods in Schedules IIIB and IIIC do not receive foreign exchange allocations. This is because they are considered non-priority and therefore their importation is to be financed by foreign exchange obtained from secondary markets.

The system is characterised by a number of weaknesses. The most serious is that intermediate goods and raw materials are sometimes put in the more restrictive schedule IIIB. Examples of some of the inputs in schedule IIIB are shown in Appendix A 5. Attempts by manufacturers to have these inputs shifted to the less restrictive schedules have proved difficult the resulting delays. The resulting delays in obtaining the licenses and the high tariffs raise the costs of production. Delays are also sometimes caused by rejection of applications by the Ministry of Commerce or IMC without any genuine reason. Appeals against such rejections are time consuming. Import liberalization should be deepened by shifting essential items from Schedule IIIB to IIIA.

3.5 Export Licensing

There are only 19 commodities which require export licensing at the moment. However, even for those exports which do not require licensing the documentation required before exporting is excessive.* Required documents have to be obtained from different sources. The establishment of a "Green Channel" for exports has addressed this problem. Exporters can now obtain all the documents and approvals at a central point in the Ministry of Commerce.

3.6 PTA Trade Liberalisation

Article 12 of the PTA treaty stipulates that member states should gradually reduce and eventually eliminate customs duties and non-tariff barriers to trade among themselves. The initial target date for the elimination of trade barriers was 1992 but, in 1987, a decision was made to extend it to the year 2000.

The programme for tariff reforms calls for a 10% reduction every two years from 1988 to 1996. This follows the initial tariff reductions on the goods in the common list. The remaining 50% of the tariffs are to be eliminated in two phases. A reduction of 20% is to be made in 1998 and the final 30% is to be eliminated in 2000. Kenya has effected the initial tariff reductions and the 1988 reductions. The 1990 reductions were, however, not effected on time. These reductions were effected simultaneously with the third reductions on 18th September* 1992.

The official policy of the Ministry of Commerce is that imports from the PTA sub-region should be automatically approved and foreign exchange allocated without delay. However, importers insist that they still face non-tariff barriers. We therefore recommend that the Ministry of Commerce should ensure that where imports from the PTA have satisfied the rules of origin they should automatically be licensed.

3.7 Export-Import Interests and Constraints

A survey of firms showed that Kenya manufacturers are interested in exporting manufactured goods and importing raw materials from the sub-region. The major items of interest to Kenyan importers are paper and paper products, pulp, chemicals, scrap metals, wood, dyes, used oil, raw hide and skin, textile fabric, synthetic rubber and spare parts. Exports of interest are hardware, industrial spares, lubricating oils, industrial spirits, leather, sacks, cartons and other packing materials, vehicles, garments, paper products, tyres and tubes.

The major reasons listed by these firms as a hindrance toward increased trade in the region are import licensing, exchange control, poor quality of goods, rules of origin and lack of price competitiveness.

3.8 State Trading

There are three major state trading agencies in Kenya: the Kenya National Trading Corporation (KNTC), the Cotton Board of Kenya (CBK) and the National Cereals and Produce Board (NCPB). These agencies affect trade through their influence on the prices, quality and supply of raw materials used by the manufacturing sector. This, however, is now less true of KNTC whose monopoly has been reduced in recent years. The inefficient operations of the Cotton Board and NCPB have contributed to the low competitiveness of the textile and milling industries in Kenya. Both parastatals are currently being restructured.

3.9 Harmonised System of Tariff Classification

This system was introduced and became operational in Kenya in 1989.

3.10 Automated System for Customs Data (ASYCUDA)

Kenya has not implemented ASYCUDA. An alternative system known as BOFIN, developed by Bishop's Gate Computer Services of the U.K., is used. The reasons for non-implementation of ASYCUDA are: (1) it is more useful in the generation of statistics than in tax administration which is of major concern in Kenya; (2) it is the exclusive property of UNCTAD and therefore cannot be modified without engaging the services of UNCTAD; and (3) it is macro-computer based and is therefore not easy to implement.

3.11 Harmonised Road Transit Charges

Kenya has not implemented the PTA harmonised road transit charges. The Minister of Transport and Communications has signed the necessary legal notice required to exempt PTA big vehicle license holders from obtaining permits. The publication of the notice is being awaited. We recommend that this notice be published without delay. The Attorney General's Chambers are also working on an amendment to the Public Toll Act to facilitate the collection of the harmonised charges in UAPTA. The road toll charges are currently paid in shillings by PTA transporters. We recommend that a bill to amend the Public Toll Act to allow collection of toll charges in UAPTA be published and tabled in Parliament.

3.12 PTA Third Party Insurance

The PTA yellow card system is operating successfully in Kenya. During the first half of 1992, 55 booklets containing 2750 cards were sold to various insurance companies. Sales for the same period in 1991 amounted to 23 booklets containing 1150 cards.

The Kenya National Bureau (Kenya National Assurance Company) has reported several problems with the scheme. The first is that there seems to be inadequate knowledge of the scheme within PTA countries. Motorists from the sub-region still come to Kenya without the yellow cards and therefore have to seek local cover which is more expensive. The PTA Secretariat and the national bureaux should publicise the scheme. The scheme also provides only for the minimum legal cover required. This means that the motorists are often not adequately covered. Furthermore, the legal minimum cover varies from country to country. It is therefore necessary to review the scheme in order to ensure that yellow card holders are adequately covered. Third party motor vehicle insurance legislation in the PTA should also be harmonised in order to ensure uniformity of the minimum cover. The scheme is also plagued by delays in compensating the accident victims. This is due to language differences and inadequate knowledge by the insurance personnel on the processing of the yellow card claims. The delays are also caused by requirements by the commercial banks and central banks before authorisation can be given for the transfer of claims through the PTA Clearing House.

3.13 PTA Road Customs Transit Declaration Document (RCTD)

The RCTD is being used successfully in Kenya and is quite effective. Police escorts are sometimes used by customs to guard against the possibilities of goods in transit filtering into the Kenyan market. Attempts to accumulate a certain minimum number of vehicles to form a convoy before being given a police escort cause delays. We recommend that to expedite the movement of goods across PTA countries bonds and sealed containers be used instead of police escorts.

3.14 Standardisation of Goods

Standardisation of goods in Africa is mainly dealt with through the African Regional Standards Organisation (ARSO). This inter-governmental body was established in 1977. The aim of ARSO is to enhance intra-African trade through the formulation of standards which are acceptable regionally and internationally.

ARSO prepares and issues regional standards for goods of particular interest to Africa. These are then passed on for use and application in individual countries. The body has already developed 684 of such standards. At the national level ARSO is supported by national standardisation authorities. This authority in Kenya is the Kenya Bureau of Standards.

The membership of ARSO currently stands at 24 countries. These include seven PTA countries, including Kenya. However, the role of ARSO in regional integration is still in its formative stages. Since poor quality has been found to be a constraint to sub-regional trade, we recommend that the PTA take the lead in the promotion of ARSO.

4. FINANCE

4.1 Clearing House

The value of Kenya's intra-PTA trade going through the PTA Clearing House has been rising since the facility was started in 1985. As shown by the table below, Kenya's receipts from exports through the Clearing House rose from Kshs. 11.3min 1985 to Ksh 1,634.1min 1989. The receipts fell in 1990 but rose in 1991. Although Kenya's payments through the Clearing House have been rising the pace has not matched the rise in receipts. This is manifested by the consistently favourable trade surplus Kenya has with her PTA partners. Of the twelve PTA countries which transact trade with Kenya through the Clearing House only Zimbabwe and Swaziland have a surplus in their favour.

Kenya's PTA Trade Through the Clearing House (Million Shilling)

	Receipts	Payments	Deficits(l)
1985(2) -	11.3	9.7	1.6
1986	99.1	48.3	50.8
1987	542.3	114.3	428.0
1988	1,040.3	218.2	792.1
1989	1,634.1	680.6	953.5
1990	1,405.5	683.0	722.5
1991	1,594.6	700.6	894.0

Source: Central Bank of Kenya.

Notes:

1. Deficits equals receipts less payments
2. Transactions through Clearing House started in March 1985.

As a share of total transactions, Kenya's transactions carried out through the PTA Clearing House have displayed an inconsistent pattern over the years. The share of export payments in total receipts rose from 19.3% in 1987 to 55.8% in 1989. These shares declined thereafter, reaching 29.9% in 1991. Comparable figures for imports have, however, consistently risen, moving from 16.2% in 1987 to 60.7% in 1991. While the use of the facility by exporters has been inconsistent, the rising use by importers is indicative of the increasing confidence in the system.

75% of the banks surveyed indicated that they had handled trade going through the Clearing House, but most complained of delayed export payments. They argued that the Central Bank would have to ensure prompt payments if the use of the facility is to increase. Some banks also suggested that they should be allowed to pay their customers and then get reimbursed by the Central Bank.

4.2 Inter-Bank Relationships

Among the ten Kenyan banks which were surveyed 75% of those who responded had correspondent or agency relationships with other banks in 12 countries of the sub-region. The international banks operate through their networks in the subregion. The survey found that the problems faced by the banks in their dealings with other banks in the sub-region are delayed payments, poor communications and inefficient services. The suggested solutions to some of these problems are political stability; introduction of uniform and enforceable rules governing the agency relationships within the sub-region; and efficient handling of accounts. It was also suggested that agency relationships could be improved through aggressive marketing by banks, diversification of services between banks and the provision of incentives to PTA trade such as export guarantee schemes, pre-shipment financing and letters of credit.

4.3 Export Credit Scheme

Kenya established a pre-export scheme in December 1990. This scheme is administered by the Central Bank through approved commercial banks. Under the scheme, the Central Bank assists with the financing of pre-shipment activities through pre-export bills of exchange which are available to the exporters through their banks. The Central Bank claims that the Scheme is widely known and is used by exporters. However, only two of eight banks which responded to the banking survey indicated that they had provided pre-shipment credits to their clients. The reasons for the low provision of the service are lack of requests by the clients and the excessive costs of monitoring the scheme. The major problem faced by those who offer the service is delayed payments of the discounted export bills.

The banks felt that the best way to implement pre-shipment scheme is to develop a workable scheme and for the banks issuing letters of credit to provide up-front cover.

A post-export credit scheme is being considered for implementation under the second phase of the export development finance scheme. We recommend that the implementation of this scheme should be given high priority. Domestic exporters should also be encouraged to use the existing PTA scheme.

4.4 Foreign Currency Accounts

Individuals or businesses are not allowed to operate foreign currency accounts in Kenya or abroad. However, enterprises operating in EPZs are permitted to hold foreign currency accounts abroad. They are also allowed to open external accounts in shillings with authorised banks.

The most far-reaching policy with respect to this issue is the introduction of the export retention scheme in August, 1992. Under this scheme, exporters of non-traditional goods can retain 100% of their export earnings. Exporters of traditional goods, such as coffee and tea, are also allowed to retain 50 % of their earnings. Retention accounts may be denominated in any currency. The funds in these accounts can be used to finance imports of goods and services, business travel, advertising and marketing expenses, international debt and remittance of post-tax dividends by foreign-owned enterprises. However, the scheme does not allow maintenance of retention accounts in UAPTA. This may force Kenyan exporters

to demand payment in hard currency for exports to PTA thereby adversely affecting the utilisation of the Clearing House. We therefore recommend that the Central Bank allow exporters to PTA to hold retention accounts in UAPTA.

4.5 Insurance Schemes

Kenya insurance companies insure trade in the sub-region. 66% of the companies which responded to the survey insure PTA trade. The major problems facing these insurers are the low level of activity, poor knowledge about the existence of the yellow card, insecurity in transit and restriction of insurance cover to Kenya shillings. They suggest that these problems could be solved by publicising the use of the Yellow card in the sub-region, through the improvement of security and by allowing insurance in foreign currency. We concur with these suggestions and recommend them for implementation.

The main reason given by those insurance companies which do not insure trade within the PTA are restrictive legislation in Kenya and other PTA countries. For example, in Kenya payments of premiums outside the country are controlled by the Insurance Act and the Exchange Control Acts. We recommend that these two acts be amended to allow for insurance in UAPTA.

4.6 PTA Trade and Development Bank (PTA Bank) Credit Facilities

Most Kenyan exporters are not aware of the PTA Bank trade facilities. This is especially true for the bank's pre-shipment and post-shipment advances, and confirmation of letters of credit which would greatly benefit exporters to the PTA. Only 33 % of the surveyed firms were aware of the facilities. Among these only 20 % had tried to access the facilities. The PTA Bank has on one occasion publicised its services in the local media. The PTA Bank should put more effort in publicising its services through the media, seminars and by delegating the responsibility to national organisations.

5. INSTITUTIONS

This chapter assesses the effectiveness of institutions which have been established to promote trade and industrial development. The assessment concentrates on the capability of these institutions to promote production for exports and higher investments in Kenya and to facilitate increased sub-regional trade flows and cross-border investment. The selected institutions are classified as: financial; investment promotion and capital markets; and export promotion organisations and schemes.

5.1 Financial Institutions

The major domestic financial institutions of interest are the Development Finance Company of Kenya (DFCK), the Industrial Development Bank (IDB) and the Industrial and Commercial Development Corporation (ICDC).

These institutions were established to promote industrial development. ICDC extends loans to small and medium-scale enterprises and DFCK and IDB finance medium and large-scale investments.

Lending by these institutions is constrained by their inability to raise funds in the domestic financial markets. DFCK and IDB mobilise some of their funds from external sources and in the last few years IDB loans have been exclusively denominated in foreign currency. The exchange rate risk of these funds is borne by the borrowers. This has made it difficult for the bank to recover loans.

IDB and ICDC are currently being restructured with the aim of making them operate on a commercial basis. IDB has raised its lending rate from 14% to 19% which is closer to the market rate. DFCK is in the process of being privatised.

An Exchange Risk Assumption Fund was established in 1991 to reduce the foreign currency exchange risk. However, IDB has had difficulties getting the funds to cover the scheme remitted from the Treasury. Since currency exchange risk is a major barrier to increased investments, we recommend that the Fund be strengthened. This would improve the liquidity of IDB and DFCK and raise their lending ability. We also recommend that the restructuring of these institutions should continue.

The international financial institutions assessed are the East African Development Bank (EADB), the PTA Bank, the African Development Bank (ADB) and the International Finance Corporation (IFC).

The EADB was established in 1967 under the Treaty of East African Co-operation to enhance the economic and social development of the three member states. It co-finances projects with other development finance institutions, and advances loans denominated in foreign currency. Because of foreign exchange shortages, it concentrates on financing export oriented projects.

Most of the investments financed by EADB are non-performing due to exchange rate problems and economic difficulties in the East African countries. The borrowers' inability to meet their foreign currency obligations has been a result of steep currency depreciation. The foreign exchange rate risk of borrowing from EADB by Kenyans is not covered by the foreign exchange risk assumption fund. We recommend that the foreign exchange risk assumption fund be extended to EADB borrowers.

The PTA Bank was established in 1985. The objectives of the bank are to promote trade and investments in the sub-region, and to provide financial and technical assistance necessary to promote economic and social development. The bank has trade and project finance facilities.

The loans of the PTA bank are denominated in UAPTA and other hard currencies. These will generally lie between UAPTA 500,000 and 10m while lines of credit to development finance institutions will be UAPTA 5m-20m. Considering that the most dynamic firms in Kenya are small, the minimum ceiling is too high. We therefore recommend that the limit be reduced to UAPTA 60,000 or an equivalent of KSh. 3m at current exchange rates.

The ADB provides financial assistance directly or indirectly through other banks to private enterprises and financial institutions. The assistance ranges from US\$100,000 - \$10m. The loans are

denominated in foreign currencies and the foreign exchange risk is borne fully by the borrowers. This tends to discourage the use of the bank's finances; Borrowing from the bank is only possible with collateral or guarantees.

- The IFC was established in 1956 with a mandate to promote private sector investments through the provision of equity finance and technical assistance. The IFC is limited by its charter which provides that it should borrow and lend only on a commercial basis. It is also prohibited from lending to public sector enterprises although it can lend to institutions, such as DFCK, in which the government has a minority share holding.

The IFC lends at market interest rates. Before 1989 investments considered were those valued at over US\$ 5 million. This tended to exclude small- and medium-scale local investors. To address this problem the IFC introduced the African Enterprise Fund. The facility provides project financing in the form of loan and equity with loans ranging from Shs. 3m - 23m for projects and capital costs ranging from Shs. 7.5m-sh:150m. Many inquiries have been received by IFC and there are currently three projects being implemented or under consideration.

The IFC loans are denominated in foreign currency, therefore foreign exchange risk reduces the demand for the loans and leads to repayment problems. IFC borrowers cannot utilise the exchange rate risk assumption fund because IFC is not allowed to seek government guarantees. IFC has tried to minimise this problem by directing lending to export oriented sectors.

The EADB, ADB and IFC can finance investment in the sub-region by Kenyan firms, provided that the firms are registered in the countries they want to invest in and are financed through the organisations' offices in those countries. The extent of investment finance available from these institutions is limited by exchange control regulations in the sub-region. We recommend that a cross-border investment facility be set up either by each institution or as a consortium. We also recommend that EADB be strengthened so that it can provide better services to the investors of the three East African countries.

5.2 Capital-Market Institutions.

The Nairobi Stock Exchange (NSE) and the Capital Markets Authority (CMA) are the major institutions charged with the promotion of capital markets in Kenya.

NSE was established in 1954. There are currently over 57 companies quoted in the exchange with a total market capitalisation (1991) of approximately Kenya Pounds 920m. There are only six members in NSE. Secondary trading in this market is low, averaging 12% p.a. In 1991 K£15m worth of shares, or 1.6% of market capitalization were traded; Over the years only a few companies have raised finance in NSE; The reasons for this are: (1) fear of losing management control; (2) poor understanding of the concept of equity finance; (3) difficulties in share pricing; (4) poor returns on investments; (5) unwillingness to disclose information - necessary for share flotation; and (6) loan liquidity which discourages investors from exiting their investments to earn capital gains.

CMA was started in 1990 with the objective of promoting the securities markets and orderly trade in NSE. The specific goals of CMA were to develop a trading floor in NSE, approve and regulate new issues in NSE and ensure transparent trading in NSE. A trading floor opened in NSE in 1991. Trading in all quoted securities must be transacted on this floor. The role of CMA is critical during this period of increased privatisation of parastatals and share flotation by private firms. This role should be expanded to include the education of the investors on the benefits of raising funds from the capital markets. We therefore recommend that CMA be provided with higher technical and financial support.

5.3 Export Promotion Institutions and Schemes

The institutions responsible for export promotion in Kenya are the Kenya External Trade Development Authority (KETA), the Export Promotion Council (EPC) and the Export Processing Zone Authority (EPZA). The export incentives available to exporters from the EPZ programme are discussed in section 2.3.

KETA was established in 1976 to co-ordinate and implement policies which would expand, diversify and promote Kenya's exports. Some of the specific functions of the authority include acting as adviser to the government on trade policy and export promotion and export development through (i) organisation of trade fairs and exhibitions in selected markets; (ii) identification of the scope for product development; (iii) improvement of product quality and adaptation; (iv) introduction of new product designs and packaging; and (v) planning for export credit and guarantee schemes.

The major weakness of KETA is that its role is only advisory. Its recommendations are not binding on the Ministry of Commerce; because of this, the authority's policies and recommendations are ignored when they are in conflict with those of the Ministry.

KETA was originally intended to be an independent parastatal, but this has not been the case because KETA is not self-financing. Several studies have concluded that KETA's efficiency is limited by its dependence on the Ministry of Commerce and recommend that it should be made an independent trade promotion organisation.

EPC was established in August 1992 to assist exporters and export producers to overcome barriers to increased export and therefore raise the level of exports. The Council is made up of private and public sector representatives. The specific objectives of EPC are: (a) to establish export targets and encourage exporters to achieve them; (b) to continuously review the country's export performance and advise the government on any necessary additional policies necessary to improve the performance; (c) to attract investments and finance to the export sector; (d) to identify new markets for Kenyan exports and encourage increased exports to those markets; and (e) to promote public awareness of the need for export expansion.

EPC operates independently from the Government, but gets financial and logistic support as well as a secretariat from the Ministry of Finance. It will have the advantage of easy access to the President and therefore should be able to make decisions and get them acted upon quickly.

The export promotion schemes in existence are the Kenya Export Development Scheme (KEDS) funded by USAID and Kenya Export Assistance Scheme (KEAS) which is operated from the Ministry of Finance with assistance from the World Bank. Both projects target export-oriented firms for assistance. KEDS will also assist Horticultural and Crops Development Authority, Fresh Produce Exporters' Association of Kenya, KAM, EPZA and EPPO in institutional development.

With several export promotion institutions and schemes in existence it is inevitable that conflicts will arise. It is necessary to ensure that such eventualities do not undermine the drive for export promotion. The most serious contradiction relates to the roles of KETA and EPC. Both are charged with the task of promoting exports, but it is not clear how they relate to each other. It is evident that EPC is currently vested with more powers than KETA. To avoid confusion this contradiction should be solved immediately. We recommend that once the main trade promotion organisation has been designated it should be made independent. Funding should be sought from short-run donor sources, supplemented by contributions from the government and the exporters. In the medium to long-term the major source of funds should be the exporters themselves.

The roles of KEDS and KEAS should also be clarified to avoid duplication of efforts. Their efforts should be coordinated with those of the other organisations and schemes.

6. Action Plan

Action	Responsible Agency	Timing	Donor Assistance
Publish Investment Code	IPC/MI	ST	
Amend IPC Act to reduce period of approval rejection of applications of general authority from 90 to 60 days ; and to clarify the same for rejection and rejection / acceptance of the appeals	AG/IPC	ST	
Lower MUB fee from Kshs. 40.000 to 60.000	MF	ST	
Enforce Anti-Corruption Act	AG	ST	
Amend Exchange Control Act to allow easier investment flows to sub-region	MF	MT	
Promote investment opportunities within PTA	MI	ST	
Amend Exchange Control Act to allow use of UAPTA to finance investments in PTA	MF	MT	
Amend Exchange Control Act to allow Kenyans to buy securities in sub-region and residents to buy Kenyan securities in UAPTA	MF	MT	
Amend Exchange Control to allow enterprises owned or controlled by residents of the sub-region to borrow from Kenyan financial markets	MF	MT	
Amend Article 5 of MIE Charter to remove joint venture requirement	PTA	MT	
Negotiate double taxation treaty with PTA states and other countries of the sub-region	MF	MT	
All PTA states to ratify PTA Protocol on Visa Requirements	PTA	ST	

Extend benefits from PTA protocol on Visa to non-PTA countries in sub-region	OP	MT	T?
Initiate implementation of phase two of PTA visa protocol	PTA	ST	
Relax Kenyanisation rules for PTA investors	OP	MT	
TRADE			
Sustain economic liberalization programmes	MF	ST	
Move essential imports from schedule IIB and IIA	MF	ST	
License imports from PTA automatically	MC	ST	
Continue parastatal reform	MF	ST	
Publish legal notice required to implement PTA HRTC	MTC	ST	
Amend Public Toll Act	AG	ST	
Publicise/Review PTA Yellow Card Insurance Scheme	PTA/National Bureaux	ST	
Amend Insurance Legislations in PTA Countries	PTA	ST	
Use bonds and sealed containers to control cross-country movement of goods Promote ARSO			
FINANCE			
Develop uniform and enforceable bank agency rules	PTA	MT	
Introduce post-export credit scheme	MF	MT	Y
Allow exporters to operate foreign exchange retention accounts in UP AT A	CBK	ST	

Amend Exchange Control Act and Insurance Act to allow insurance in UAPTA	MF/AG	MT	
Publicise PTA Bank services	PTAB	ST	
INSTITUTIONS			
Strengthen Exchange Risk Assumption Fund	MF	ST	Y
Continue restructuring of domestic development banks	MF	ST	Y
Extend Exchange Risk Assumption Fund to borrowers from EADB	MF	ST	Y
Reduce minimum lending by PTAB from UAPTA 500,000 to 60,000	PTAB	ST	Y
Establish cross-border investment facility	PTA/Banks	MT	Y
Strengthen EADB	EADB/E.A. States	MT	Y
Strengthen CMA	MF	ST	Y
Designate a trade promotion organisation	MC/MF	ST	
Ensure independence of trade promotion organisation	MC/MF	ST	Y

Notes : 1) Y = donor assistance required

2) ST = Short term (by December 1993)

3) MT = Medium term (by December 1994)

LIST OF ABBREVIATIONS

IPC	Investment Promotion Centre
MI	Ministry of Industry
AG	Attorney General
MF	Ministry of Finance
PTA	PTA Secretariat
OP	Office of the President
MC	Ministry of Commerce
MTC	Ministry of Transport and Communications
CBK	Central Bank of Kenya
CMA	Capital Markets Authority

CURRENCY CONVERSION RATES

1K£ = 20 Kenya Shillings

Kenya Shilling US Dollar Exchange Rates

Year		Shillings
1985	=	16.28
1986	=	16.04
1987	=	16.52
1988	=	18.60
1989	=	21.60
1990	=	24.08
1991	=	28.07

Appendix A1

CHECK LIST FOR APPROVALS FOR INVESTMENTS

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| <p>1. Companies Act Cap. 486 Business names Act Cap. 499
* Approval for Registration of the company or Business name Cap. 486 Sections 4 to 32
Cap. 499 Sections 4 to 8.</p> | <p>Attorney General's Chambers</p> |
| <p>2. Foreign Investment Protection Act Cap. 518
* Approval for foreign investment Relevant Section: 3(1) (2)</p> | <p>Office of the Vice President & Ministry of Finance (OVP & MF)</p> |
| <p>3. Customs and Excise Act Cap. 472 Finance Bills 1988
* Approval to manufacture under bond Relevant Section: 58A,</p> | <p>O.V.P. &M.F.</p> |
| <p>4. Insurance Act Cap. 487 (1988)
* Approval for investment in Insurance Industry Relevant Sections: 30, 31,</p> | <p>O.V.P. & M.F.
Commissioner of Insurance.</p> |
| <p>5. Companies Act Cap. 486
* Approval for issue of shares to a body corporate which is not a company formed and registered under the Act.
Relevant Section: 50A (a) (2).</p> | <p>O.V.P. & tt.F/CBK</p> |
| <p>6. The Banking Act No. 9 of 1989
* Approval for Banking Industry Relevant Sections 3 to 9 (Issue of a banking licence).</p> | <p>O.V.P. & M.F./CBR</p> |
| <p>7. Exchange Control Act Cap. 113
* Approval for management/service agreements involving non-residents.
Relevant Section: 32.</p> | <p></p> |
| <p>8. Exchange Control Act 113
* Noting the appointment of non-resident directors
Relevant Sections 16, 30, 32.</p> | <p>CBK</p> |

<p>9. Exchange Control Act 113 * Approval to lend money/securities to a person/institution not resident in Kenya. Section: 32(4a)</p>	<p>CBK</p>
<p>10. The Immigration Act Cap. 172 * Approval for work permits Relevant Sections: 567.</p>	<p>OP/IMM Dept.</p>
<p>11. Industrial Registration Act Cap. 118 * Approval for industry Relevant Sections 6,7,8,9, and 10.</p>	<p>Ministry of Industry</p>
<p>12. Trade Licensing Act Cap. 497 * Issuance of trade licences Relevant sections 6,7,8,9,10 and 11.</p>	<p>Ministry of Commerce</p>
<p>13. Imports, Exports and Essential Supplies Act Cap. 502 * Issuance of import/export licences Relevant Sections: 6,7 & 8.</p>	<p>Ministry of Commerce</p>
<p>14. Trade Licensing Act Cap. 497 * Issuance of licence for sale of Manufactured goods Relevant Sections: 6,7,8 & 9.</p>	<p>Ministry of Commerce</p>
<p>15. Tourist Industry Licensing Act Cap. 381 * Approval to operate Tourism business Sections: 3,4, 5 and 6.</p>	<p>Ministry of Tourism & Wildlife</p>
<p>16. The Hotels and Restaurants Act Cap. 494. * Approval to operate Hotel and Restaurants Business Relevant Sections: 4,5 and 6.</p>	<p>Ministry of Tourism & Wildlife</p>
<p>17. Land Planning Act Cap. 303 Agriculture Act Cap. 318 * Approval for change of Land Use Land Planning Act Cap. 303 Subsidiary Legislation Sections 12, 13, 14, Cap. 318 Sections: 64, 184.</p>	<p>Ministry of Agriculture.</p>

18. Government Land Act Cap. 280
 - * Approval for allocation of Government plot/land
 - Relevant Sections: 32, 34, 35, & 40.

19. Land Planning Act Cap. 303
 - * Approval for Building Plans
 - Relevant Sections:-18 (1) (a).

20. Factory Registration Cap. 514
 - * Approval for Factory Registration
 - Relevant Section: 7, 8 and 9.

21. Fertilizer and Animal Food Stuff Act Cap. 235-
 - * Approval to manufacture fertilizers and animal feeds.
 - Relevant Section: 3.

22. Pest Control Product Act Cap. 346
 - * Approval to manufacture & Distribute Pesticide
 - Relevant Section: 3,4.

23. Agricultural Sector Under Cap. 318
 - * General approval for investment in Agriculture.
 - There are various laws governing the development, growing and purchasing of various crops.
 - Tea Act Cap. 343 Section: 9
 - National Cereals & Produce Board ; Act Cap. 338 Section: 12
 - Crop Production and Livestock Act Cap. 321 Section: 4
 - The Seed and Plant Varieties Act Cap. 326 Section: 3
 - The Coffee Act Cap. 337.

24. Horticultural Crops Development Authority Crop 318
 - * Approval for investment and production of horticultural crops.

25. Mining Act Cap. 306
 - * Approval for Exploration of Concession Rights in Mining Relevant Section: 18.

Ministry of Agriculture

Local Authority

Ministry of Labour

Ministry of Agriculture

Ministry of Agriculture

Ministry of Agriculture

Ministry of Agriculture

Ministry of Natural Resources and Environment

- | | |
|---|--|
| <p>26. Fish Industry Act Cap. 375
 * Approval for investment in Fishing Industry
 Relevant Section: 3.</p> | <p>Fisheries Department</p> |
| <p>27. Pharmacy & Poisons Act Cap. 244
 * Approval to manufacture pharmacy and
 poisonous productions.
 Relevant Sections: Pharmacy Sections 7, 8 & 9
 Poisons Sections: 27, 28 & 29.</p> | <p>Ministry of Health</p> |
| <p>28. Food, Drugs and Chemical Substance Act Cap. 254
 * Approval to manufacture
 pharmaceutical products
 Relevant Section: 28.</p> | <p>Ministry of Health</p> |
| <p>29. Public Health Act Cap. 242
 * Approval to discharge effluent/ waste disposal.
 Relevant Sections: 168 to 176.</p> | <p>Ministry of Local Government
 Ministry of Environment &
 Natural Resources.</p> |
| <p>30. Water Act Cap. 372
 * Approval to build dam construct borehole,
 use of water for irrigation.
 Relevant Sections: 8 & 9.</p> | |
| <p>31. Hides & Skin Trade Act 359 & Issuance of
 licence to deal in hides, skins and leather.
 Relevant Sections:
 Buyers licence: Section 3
 Export licence: Section 8.</p> | <p>Ministry of Livestock Development</p> |
| <p>32. Film and stage plays Act Cap 222
 * Approval for film licences
 Relevant Sections: 4, 5 & 6.</p> | <p>Ministry of Information and
 Broadcasting</p> |
| <p>33. Civil Aviation Act Cap. 394
 * Approval for licences to operate civil aviation.
 Relevant Section. 4.</p> | <p>Ministry of Finance</p> |
| <p>34. Approval to invest in energy created</p> | <p>Ministry of Energy</p> |
| <p>35. Companies Act Cap. 486
 * Approval to open/register a branch office
 of an overseas company.
 Relevant Part: Part X.</p> | <p>Attorney General</p> |

Appendix A2

INVESTMENT FLOWS TO KENYA FROM THE REGION

Company	Country of origin	Sector	Investment value KSH	Job creation	Remarks
Alfa Links Tours & Safaries	Burundi	Tourism	-	-	Applied in June 92
Gerber E.A.	South Africa	Manufacturing & Distribution	-	-	Approved 24.3.92
A.L. Faiz Ltd	Sudan	Manufacturing	-	11	Approved 16.10.90
Goodman Agencies Ltd	Sudan	Manufacturing	-	25	Approved 3.6.92
Testa Sweater Factory	Ethiopia	Manufacturing	-	-	Approved 7.10.85
Hema Entreprises Holding	Sudan	Investment i.e. to co-invest with others in various sectors	-	-	19.9.90

Appendix A3

COMPANIES IN KENYA PAYING DIVIDENDS TO INDIVIDUALS

IN THE REGION

TANZANIA

1. B.A.T.
2. Kenya Power and Lighting Company (K.P.L.C.)
3. Diamond Trust
4. Jubilee Insurance Co.
5. Kenya Hotels Ltd.
6. Investment Promotion Services
7. E.A. Packaging Industries Ltd.
8. Marshalls E.A. Ltd
9. E.A. Cables
10. E.A. Baumann & Co.
11. Unga Group Ltd.
12. City Brewery Investments
13. Chancery Investments Ltd.
14. CMC Holdings Ltd.
15. Avon Rubber Co.
16. Motor Mart Group Ltd.
17. Pan Africa Insurance Co.
18. Nation Printers & Publishers Ltd.
19. Kenya Breweries Ltd.

UGANDA

1. B.A.T.
2. A. Baumann & Co.
3. Unga Group Ltd.
4. City Brewery Investments Ltd.
5. Chancery Investments Ltd.
6. E.A. Oxygen Ltd.
7. CMC Holdings Ltd
8. Avon Rubber Co
9. Motor Mart Group Ltd.
10. Pan African Insurance Co.
11. K.P.L.C.

ZIMBABWE, ZAMBIA, RWANDA

1. K.P.L.C.

Appendix A4

OUTWARD INVESTMENT FROM KENYA TO PTA REGION

Company	Country	Sector	Remarks
Mutiso Menezes International Ltd	Botswana	Architectural Consultancy	Operational
Samaki Industries	Tanzania	Fish Processing	Operational
Reckitt & Colman (K) Ltd	Tanzania	Manufacturing	Approved, but not yet operational
Akamba Public Road Services Ltd	Uganda	Public Transport Services	Under consideration
Higway Kenya Ltd	Tanzania	Travel Services	Under consideration
Alihbai Sharriff & Sons Ltd	Uganda	Distribution Hardware	Not pursued
Smvir & Co	Uganda	Consultancy Services	Not pursued
Royal Credit	Overseas	International Royal, Royal Credit and Star Card	Not pursued
Cardboard (COT)Ltd	Uganda	Manufacturing	Not pursued
Le Monte Foods Ltd.	Tanzania	Processing of Fish	Not pursued
Kenya Beveries Ltd	Uganda	Manufacturing	Operational
Alaska Transport Limited	Zambia and Tanzania	Transport Services	Not pursued
Athi River Mining Ltd.	Rwanda	Manufacturing	Operational
Bedi Investments Ltd.	Zimbabwe	Spinning, Weaving, finishing and Dying Plant	Not pursued
Bunson Travel Services Ltd	Tanzania	Travel Services	Not pursued
Kaburu Okelo & Partners Consulting Engineers	Somalia	Engineering Consultancy	Not pursued
Mkata Estates Ltd.	Tanzania	Unspecified	Not pursued
City Valuers	Namibia	Valuers, Estate Agents and Property Consultants	Under consideration

Appendix A5

INPUTS PLACED IN SCHEDULE III

Tariff n°	Description of raw materials	Schedule	Duty	V.A.T.
2101.10.00	Instant coffee powder in bulk	3B	35%	18%
2106.90.20	Infant food mix.	3B	25%	Zero
098.999.20	Infant milk foods, e.g. Lactogen & Nan			
2207.20.00	Rectified spirit ethyl alcohol	3B	20%	18%
2807.00.10	Sulphuric acid Used as an agent in most chemical process	3B	50%	18%
3923.29.00	Of other plastics - aseptic bags 40% of Del Monte Kenya exports products are packed in these bags.	30	60%	18%
3926.90.90	Other articles of plastics and articles of other materials reading 39.01 to 39.14. (Heat resistant handles knobs for manufacture of Kitchenware articles i.e. Bakelite)	3B	70%	18%
4011.91.00	New pneumatic tyres of rubber (Other)	3B	60%	18%
4015.19.00	Gloves of vulcanised rubber, other than hard rubber (Food grade)	3B	40%	18%
4802.30.00	One time carbonising tissue paper to different sizes and width. Used in the manufacture of carbon paper. Material not locally available.	3B	35%	18%
4807.10.00	Laminated cellulose gasket paper Used only in gasket manufacture.	3B	35%	18%

4823.00	Other Paper – Crepe kraft paper This is a protective packaging medium in steel strappings. The paper is able to withstand manual handling especially when being exported.	3B	50%	18%
6310.10.00	Sorted acrylic/synthetic rags	3B	30%	18%
6310.90.00	Used or new rags – Other These are used in the manufacture of blankets substitute for new raw materials.	3B	30%	18%
6805.10.00	Abrasive belts Used in most industries for cutting or cleaning the manufactured products. Gives a shiny look.	3B	35%	18%
7019.31.00	Glass fibre tissue mat These are used together with bitumen for protecting water pipes from rust.	3B	60%	18%
7321.10.00	Stranded wire, ropes and cables (Bead wire) This is a basic material used in the manufacture of tyres which have wire cords. They help to hold the molten rubber.	3B	25%	18%
7606.11.20	Aluminium sheets; plates and strip of a thickness exceeding 0.2 mm This material is produced locally by Messrs Kaluworks Limited and in the short term they do not envisage to manufacture. This is used to manufacture most bottle tops either for spirit or medical use.	3B	35%	18%
7608.10.00	Aluminium refrigeration tubes Used in the manufacture of refrigerators and cooling equipment including cold storage	3B	30%	18%
8308.10.00	Hooks (steel)	3B	40%	18%
8308.20.00	Steel rivets	3B	40%	18%
8418.10	Unassembled refrigerators	3B	30%	18%

8511.10.10	Components for assembly of spark plugs	3B	25%	18%
8516.50.10	Unassembled microwave oven	3B	30%	18%
8516.60.10	Unassembled electric cookers	3B	30%	18%
8528.10.10	T.V. in unassembled form (CKDs) colour	3B	25%	18%
761.210.00	T.V. (in CKD) Black and White	3B	25%	18%
8528.20.10	Cookers in CKD condition (gas)	3B	50%	18%
8711.20.00	Motor cycles in CKD condition	3B	30%	18%
8711.90.10	Unassembled scooters	3B	30%	18%
3933.90.90	Stainless steel sink components Used in making flashing cisterns for kitchens	3B	60%	18%
8712.00.10	Unassembled bicycles	3B	20%	18%
0402.10.00	Milk & cream in powder form NB: This raw material is used in the food industry in the manufacture of baby foods e.g. Lactogen, Nan, e.t.c. Sometimes milk is not available in enough quantities locally and it has to be imported e.g. during times of drought	3B	Free or variable duty rate	18%
1702.40.10	Glucose & Dextrose referred to as matto dextrin The raw material is also used in the food industry for manufacture of baby foods.	3B	25%	18%
3505.10.00	Dextrines and other modified starches referred to as trace element premix. The raw material is also used in the food industry.	3B	30%	18%

Appendix A 6 Table 1

EXPORTS

K£'000

Country	1987	1988	1989	1990	1991
Uganda	69,687	83,696	65,919	64,043	107,250
Tanzania	19,554	24,284	27,476	32,264	54,126
Zambia	2,091	5,584	2,822	3,292	4,023
Ethiopia	8,886	6,355	8,993	11,762	14,192
Burundi	11,769	1,643	6,344	7,938	14,548
Somalia	7,831	6,988	7,996	23,433	17,554
Rwanda	23,793	23,405	16,865	18,259	29,347
Malawi	743	2,495	1,032	1,667	2,425
Mauritius	2,184	2,327	2,867	8,823	6,258
Swaziland	1,715	1,355	1,320	1,280	2,437
Zimbabwe	5,783	9,337	10,706	12,566	6,796
Comoros	899	481	401	2,385	5,952
Djibouti	1,490	1,090	1,025	1,089	4,899
Mozambique	10,424	9,065	2,239	1,378	2,132
Angola	3,834	1,019	860	8,649	28
Lesotho	937	11	262	47	48
Sudan	22,229	21,774	20,970	20,110	28,848
Zaire	11,575	10,734	6,742	6,365	16,251
Reunion	3,093	5,795	7,477	7,024	5,521
Madagascar/ Seychelles	1,153	1,860	17,838	2,659	2,711
Total Sub-Region	209,400	229,304	210,154	235,033	319,716
Total Africa	219,726	243,881	227,135	269,826	380,283
World Total	989,865	951,879	1,019,743	1,224,010	1,629,470
Sub-Region as % of Africa	95.3	94.0	92.6	87.1	84.1
Sub-Region as % of World	21.2	24.1	20.6	19.2	19.6

Source: Central Bureau of Statistics.

Table 2**IMPORTS****K£'000**

Country	1987	1988	1989	1990	1991
Uganda	910	1,266	1,063	1,314	2,651
Tanzania	3,438	6,044	13,263	12,508	11,286
Zambia	3,143	3,803	8,894	57	11,034 f
Ethiopia	2,700	1,278	153	57	: 72
Burundi	2,875	3,043	365	1,050	139
Somalia	38	68	1,002	62	69
Rwanda	7,997	9,961	1,584	431	59
Malawi	68	286	57	743	217
Mauritius	334	325	285	373	2,585
Swaziland	2,203	4,836	5,694	9,167	8,173
Zimbabwe	11,040	16,291	26,945	26,839	19,545
Comoros				-	
Djibouti	490	55	1	1,095	183 >
Mozambique	2,327	2,163	409	4,321	1,667 ;
Angola	-	-	3		1
Lesotho			1	1,561	37 ■
Sudan	332	62	7	62	83 "
Zaire	963	586	150	419	3,177
Reunion				139	-
Madagascar/ Seychelles	1,928	23	117	145	244
Total Sub-Region	40,786	50,090	59,993	70,705	61,222 1
Total Africa	43,230	52,828	73,171	75,658	79,013 1
Total World	1,430,881	1,765,145	2,238,630	2,545,630	2,645,910 !
Total Sub-Region as % of Total Africa	94.4	94.8	82.0	93.4	77.5
Total Sub-Region as % of Total World	2.9	2.8	2.7	2.8	2.3

Source: Central Bureau of Statistics

Table 3**EXPORTS TO THE PTA, 1987-1990 (K£'000)**

	1987	1988	1989	1990
Maize, unmilled	5,191	6,933	182	1,942
Vegetables, fresh, chilled, etc.	2,442	5,541	1,000	228
Tea	2,071	1,325	1,942	1,874
Beer	1,722	859	232	2,558
Cigarettes	2,196	2,007	2,410	3,500
Common salt	744	3,183	4,709	3,209
Natural Sodium Carbonate	3,613	4,333	4,159	5,003
Refined Petroleum Products	51,872	60,479	26,754	56,792
Residual Petroleum Products	860	1,640	2,675	2,529
Paints, Varnishes, Pigments, etc.	1,722	1,360	1,424	1,488
Medicinal and Pharmaceutical Products	5,092	3,821	2,628	60
Oils, Perfumes	6,958	5,163	11,956	8,918
Polishing and cleansing Preparations	520	707	664	487
Akyds and other Polysters	325	819	574	1,070
Disinfectants, insecticides	2,844	2,386	2,633	3,542
Paper, Paperboard, etc.	3,004	4,106	6,015	6,560
Textile Yarn	361	1,363	765	846
Fabrics, woven or made	600	452	1,144	1,240
Made-up Articles	838	2,638	1,636	4,048
Cement for Building Purposes	5,844	6,144	7,273	7,838
Glassware	1,077	3,134	3,449	3,077
Iron and Steel Bars, Rods, etc.	2,541	3,154	3,456	2,895
Universal, Plates	2,922	7,689	6,658	3,588
Storage and Transport Metal Containers	919	1,749	1,397	2,463
Manufactures of Base Metals	1,734	3,006	2,391	2,751
Printed Matter	1,599	1,356	1,269	977
Office Stationary Supplies	1,337	1,899	1,961	2,737
All other commodities	29,387	31,150	45,076	58,566
Total	140,215	168,396	146,462	199,326

Source: Central Bureau of Statistics

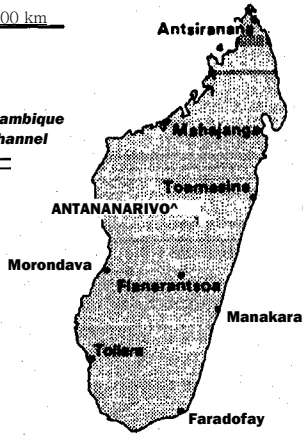
Table 4**IMPORTS FROM THE PTA, 1987-1990 (Ki'000)**

	1987	1988	1989	1990
Tea	12,358	13,668	1,690	18
Animal feeds	123	470	470	376
Tobacco Unmanufactured		215	6	
Hides and Skins	303	200	208	159
Oil Seeds	3	413	962	143
Wooden Railway Sleepers	20	122	219	289
Asbestos	262	90	284	247
Coal	1,873	4,591	5,329	8,919
Other Inorganic Chemicals	242	117	90	106
Disinfectants, Insecticides, etc.	37	91	161	413
Misc. Chemical Products	16	40	43	7
Paper and Paperboard	605	2,058	1,795	3,165
Blooms, Billets, Slabs	6,700	9,611	11,904	15,706
Bars, Rods, Angles	3,546	5,464	5,464	4,039
Copper Bars, Rods	575	1,183	1,465	1,222
Aluminium circles	1,072	1,064	66	32
Unrefined Lead		87	-	
Zinc and Zinc Alloys Unwrought	2,251	3,319	8,254	8,789
Aircraft Engines and Parts	2,265	1004	40	89
Agricultural Machinery	159	140	157	
Construction and Mining Machinery	43	292	224	58
Automatic Data Processing Machines	11	66		4
Transmitter receivers	13	36	7	
Transformers, electrical	793	1,317	1,681	261
Passenger Motor Cars	46	83	128	160
Parts of Aircraft	111	147	2,471	8
Artificial resins and plastic materials		52	8	114
All other commodities	2,080	944	19,062	25,616
Total	33,235	47,256	59,719	65,619

Source: Central Bureau of Statistics

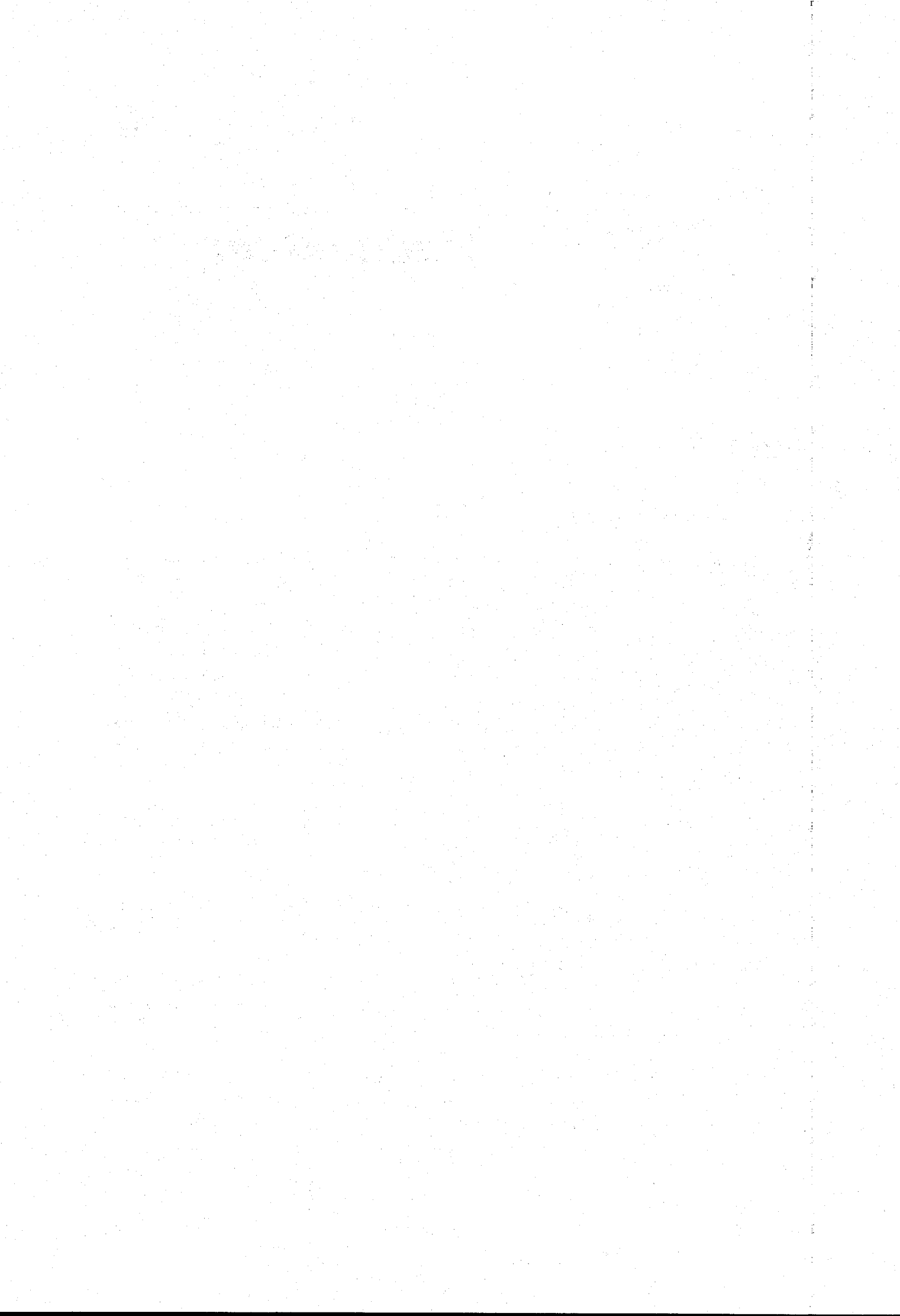
300 km

Mozambique
Channel



Indian
Ocean

Madagascar



1. INTRODUCTION

1.1. Présentation générale

Face au processus de regroupement constaté actuellement pour constituer des pôles de développement dans une région donnée (Europe 93, ASEAN en Asie du Sud-Est, libre échange entre les Etats-Unis d'Amérique et le Canada,...), l'intégration régionale consiste une opportunité que chaque pays doit saisir pour renforcer le poids économique de la région au niveau de laquelle il évolue. Pour Madagascar en particulier, l'ouverture vers une dimension régionale auprès des pays limitrophes (Océan Indien et Afrique Orientale et Australe) s'avère nécessaire eu égard aux limites d'un développement autocentré. En effet, le marché national est relativement restreint compte-tenu de l'effritement du pouvoir d'achat du consommateur, groupe cible final visé d'une part, et de l'économie d'échelle requise pour rentabiliser un investissement d'autre part. Ainsi, afin de se doter d'une base économique plus large, l'intégration régionale devient une nécessité.

Jusqu'ici limités essentiellement aux pays de l'Océan Indien, les opérateurs économiques malgaches envisagent actuellement de s'orienter vers l'Afrique où le niveau de développement est relativement le même.

Ayant assisté jusqu'à maintenant aux assises de la ZEP en qualité d'observateur, l'opportunité serait-il venu pour Madagascar actuellement d'adhérer à la ZEP, l'organisation la plus large de la région?

Devant cet intérêt de s'acheminer vers des pôles de développement régionaux, l'étude sur l'intégration régionale permettra alors de mieux appréhender les voies et moyens optimaux pour faciliter ce processus d'intégration, face aux principaux problèmes rencontrés.

Ce rapport d'études se propose de présenter les résultats des travaux effectués par le Groupe de Travail de MADAGASCAR (GTT). La composition de ce Groupe Technique, comprenant des représentants du Secteur Public et du Secteur Privé, est présenté en annexe 1.

1.2. Méthodologie

Afin de pouvoir répondre aux tâches spécifiques initialement proposés dans les termes de référence de l'étude, la méthodologie d'approche effectuée par le GTT se résume globalement comme suit :

- Inventaire et évaluation de la réglementation existante en matière d'investissements et d'échanges
- Analyse de la politique actuelle de mise en application de cette réglementation
- Evaluation des courants d'échanges existants à travers les statistiques disponibles
- Identification des obstacles et diverses contraintes qui freinent les flux d'échanges et les courants d'investissements.

En terme d'étapes suivies, l'étude a été faite à partir :

- d'analyse documentaire et de la synthèse des résultats d'études ou de travaux déjà réalisés relatifs aux mêmes domaines;
- d'enquêtes complémentaires menées sous forme d'entretiens et de discussions informatives.

Le GTT de Madagascar tient toutefois à remarquer d'emblée qu'il ne lui a pas été possible, à la phase actuelle d'investigations, de répondre à certaines questions posées par les termes de référence dans la mesure où les actions proposées demandent des réflexions beaucoup plus approfondies et requièrent des études d'appui spécifiques. Une troisième phase de cette étude sur l'intégration régionale s'avérerait alors nécessaire pour entreprendre ces études d'appui.

1.3. Plan du rapport

Le rapport d'études sera subdivisé en trois parties :

- La première partie, qui ne fait pas à proprement parler partie intégrale de l'étude, se réfère d'abord au bilan de l'intégration régionale au niveau de la Commission de l'Océan Indien (COI), organisation déjà existante à laquelle Madagascar fait partie prenante : il importerait en effet d'évaluer les résultats de cette coopération, enregistrés jusqu'alors, si l'on veut dynamiser et accélérer le processus d'intégration économique globale au niveau de la sous-région.
- La deuxième partie exposera l'analyse de la situation actuelle dans les domaines de l'investissement, des échanges, des finances et paiements tels que préalablement définis dans les tâches spécifiques des termes de référence.
- La troisième partie représentera les contraintes identifiées dans chaque domaine respectifs et les actions préconisées pour y faire face.

Un résumé des principales conclusions et du plan d'actions proposé brossera les résultats de l'étude entreprises par le GTT de Madagascar.

2. CONCLUSIONS ET RECOMMANDATIONS

Les conclusions/et recommandations qui se dégagent de l'étude sur l'intégration régionale effectuée par le Groupe de Travail Technique de Madagascar sont résumées comme suit :

2.1. Conclusions

La principale conclusion qui ressort de cette étude est que l'Intégration Régionale et les mesures d'accompagnement qui en découlent resteront au stade de déclaration d'intention si les décideurs politiques ne sont pas impliqués dans les décisions à prendre. Par ailleurs la participation effective des opérateurs du Secteur Privé aux divers programmes à mettre en oeuvre, aussi bien en phase de conception et de négociations qu'en phase de réalisation, contribuera à renforcer ce processus d'intégration. Il est en effet largement reconnu que, dans l'environnement international actuel où des pôles de concentration et de développement économique se créent dans chaque sous-région géographique, ce processus d'intégration est une opportunité et un défi pour Madagascar et pour chaque pays en général. Il en est de même pour la Commission de l'Océan Indien.

Il faut toutefois nuancer que, dans le domaine des échanges, l'ouverture sur l'Afrique ne signifie pas un abandon du marché des îles : des études sur les avantages comparatifs offerts et sur les débouchés potentiels des produits s'imposent avant les décisions de stratégie commerciale. Particulièrement pour la COI, cette nouvelle dimension régionale africaine revêt une importance particulière au regard que cette zone n'est pas une région homogène et où le décalage des niveaux de développement économique et social engendre une disparité des intérêts. Il faut néanmoins reconnaître que des avancées sont recherchées à travers le Programme Régional Intégré de Développement des Echanges (PRIDE) proposé par la Communauté Européenne pour relancer la coopération régionale au niveau des pays de l'Océan Indien.

Face à ce mouvement centrifuge de regroupement donc, l'intérêt de chaque pays est d'adhérer à ce processus dans la mesure où, isolé et pris individuellement, les pays auraient un poids bien moindre que si leur force et leur intégration économiques étaient préalablement mieux assurées.

Dans l'étape du grand marché d'une Communauté Economique Pan-Africaine (CEPA), suivant le traité d'Abuja, l'étape intermédiaire consiste à créer cinq grandes «Communautés Economiques Régionales» : les travaux de réflexion entrepris dans le cadre de la présente étude, au niveau de chaque pays, contribueront à enrichir les investigations préalables y afférentes.

Enfin, mention doit être faite du schéma de financement et des sources de financement qui constituent également des facteurs stratégiques pour la réalisation et la concrétisation de ce processus d'intégration, parallèlement à la décision politique des Gouvernements respectifs de s'y engager. A cet effet, l'initiative tripartite de la Banque Africaine de Développement (BAD), la Commission des Communautés Européennes (CCE), et la Banque Mondiale d'entreprendre la présente étude, traduit déjà leur soutien et leur assistance financière et technique pour s'engager vers ce processus d'intégration régionale.

2.2. Recommandations

Les actions proposées pour enlever ou alléger les contraintes qui freinent les courants d'échangés et les flux d'investissements dans le processus d'intégration régionale sont formulées ci-après à titre récapitulatif. Bien que mentionné dans les termes de référence de l'étude, le GTT n'a pu donner de priorité à leur mise en oeuvre.

2.2.1. Dans le domaine des Investissements

- Il est nécessaire de procéder à la fusion des démarches de création juridique (société surtout) en vue de raccourcir les procédures administratives. j-
- Q L'opérationnalité du guichet unique des investissements s'avère urgente.
- L'automaticité de l'octroi d'agrément devrait être de règle dès que les conditions d'éligibilité sont remplies. i
- Il faudrait instaurer un système de financement plus incitatif. Par ailleurs, le financement d'un projet par un concours bancaire devrait être accessible et facilité du moment que l'agrément est accordé.
- Il conviendrait d'envisager la création de banques de développement. La mise en place de lignes de crédit spécifiques à la coopération industrielle tendrait à améliorer cet environnement.
- Il faudrait mettre en place des zones industrielles aménagées, sur initiative de l'administration ou en confier la charge au secteur privé.
- Dans ces zones industrielles, il faudrait envisager la possibilité de production d'énergie électrique par les entreprises privées elles-mêmes.
- Dans le régime de Zone Franche, l'administration devrait entreprendre des actions publicitaires et de vulgarisation pour inciter la création d'entreprise de promotion-exploitation (EPE).
- Il conviendrait de dispenser des séances de formation spécifique aux agents administratifs et différents techniciens qui sont impliqués dans la mise en application des textes régissant l'investissement.
- Il conviendrait de faire une large diffusion des textes d'application relatifs aux investissements afin que les opérateurs puissent maîtriser leurs droits et obligations.
- L'adoption d'une Taxe Unique à l'importation, en lieu et place des Droit de Douane et Taxe d'importation est vivement souhaitée.

2.2.2. Dans le domaine des échanges

- O Le plan d'action pour mettre en oeuvre le programme d'abaissement tarifaire, tel que prévu par le PRIDE, devrait être concrétisé.
- Pour mieux accompagner la politique de libéralisation, des réformes structurelles sont à apporter au niveau des ports et aéroports d'embarquement pour faciliter les formalités, notamment par :
 - la création d'un guichet de réception des documents d'expédition
 - la rationalisation des procédures de contrôle à l'importation.
- Il conviendrait d'étudier les possibilités de circulation avec un visa automatique pour les hommes d'affaires et les investisseurs sur la base d'une liste établie au préalable. Il en est de même pour l'octroi de visa temporaire de 48 à 72 h à l'entrée de Madagascar. La mise en place de «représentant honoraire», agréé par Madagascar, dans les pays où il n'existe pas de consulat ou d'ambassade conforterait ce système de visa d'entrée .
- Il faudrait accorder aux opérateurs nationaux la facilité et la liberté de quitter et de rentrer dans le territoire national.
L'octroi de visa de sortie permanente devrait être automatique du moment que la personne a obtenu un visa d'entrée permanente à l'extérieur.
- Un système d'équivalence du niveau de formation et de spécialisation de la main d'oeuvre devrait être institué et accepté par tous les pays de la région
- Un organisme indépendant, à gestion privatisée, jouant le rôle d'une banque de données à vocation essentiellement économique est à créer pour desservir les hommes d'affaires en particulier.
- O Il conviendrait d'entreprendre une large publicité sur les bases de données et réseaux d'information se rapportant à la coopération régionale.
- Il faudrait accélérer la réalisation du programme «Normalisation – Amélioration de la qualité» déjà envisagé au niveau de la COI.
- En matière de transport régional, il faudrait mettre en place un réseau d'informations sur les opportunités de fret (offre et demande) et faciliter l'accès des petits exportateurs aux moyens modernes en regroupant les opérateurs et les chargeurs.
- Une ouverture du trafic à des sociétés de transport privées contribuerait à favoriser la libre concurrence et la compétitivité au niveau des services offerts.

2.2.3. Dans le domaine des finances et paiements

- Face au problème de disponibilités en devises, il faudrait rechercher l'engagement ferme (tes autorités financières et monétaires pour accorder une garantie de paiement aux échangées intra-régionaux.
- La création d'une Chambre de Compensation entre les pays membres de la COI pourrait être étudiée.
- La réglementation devrait permettre aux opérateurs privés la possibilité de création de structure commerciale à l'extérieur, dont la sous-région, pour mieux intégrer le circuit de distribution.
- Il conviendrait d'accélérer l'installation du marché des devises à Madagascar, orientation préconisée par la Banque Mondiale pour éviter les pénuries chroniques en devises : ce système remplacerait la convertibilité du FMG. Néanmoins la possibilité de convertibilité de la monnaie malgache dans la zone devrait être étudiée pour favoriser le libre échange.

2.2.4. Dans le domaine des institutions

- Il faudrait accélérer le processus de restructuration et de rénovation de la Chambre de Commerce afin qu'elle puisse être opérationnelle dans les meilleurs délais pour mieux appuyer les opérateurs dans le cadre de la libéralisation et de l'économie de marché.

3. BILAN DE L'INTEGRATION REGIONALE

La Commission de l'Océan Indien (COI) est la seule organisation régionale à laquelle Madagascar a souscrit. A cet égard, elle revêt une dimension particulière pour les travaux de réflexions du Groupe, d'autant plus que la première phase de l'étude élaborée par Imani Development s'est limitée à l'Afrique Orientale et Australe, n'ayant pas pris en compte les expériences en matière de coopération dans cette sous-région du sud-ouest de l'Océan Indien.

Certes une ouverture de Madagascar vers un autre pôle de développement élargi, en l'occurrence la Communauté Economique Panafricaine, s'impose dans le courant de regroupement actuel, toutefois la dimension «Océan Indien» mérite une attention particulière, faisant l'objet du présent chapitre.

3.1. Historique et présentation générale

La Commission de l'Océan Indien (C.O.I.) a été fondée en janvier 1984 par trois Etats: Madagascar, Maurice et les Seychelles. Les Comores et la France, à travers son département de la Réunion,

ont adhéré à la Commission en 1986, La COI est ainsi une organisation qui regroupe en son sein cinq Etats riverains du sud-ouest de l'Océan Indien. L'Accord Général de Coopération entre les Etats membres définit la COI comme étant essentiellement une «zone de coopération». Cet Accord prévoit un vaste champ d'activités : ses objectifs couvrent l'ensemble des domaines de la coopération régionale, toutefois, afin d'éviter une dispersion des efforts et des moyens, un plan d'action à moyen terme a été défini qui prévoit d'axer la coopération entre les îles autour du développement des échanges commerciaux et de la coopération industrielle.

A l'issue d'une première évaluation des possibilités d'échanges dans le sud-ouest de l'Océan Indien, des comités techniques permanents (huit) assurant une mission de réflexion, d'étude et de mise au point des projets de coopération ont été créés de 1985 à 1989 :

- Comité Régional des Echanges Commerciaux (CREC)
- Comité Régional pour la Coopération Industrielle (CRCI)
- Comité Régional des Transports Maritimes (CRTM)
- Association Thonière (Ressources Maritimes)
- Tourisme
- Artisanat
- Environnement : Conservation des ressources et des éco-systèmes
- Sport.

Le lancement des différents projets de la C.O.I. durant ses premières années de fonctionnement, a été réalisé essentiellement avec l'aide financière apportée par le FED aux pays signataires, à travers le «fonds régional» de la Convention de Lomé II et III et prochainement Lomé IV. Le PNUD et les institutions spécialisées de l'ONU (ONUDI...) ainsi que la Communauté Economique Africaine (CEA) ont aussi offert leur aide à la COI.

Le Programme Indicatif Régional (PIR) signé entre la CCE et la COI en Février 1992 sous Lomé IV a retenu deux secteurs de concentration de l'aide communautaire dans le cadre d'une stratégie de coopération inter-île à moyen terme:

- le développement des échanges et la circulation de l'information économique
- la protection et la gestion des ressources naturelles et marines.

Au titre du premier axe prioritaire, les interventions de la CCE auront pour objet de contribuer à la mise en place d'un cadre global (institutionnel, législatif, réglementaire, de réseaux et de possibilités d'échanges) devant permettre :

- de développer les échanges entre les pays de l'Océan Indien et avec les pays tiers; et
- de rapprocher les opérateurs économiques et, à terme, de favoriser la coopération industrielle entre les pays de l'Océan Indien.

Le CREC et le CRCI sont les deux comités techniques permanents de la COI qui sont concernés par ce programme d'interventions de la CCE. Les travaux entrepris par ces deux Comités Permanents sont présentés en **Annexe B**, permettant de mieux évaluer le bilan et les perspectives d'avenir de la COI dans ce cadre global de processus d'intégration.

3.2. Résultats atteints par la COI

Le bilan de la coopération régionale au niveau de la COI se dégage des résultats atteints par les différents comités techniques permanents, dont le CREC et le CRCI qui ont été présentés en **Annexe B**.

Cette coopération, rappelons-le, s'est articulée autour de deux axes de priorité: le développement des échanges commerciaux et la coopération industrielle.

L'évolution des échanges commerciaux, principal indicateur, est récapitulé dans le Tableau 3.1 ci-après.

**Tableau 3.1 Données agrégées des échanges commerciaux
entre les îles de la Commission de l'Océan Indien.**

		1989		1990		1991	
		COI	Monde entier	COI	Monde entier	COI	Monde entier
COMORES en 1000 FC	Exportations	46.926	2.462.404				
	%/total	1,91 %					
	Importations	157.434	3.377.483				
	%/total	4,66%					
REUNION en 1000 FF	Exportations	50.040	1.019.456	57.313	1.015.013	43.485	596.256
	%/total	4,91%		5,65 %		7,29%	
	Importations	259.445	11.054.431	233.644	11.736.753	163.373	9.407.511
	%/total	2,35 %		1,99%		1,74%	
MADAG. en 1000FM	Exportations	36.217.744	506.193.388	37.090.704	326.984.553	45.785.312	394.803.350
	%/Total	7,15%		11,34%		11,60%	
	Importations	2.548.403	548.596.661	6.331.014	680.192.376	3.082.236	618.819.557
	%/Total	0,46 %		0,93%		0,50%	
MAURICE en 1000RM	Exportations	364.947	14.806.627	503.264	17.413.732	657.373	18.513.577
	%/Total	2,46%		2,89%		3,55 %	
	Importations	102.825	20.033.959	184.493	23.532.081	265.698	23.716.613
	%/Total	0,51 %		0,78%		1,12%	
SEYCH. en : 1000SPS	Exportations	11.477	78.578	18.013	79.776	12.431	81.025
	%/Total	14,61 %		22,58%		15,34%	
	Importations	16.029	767.634	27.793	840.369	14.875	559.709
	%/Total	2,09 %		3,31%		2,66%	

Source : MINCO/Statistique Commerce extérieur COI

De ce tableau, il ressort que les échanges inter-îles demeurent relativement faibles par rapport aux opérations commerciales que chaque pays fait avec le reste du monde : ce qui traduit que, d'une manière générale, les objectifs fondamentaux de la coopération régionale COI n'ont pas encore été atteints.

Perçus à travers la compilation des documents analysés et les interviews effectués, le bilan de la coopération régionale se résume aux points faibles et acquis positifs présentés ci-après.

a) Problèmes et Résultats négatifs

L'on assiste à un décalage de niveau de développement économique et social entre les pays membres de la COI, d'où une disparité des intérêts respectifs. Madagascar (et les Comores), sous programme d'ajustement structurel et avec la réforme tarifaire sur le commerce extérieur, ne peuvent pas encore s'engager en faveur de l'abaissement tarifaire. D'ailleurs la politique monétaire de Madagascar, avec une forte réglementation des changes et une faible disponibilité en devises, ne peut pas encore permettre une libre circulation des capitaux.

Pour l'île de la Réunion, département français, c'est le statut politique qui engendre un empêchement dans certaines décisions à prendre.

La structure organisationnelle de la COI ne lui a pas permis d'assumer efficacement toutes les tâches qui lui sont dévolues : d'ailleurs cette structure n'a pas pu suivre l'évolution très dynamique des activités dont la COI a pris la charge, non prévues initialement dans l'Accord Général de Coopération.

La politique économique de chaque pays a constitué un blocage majeur au processus d'intégration ; les décideurs politiques n'ont pas été suffisamment impliqués dans les mécanismes de fonctionnement des comités techniques permanents de la COI, ce qui a fait que la plupart des actions envisagées sont restées au stade de propositions.

Il faudrait alors se demander quelle place effective les gouvernements respectifs accordent-ils à cette coopération régionale dans la mesure où le principe de réciprocité n'est pas évident face au protectionnisme de certains pays, et sur la base de la réticence des pays à régler les problèmes rencontrés, tel que la libre circulation des hommes (hommes d'affaires et main-d'oeuvre).

La communication en général (information, transport maritime et aérien, télécommunication) constitue un des handicaps majeurs à la promotion et l'efficacité de la coopération régionale.

Outre les problèmes évoqués supra, les raisons suivantes ont aussi contribué à la faible performance de la COI. Créée seulement en 1984, la COI est une organisation relativement jeune. Elle s'est dotée d'un Secrétariat Général seulement en 1989 et sa structure vraiment légère. C'est ainsi que le personnel permanent d'appui n'arrive pas à faire le suivi systématique des recommandations émises et de procéder à la promotion effective et la concrétisation des programmes envisagés : l'effectif initial a été relativement faible par rapport aux ambitions visées par la COI, d'où un renforcement du personnel en 1991. Il faut souligner toutefois que des efforts ont été effectués pour améliorer la structure institutionnelle de la COI au fur et à mesure du constat des lacunes.

Le processus d'intégration engendre et requiert des coûts à financer tant en fonctionnement qu'en investissement. La coopération régionale trouve ses limites dans l'insuffisance des ressources disponibles d'où le recours à un appui financier extérieur. C'est ainsi que le calendrier de réalisation des programmes envisagés a dû se conformer à l'échéancier des sources de financement disponibles : par exemple, le projet «Environnement» initié en 1989, n'a pu être finalisé qu'en 1992.

b) Résultats et Acquis positifs

Nonobstant les problèmes rencontrés, les acquis positifs de la coopération régionale entreprise par la COI méritent aussi d'être soulignés. La COI, à travers ses comités techniques permanents, a à son actif les réalisations et points forts ci-après :

Q rapprochement entre opérateurs économiques à travers la création d'une Fédération des Chambres de Commerce et d'industrie de l'Océan Indien ;

harmonisation et informatisation des statistiques du Commerce extérieur: opérationnel en 1989 (Site régional COI);

mise en place d'un Centre de Documentation Economique et Sociale (CDES) au siège du Secrétariat Général à l'île Maurice; :

Q publication d'un guide «Import-Export» donnant des éléments d'information sur les procédures et les réglementations existantes et sur les opérateurs économiques par secteur d'activités; une deuxième édition est actuellement en cours de tirage;

Q négociation sur les barrières tarifaires et douanières ;

foires de la COI organisées à tour de rôle par chacun des Etats membres : la première en 1989 à La Réunion, la seconde édition en 1991 à l'île Maurice, la troisième se tiendra à Madagascar en 1993;

études sur les transports maritimes régionaux: une première concertation entre les principaux agents économiques impliqués dans ce sous-secteur a été tenue dans ce cadre (transporteurs maritimes, chargeurs, transitaires, pouvoirs publics);

mise en place et opérationnalité de l'«Association Thonière»;

Q création du Centre Industriel de Maintenance pour les Avions (CIMA);

amélioration et renforcement de la structure institutionnelle de la COI;

Q dynamisme et évolution de l'objectif visé en matière de coopération régionale parallèlement à l'évolution de l'environnement économique global.

4. ANALYSE DE LA SITUATION ACTUELLE

L'analyse de la situation actuelle se réfère aux tâches spécifiques à appréhender dans les domaines de l'investissement, des échanges, des finances et paiements, et enfin des institutions.

Elle permettra de dégager les principaux obstacles rencontrés et de proposer des plans d'action correspondants.

4.1. Dans le domaine de l'investissement

4.1.1 Analyse du Code des Investissements et des mesures d'incitation à l'investissement

Le Code des Investissements régi par la Loi n° 89-026 du 29 Décembre 1989, modifiée et complétée par la Loi n° 91-019 du 12 Août 1991 offre aux entreprises procédant à des investissements (création, extension, réhabilitation ou diversification) des régimes préférentiels, au titre de «Petite et Moyenne Entreprise» ou «Agrément de Base», lui conférant entre autres :

des avantages fiscaux préférentiels sous forme d'exonération d'impôts sur les bénéfices (IBS/IGR) durant la durée de l'agrément;

une exonération de la taxe d'importation et de la Taxe Unique sur les matériels et équipements liés à la production.

En amont des mesures d'incitation à l'investissement, il y a lieu de noter que les formalités constitutives de création d'entreprises semblent ne plus s'adapter aux exigences d'efficacité et de rapidité dans la conjoncture économique actuelle : les procédures sont longues et les textes en vigueur tombent en désuétude dans le contexte actuel de libéralisation.

En ce qui concerne le Code des Investissements, d'une manière générale, la révision du Code en 1989 a été suffisamment incitative pour créer un environnement favorable, malgré certaines lacunes qui méritent encore une certaine amélioration.

Par ailleurs, l'instauration du Régime de Zone et d'Entreprise Franche en 1989 a contribué davantage à attirer les investissements aussi bien nationaux qu'étrangers et à créer un climat d'investissement favorable compte tenu des avantages comparatifs offerts par Madagascar.

Les avantages octroyés par le Code des Investissements et le Régime de Zone Franche sont présentés en Annexe A4.

- Industrie et Artisanat Code des Investissements
465 dossiers de demandes d'agrément
dont : 198 créations d'entreprises et 267 projets d'extension
Zone Franche Industrielle
95 dossiers de demande d'agrément
dont : 68 agréés et 27 en cours d'instruction

Source : MIA/ Situation Octobre 1992

- Tourisme: 200 dossiers de demandes d'agrément
Mention doit être faite toutefois que, sur la base des résultats d'enquêtes effectuées, il apparaît que les investisseurs et les opérateurs économiques en général, aussi bien nationaux qu'étrangers demandent encore que des améliorations soient apportées aux mesures d'incitation actuelles.

On pourrait citer notamment les problèmes rencontrés ci-après et certaines recommandations y afférentes:

- Les procédures administratives sont relativement lourdes et longues : concevoir un circuit spécial de traitement des dossiers, mise en place d'un «Guichet Unique» déjà prévu dans le Code et dont les textes y afférents sont promulgués, allégeraient ces formalités.
- L'automatisme de l'octroi d'agrément devra être de règle dès que les conditions d'éligibilité sont remplies.
- Le système de crédit et de financement existant entraîne une certaine marginalisation des petits entrepreneurs à faible surface financière. Par ailleurs, le financement devrait être accessible parallèlement à une demande d'agrément.
- L'inexistence de coordination entre les Ministères et ses organes d'exécution pénalise les opérations courantes effectuées par les entreprises : dédouanement, vente sur le marché local pour les entreprises franches.
- L'infrastructure d'accueil pour une véritable politique de promotion des investissements est caractérisée par l'inexistence de bâtiments industriels pour la location ; des problèmes de communication en général ; l'inexistence de plateau industriel viabilisé et aménagé; des problèmes de branchement et raccordement sur le réseau électrique et en eau.
- Particulièrement pour les Entreprises Franches (ZFI), dont l'application des textes est relativement récente, il faut mentionner que les mesures d'accompagnement pour faciliter les exportations n'ont pas suivi : problèmes surtout au niveau des Douanes dont la création d'un service spécial pour les entreprises franches serait mieux appropriée.
- Il faudrait renforcer davantage les contrôles à posteriori et le suivi des réalisations des investissements, effectués par l'Administration.
- Parallèlement au régime d'agrément octroyé par le Code des Investissements et la Zone Franche, dans le cadre du Droit Commun, l'investissement étranger est soumis à une autorisation au préalable du Ministère des Finances suivant des textes datant de 1972.

D'une manière générale, la révision d'une série de textes a été entreprise en 1991, dont l'allègement des procédures et l'adaptation des textes au contexte de la libéralisation : les événements de 1991 en ont freiné la ratification.

4.1.2 Evaluation des règlements et procédures applicables aux investisseurs étrangers

A partir du moment où la participation au capital d'un étranger excède les 20 % du capital social les investissements directs d'étrangers sont soumis à l'autorisation au préalable délivrée par le Ministère des Finances sur demande des investisseurs et présentation d'un dossier relativement simple de quelques pages. Ce dossier sera accompagné de demande d'autorisation d'emprunt à l'étranger le cas échéant et de compte-rendu de l'investissement une fois réalisé.

Les formalités et procédures y afférentes sont relativement faciles et courtes : 15 jours au plus tôt et 45 jours au maximum si l'avis d'un Ministère technique de tutelle est requis.

Il n'existe pas de blocage à proprement parler. Mention doit être faite toutefois que c'est surtout le secteur tertiaire (Entreprises commerciales) qui font des demandes auprès du Service des Finances Extérieures.

Les investisseurs procèdent à une demande d'autorisation d'investissement direct parallèlement à une demande d'agrément au titre du Code afin de pouvoir être opérationnels dans les meilleurs délais, eu égard au délai requis pour attendre l'agrément. Outre ce bénéfice du Droit Commun, l'arrêté d'agrément au titre du Code des Investissements et/ou du Régime de Zone Franche, équivaut à une autorisation d'investissement direct pour les étrangers. A ce titre il faut mentionner le délai des procédures administratives pour l'instruction des dossiers, notamment au niveau de certains Ministères qui ne sont pas encore rodés aux rouages de traitement des dossiers.

La mise en place et l'opérationnalité du «Guichet Unique» dont la création a déjà été ratifiée suivant Décret n° 92-856 en date du 23-09-92, contribuera à la simplification et la fusion des formalités trop lourdes.

Il faut noter que dans le cadre d'une politique incitative aux investissements, l'Administration devrait rapprocher le droit commun des régimes préférentiels (code et ZFI), dans la mesure des possibilités de l'Etat (Recettes fiscales et douanières).

4.1.3. Flux d'investissement

a) Identification des investissements provenant de la sous-région

Trois options, rappelons-le, sont offertes aux investisseurs étrangers pour s'implanter à Madagascar

- sous le régime du Droit Commun avec l'autorisation au préalable d'investir
- Agrément au titre du Code des Investissements
- Agrément au titre du Régime de Zone Franche.

Les investissements étrangers ont pu être identifiés seulement pour les projets agréés au titre du Régime de Zone Franche. L'origine des capitaux n'apparaît pas explicitement, mais a été déduite sur la base de la nationalité des principaux actionnaires.

Le montant total des investissements en Zone Franche Industrielle (1990 à juillet 1992) s'élève à 13.451 Millions FMG dont 50.213 Millions FMG, soit 68,4 % en devises (Source : Ministère de l'industrie et de l'Artisanat). Le nombre total d'emplois créés par ces entreprises franches est de 14.900.

La confection accapare une place prépondérante dans le régime de Zone Franche avec une trentaine d'entreprises de confection, soit plus de la moitié du nombre total.

Sur 52 entreprises industrielles franches agréées (Etat récapitulatif au 31 Juillet 1992), 31 sont d'origine française soit 60 % et 12 seulement, soit 23 %, proviennent de la sous-région: 9 sont Mauriciennes et 2 sont de l'Afrique du Sud. Cette situation reflète la faiblesse encore de l'ampleur des investissements provenant des pays de la sous-région et qui requiert des efforts de promotion dans le cadre de l'intégration régionale. Toutefois une pénétration massive des investisseurs Mauriciens est attendue dans les prochaines années à venir une fois la stabilité politique revenue, dans la mesure où Madagascar constitue pratiquement la seule issue des investisseurs Mauriciens pour continuer leur expansion dans le Secteur Textile et compte tenu des avantages comparatifs offerts par le pays.

Des investisseurs provenant de Singapour et de Hong-Kong, basés à l'île Maurice, sont aussi déjà venus à Madagascar entreprendre des prospections et voir les opportunités d'investissements.

L'objectif visé par le Ministère de l'industrie serait d'arriver à l'agrément de 100 entreprises franches par an en régime de croisière.

b) Ampleur des courants d'investissement vers les autres pays de la sous-région

D'une manière générale, la réglementation et la législation en vigueur n'offre pas de possibilités pour les nationaux d'effectuer des investissements à l'étranger, impliquant des sorties de devises.

Le contexte qui prévaut se propose de créer un cadre suffisamment favorable afin que les capitaux nationaux demeurent surplace: favoriser l'investissement local constitue la meilleure publicité pour le pays dans le cadre de sa politique macro-économique.

Si des demandes d'investissements vers les autres pays, dont la sous-région sont déposées, elles sont étudiées au cas par cas. Jusqu'à présent, seule la SOCOTA à travers des capitaux d'origine française, a investi à l'île Maurice. D'ailleurs, la plupart des investisseurs nationaux enquêtés n'ont pas encore envisagés de s'implanter vers les autres pays de la sous-région dans la mesure où ils ne connaissent pas du tout l'environnement économique et le climat d'investissement qui y prévalent.

4.1.4 Incidences des règlements en matière de contrôle des changes relatifs aux courants d'investissements vers l'extérieur

La circulation des capitaux est encore fortement réglementée à cause de la détérioration des termes de l'échange dans la conjoncture actuelle. Madagascar se heurte à un problème de disponibilité en devises et de capacité de remboursement des emprunts étrangers. Des allègements ont été envisagés en 1991 dans le cadre du Crédit d'Ajustement de la Politique d'investissements et des Exportations (CAPIEs), mais les révisions de texte y afférents ont été encore mises en veilleuse.

4.1.5 Nature des garanties des investissements

Les investisseurs étrangers ayant bénéficié des avantages préférentiels octroyés par le Code des Investissements et le Régime de Zone Franche sont satisfaits des avantages qui leur sont offerts. Toutefois le coût de certains facteurs de production est prohibitif (location de bâtiment industriel, énergie électrique, frais et taxe de télécommunication...) de telle manière que le prix de vente des produits n'est pas compétitif surtout sur le marché international.

Les garanties réclamées par les investisseurs se réfèrent surtout à l'assurance de transfert des dividendes, remboursements de compte-courants en devises, salaires perçus par le personnel expatrié. Les textes assurent la liberté et l'assurance du transfert après acquittement, le cas échéant, des droits et taxes perçus: dans la pratique toutefois, le délai de rapatriement des dividendes ou autres remboursements

s'avère trop long. Les textes en vigueur prévoient l'échelonnement de la part transférable des dividendes sur une période de 10 à 20 ans. En plus l'autorisation est requise à chaque transfert.

Particulièrement pour les entreprises franches, la loi prévoit la possibilité de transfert de devises à concurrence de la disponibilité en devises inscrites sur son compte bancaire.

Sur le plan foncier, les investisseurs étrangers déplorent la non possibilité d'être propriétaire de terrain et de bâtiment : néanmoins les textes prévoient déjà la possibilité de contracter des baux emphytéotiques allant de 20 à 50 ans.

4.1.6 Double imposition

Madagascar n'a pas signé de convention sur la double imposition avec d'autre pays de la sous-région alors qu'un tel système constitue un élément d'incitation aux investissements.

4. L7 Identification des entraves aux mouvements trans-frontières de personnes, par rapport à l'investissement, aux échanges et aux affaires.

Ces obstacles ont déjà été identifiés dans la présentation du bilan de la COI (CREC et CRCI). Une analyse complémentaire est donnée dans le domaine des échanges (cf § 4.2).

4.2. Dans le domaine des échanges commerciaux

4.2.1 Réglementations et Pratiques Commerciales

a) Importation

Un régime de libéralisation progressive a été adoptée par Madagascar à partir de 1988, se substituant au contingentement des importations. Actuellement, l'importation est totalement libéralisée, et les opérations, en dehors des produits prohibés ou soumis à autorisation au préalable, ne font plus l'objet d'aucune autorisation ni de licence d'importation : elles font seulement l'objet de Fiche Statistique d'importation (FSI) et de déclaration d'importation avant leur dédouanement.

Malgré ce système incitatif toutefois, certaines pratiques pénalisantes sont déplorées par les opérateurs :

- souvent des pertes de marchandises lors des contrôles et du dédouanement au port de débarquement;
- contrôles à la Douane fastidieux et très longs se répercutant sur la production et le délai de livraison;

- interprétation abusive des rubriques douanières, d'où des droits de douane, face à une nomenclature non maîtrisée par les opérateurs.

Les procédures à l'importation sont données en Annexe 5.

b) Exportation

L'exportation a été aussi libéralisée et le Gouvernement a jeté les bases juridiques d'un environnement incitateur à l'exportation.

Depuis 1989, tous les produits agricoles, à l'exception de la vanille, peuvent être exportés à des prix négociés directement entre les exportateurs et les importateurs. Néanmoins, tout exportateur doit soumettre un rapport mensuel d'activités et se conformer à une autorisation et un contrôle au préalable du Ministère de tutelle. Pour que cette libéralisation soit efficace pourtant des réformes structurelles sont à apporter au niveau des ports et aéroports d'embarquement : ces réformes faciliteront les formalités; à l'embarquement. Il est à déplorer par exemple la pratique d'une double visite. Une visite à l'usine et une contre-visite au port d'embarquement nécessitant la réouverture des colis : des entreprises franches ont raté des opportunités de marché très importantes retardées par ces procédures trop longues.

La création d'un guichet de réception de documents d'expédition qui sera chargé du traitement des dossiers jusqu'à la mise en cale des marchandises allégerait les procédures. Pour ce qui est des contrôles, l'Administration ne devrait intervenir qu'au contrôle de salubrité des produits d'exportation. La liberté contractuelle devrait régir les relations des parties au niveau du Commerce International. Les procédures d'exportation sont données en Annexe A2.

4.2.2 Le Commerce intra-résional

Les échanges commerciaux que Madagascar effectue au niveau de la région sont répartis en deux (2) groupes, le premier relatif au commerce avec les autres îles de l'Océan Indien, le second se réfère aux échanges avec l'Afrique, dont les pays de la ZEP. Les statistiques y afférentes sont présentées en annexe A3.

Les statistiques du Commerce Extérieur sont classées selon les rubriques douanières de la Nomenclature de Bruxelles et non par classification CTCI. De l'analyse des statistiques, il ressort que les échanges inter-îles sont relativement faibles par rapport au volume total des échanges qui s'y opèrent. Les principaux produits échangés par Madagascar avec les pays de l'Océan Indien sont :

- a) Importation : déchets de papier (en vue recyclage / papeterie), engrais minéraux, tissus, voitures et camions;
- b) Exportation : poissons, langoustes, crevettes, crabes, oignon et ail, haricots secs et lentilles, manioc frais, café, maïs, tourteaux et résidus, cuirs et peaux, boeufs sur pieds et viande, bois.

Madagascar exporte essentiellement des produits agricoles et la balance commerciale est excédentaire pour le pays.

Pour ce qui est du commerce avec l'Afrique, on distingue :

- a) Importation : houille, coke, ciment, produits chimiques, pâte chimique de bois, produits en fer et acier, engrais, produits chimiques...
- b) Exportation : sucre brut, poivre vert, crustacés, riz, fibre de sisal, pierres gemmes...

En ce qui concerne les contraintes macro-économiques rencontrées par les opérateurs du Secteur privé, elles peuvent se résumer globalement aux aspects suivants :

- a) la non-disponibilité en devises de l'importation;
- b) la non-régularité des liaisons maritimes et le manque d'information sur les occasions de fret : les délais de livraisons et leurs régularités sont des facteurs prépondérants et stratégiques dans une économie de marché orientée vers l'exportation;
- c) le taux d'intérêt élevé des emprunts bancaires qui a un impact négatif sur la compétitivité.

4.2.3 Barrières Tarifaires et Non-Tarifaires

Madagascar n'a pas encore adhéré à un programme de traitement de tarifs préférentiels en matière d'échanges commerciaux dans la sous-région. Sous ajustement structurel et avec la réforme tarifaire sur le commerce extérieur qui est en cours de finalisation, le pays n'a pu encore procéder à un programme d'abaissement tarifaire avec les autres pays de la région. Le programme d'ajustement devant être terminé en 1993 et sur la base d'une nouvelle politique tarifaire s'inscrivant avec la politique économique du Gouvernement, un abaissement tarifaire pourrait être envisagé à terme.

Un plan d'action pour mettre en oeuvre un programme de réductions tarifaires au niveau des pays de la COI est prévu par le PRIDE, dans le cadre des mesures de facilitation de la circulation des biens et services. Il est à noter que, dans la situation actuelle, ce sont les barrières non tarifaires qui freinent surtout les échanges : normes, transport, circulation des hommes... L'engagement réel des pays à oeuvrer pour l'intégration régionale devrait se mesurer à leur volonté respective d'abaisser et de lever les barrières non tarifaires : la réciprocité devrait être de règle et le protectionnisme aboli.

4.2.4 Opportunités d'échanges entre les pays de la sous-région

La majorité des opérateurs enquêtés n'ont pas encore effectué d'échanges avec les autres pays de la région. Aussi il n'a pas été possible d'identifier les biens et services que les firmes aimeraient importer ou exporter à l'intérieur de la sous-région. Des statistiques obtenues toutefois, il ressort que ces échanges existent bien que relativement faibles encore par rapport au reste du monde. Cette faiblesse des échanges n'est pas due au manque d'information sur les opportunités de marché ni aux problèmes de qualité ou de compétitivité des prix. Elle a surtout été engendrée par les habitudes commerciales et les relations historiques liant l'Europe et leurs anciennes colonies : d'où presque exclusivement des échanges Nord-Sud. Il faut aussi mentionner qu'une action marketing pour prospector un marché et pouvoir le concrétiser requiert des moyens financiers non négligeables. Les PME malgaches n'ont pas encore le moyen d'entreprendre des contacts pour leur information et leur expansion. Ainsi à défaut d'information sur les

opportunités existantes, les échanges sont relativement faibles. Il est à noter toutefois que bien des entreprises malgaches veulent actuellement élargir leur champ d'actions et pénétrer sur le marché africain : relevons notamment les possibilités d'échange en matière de biens d'équipements de faible complexité ou de biens de consommation courante.

Au niveau de la COI, le Guide Import-Export est un instrument de travail permettant aux opérateurs d'identifier les opportunités d'échanges dans la sous-région.

4.2.5 Système harmonisé de classification tarifaire

Un programme de réforme du système de tarification douanière, prévu pour 4 ans, a débuté en 1988. Il s'est effectué par étapes. La première étape a consisté en une simplification de la structure tarifaire et à la suppression des régimes tarifaires particuliers. La deuxième repose sur la protection des industries locales par la réduction des taux de taxation (Droit de Douane et Taxe d'importation) de certains intrants et le relèvement de ceux des produits finis importés. La troisième implique l'uniformisation des taux au niveau des positions à 4 chiffres afin d'éviter l'existence des disparités des taux et abaissement graduel de la protection maximale. La quatrième étape concerne la distribution des produits dans chaque catégorie tarifaire.

Malgré cette refonte du système tarifaire, certaines améliorations méritent encore d'y être apportées : dans la mesure où une incohérence est constatée dans certains tarifs, privilégiant les produits finis au détriment des matières premières destinées à être transformées.

4.2.6 Système Douanier automatisé

Le SYDONIA, Système Douanier Automatisé, a été introduit en 1988 dans le cadre de l'amélioration des statistiques du Commerce extérieur, permettant de saisir en temps réel toute déclaration en douanes. La fonctionnalité des logiciels constitue pour le moment en la saisie des déclarations faites en douanes. Le système SYDONIA n'est pas encore entièrement exploité à Madagascar : 7 bureaux de douanes sur un total de 20 sont informatisés. Les saisies se font au site central, à posteriori, dans les centraux non informatisés.

4.2.7 Normalisation

Le problème de normes constitue une des barrières non tarifaires qui freinent le développement des échanges, notamment au niveau de la COI. Les produits échangeables ne correspondent pas aux normes requises qui sont reconnues mutuellement. Le décalage du niveau de développement économique de chaque pays sous-tend également ce problème de normes et de qualité des produits. Néanmoins, un sous-comité «Normalisation et Qualité des Produits», au sein de la COI, a déjà travaillé depuis 1990 pour l'amélioration de la qualité de sept produits jugés prioritaires.

Le programme intégré PRIDE prévoit également de mettre en place un système commun de normalisation qui permettrait aux produits de la région COI de pénétrer dans chacun des pays membres,

sur la base de l'adoption de normes internationales en vigueur : ce qui traduit l'effort vers une harmonisation régionale.

• Mention doit être faite que la dimension Afrique Orientale et Australe offrira des opportunités certaines aux échanges commerciaux (import et export), eu égard au niveau de développement relativement similaire des pays.

4.3. Dans le domaine des finances et paiements

4.3.1 Chambre de Compensation

Bien que l'île de la Réunion ait proposé la création d'une Chambre de Compensation en 1988 pour faciliter les règlements commerciaux au niveau de la COI, cette proposition est restée au stade de déclaration d'intention. Le système de compensation n'existe pas encore dans une dimension régionale Océan Indien. Néanmoins entre Madagascar et l'île Maurice, un accord commercial a été conclu entre les deux gouvernements, signé à Antananarivo le 15 Décembre 1983 et incluant une chambre de compensation. Aucun obstacle majeur n'a été enregistré à son utilisation, toutefois au regard des statistiques obtenues, on constate la marginalité du flux spécifique des échanges qui passent par le système de compensation, rapporté au volume total des transactions s'opérant entre les deux pays.

Tableau 4.1 Echanges Madagascar - Maurice en 1991

Désignation (+)	Valeur Cumulative Compensation (US \$)(++)	Réalisation Chambre de compensation 1991 (US\$)	Echanges commerciaux Totaux 1991 (US \$)	Quote-part Compensation Echanges-Totaux 1991 (%)
Exportation/Recettes	7.912.222	405.016	13.572.500	3
Exportation/Sortie	880.736	10.685	6.373.200	0,17

(+): Echanges à partir de Madagascar

(H): Report au 31-12-90

Sources : Banque Centrale de Madagascar et statistiques COI

Le montant total du flux compensation/recettes ayant passé par la Banque Centrale de Madagascar au 31-12-90 s'élève à : 8.317.238 US\$ correspondant à une valeur cumulée de 1984 à 1991, alors que les exportations malgaches à destination de Maurice pour la seule année 1991 se chiffrent à 13.572.500 US \$, dépassant largement la valeur cumulée.

De cette constatation, il apparaît que la Chambre de compensation n'est pas encore largement utilisée par les opérateurs à cause peut-être d'un déséquilibre entre les taux de change ou pour d'autres raisons de gain en monnaie convertible.

4.3.2 Correspondance entre les Banques

Le système de correspondance entre les banques centrales et les banques primaires commerciales de la sous-région n'existe pas encore, malgré la présence de filiale des banques européennes installées dans certains pays (Crédit Lyonnais, BNP...). L'ouverture de Crédits Documentaires entre les pays de la sous-région n'est pas encore possible : il faut toujours passer par Paris ou par Londres, ce qui a pour effet d'allonger le délai des procédures auxquelles doivent faire face les opérateurs lors de leurs transactions commerciales en matière de paiements.

Il est à noter que l'existence d'un tel système de correspondance entre les banques est intimement liée au problème de réglementation de change dans chaque pays et à la garantie de couverture des paiements. A ce sujet, il serait enrichissant d'appréhender les résultats obtenus au niveau de la Banque Commerciale pour le Commerce et le Développement de la ZEP et de relever les opportunités et les avantages offerts en matière de transaction internationale.

En ce qui concerne les échanges d'informations entre les banques de la région, il y a lieu de mentionner que Madagascar vient d'adhérer au réseau SWIFT (Society for Worldwide Interbank Financial Telecommunication), réseau international de transfert de fonds et d'informations financières. Les équipements sont en cours d'installation et seront opérationnels à la fin de cette année même. Ce système contribuera à améliorer le marché financier eu égard à l'automatisation des informations et la sécurité des communications financières.

4.3.3 Systèmes de crédit pré et post-exportation

Les systèmes de crédit pré et post-exportation existant à Madagascar sont constitués par les crédits classiques offerts par les banques primaires en faveur de sa clientèle. On distingue notamment :

- ouverture de crédit documentaire
- crédits de campagne
- avance en devises
- découvert et facilité de caisse
- caution enlèvement douane
- caution droits de douane
- caution admission temporaire ou entrepôt fictif
- avances sur marchandises
- etc...

Ces autorisations de crédit sont assurées à partir des différentes lignes de crédit dont les banques primaires disposent et leur accès, dont celles en devises, est fonction de l'environnement économique global qui prévaut d'une part, mais surtout de la structure financière de l'entreprise qui sollicite le concours bancaire d'autre part. Ainsi, en période difficile, les autorisations sont réglementées par l'encadrement de crédit.

En ce qui concerne l'efficacité de ces systèmes de crédit, les opérateurs et les investisseurs en particulier se plaignent surtout des critères d'éligibilité pour accéder à ces crédits et de leurs conditions d'octroi.

Dans une approche plus globale du système de crédit, il est à souligner que les taux d'intérêts appliqués sont généralement trop élevés et le long terme proprement dit (10 à 15 ans) n'existe pas.

4.3.4 Comptes en devises

D'une manière générale, la circulation des capitaux à Madagascar est encore fortement soumise à la réglementation des changes. Ainsi, que ce soit dans le domaine du Droit Commun ou dans le cadre du Code des Investissements, les hommes d'affaires ne peuvent pas détenir des comptes en devises étrangères ni, encore moins, ouvrir des comptes en devises dans des pays de la région ou ailleurs. Seules les entreprises agréées au titre du Régime de Zone Franche (Industrielle) dont l'activité est tournée exclusivement vers l'exportation, tel que défini par la loi relative au régime des ZFI à Madagascar, sont autorisées à ouvrir des comptes en devises auprès des banques locales (Article 18). Toutefois, ces entreprises sont tenues d'y domicilier toutes les opérations d'exportation et d'y rapatrier leurs recettes d'exportation dans un délai maximum de 190 jours à compter de la date d'embarquement.

Il faut souligner que la banque dépositaire est tenue d'assurer, à tout moment, la disponibilité des devises que l'entreprise franche/client y aura déposée : l'entreprise franche peut ainsi demander à sa banque d'effectuer tout transfert à destination de l'étranger, à concurrence de la disponibilité en devises inscrites sur son compte bancaire. Mention doit être faite néanmoins que, nonobstant la législation qui régit encore actuellement, à plus ou moins moyen terme, des amendements pourraient être faits par le pouvoir législatif. En effet, dans le cadre de la politique de libéralisation économique que Madagascar a adopté depuis quelques années, certaines mesures d'accompagnement ont déjà été envisagées et discutées en 1991 pour stimuler les investisseurs. Des projets de révision de textes ont été déjà examinés, afin de les adapter à la politique d'économie ouverte vers laquelle le pays s'achemine. Ainsi par exemple, des réflexions ont été déjà faites sur les possibilités de détenir des comptes en devises par les opérateurs dont la principale activité est orientée vers l'exportation et pour lesquels le quote-part des recettes en devises est relativement important par rapport au chiffre d'affaires total réalisé.

Dans le système actuel, néanmoins, il faut admettre que quelques efforts ont déjà été consentis en matière de réglementation des changes. Le pays s'achemine de plus en plus vers l'amélioration de la gestion des devises. Les recettes d'exportation des opérateurs sont gérées à 40 % par la Banque Centrale. Les 60 % sont utilisables directement par les banques primaires qui financent les importations de leur clientèle à leur discrétion et suivant leurs relations d'affaires. Il faut seulement souligner que, dans la conjoncture actuelle où la détérioration de la balance des paiements est préoccupante, accusant un déficit croissant et impliquant une faible disponibilité en devises, la mise en application effective des éléments d'incitation accompagnant le processus de libéralisation économique demandera encore du temps.

4.3.5 Systèmes d'assurance

L'efficacité des systèmes d'assurance en vigueur dans le contexte d'échanges régionaux se mesure à l'aptitude financière des compagnies d'assurance nationales à faire des échanges dans ce cadre régional. D'après les compagnies d'assurance contactées, les systèmes existants sont efficaces dans la mesure où les compagnies nationales respectives entretiennent depuis longtemps des relations au niveau

régional. Ainsi, Madagascar est membre de plusieurs groupements et associations suivants dont l'objectif vise à favoriser les échanges internes entre les états membres :

- Fédération des Assurances et Réassurances Africaines et Asiatiques (FAIR),
- Organization of Eastern and Southern African Insurance (OESAI), anciennement Organization of Eastern African Insurance,
- Organisation des Assurances Africaines (OAA),
- African Reinsurance (AFRICA RE),
- CICARE.

Les cessions et les acceptations sont des opérations courantes d'une compagnie d'assurances et des réassurances, dont le volume est fonction de sa capacité. Les échanges d'affaires s'effectuent par réciprocité dans le cadre des réassurances: c'est l'AFRICA RE qui gère ce mécanisme et octroie les quotas. Il en ressort alors que, même en situation de monopole, la réglementation des sociétés et des opérations d'assurances ne constitue pas un obstacle aux échanges régionaux en matière d'assurance. Ce qui importe dans ces échanges régionaux, c'est la viabilité des sociétés partenaires.

Pour Madagascar en particulier, il est à souligner que dans le cadre de la libéralisation du Secteur des assurances, une réforme des textes, devant être achevée en 1993, vise la suppression du monopole et l'instauration de la concurrence et de la privatisation, dans le but de rendre les systèmes d'assurances malgaches plus efficaces et plus compétitifs.

4.4. Dans le domaine des institutions

4.4.1 Institutions au niveau national

Dans le domaine des échanges, la Chambre de Commerce, d'industrie et d'Agriculture peut être définie comme étant la principale institution officielle. Malheureusement sa structure actuelle ne lui permet de jouer pleinement son rôle et de répondre efficacement aux desiderata des opérateurs tant nationaux qu'étrangers. C'est pourquoi un projet de restructuration et de rénovation de la Chambre de Commerce a été élaboré et est en cours de ratification actuellement. Les textes y afférents seront promulgués dans les prochains mois qui suivent. Cette rénovation consistera en une dynamisation des activités de cette institution afin qu'elle soit effectivement une plate-forme pour tous les opérateurs en général.

Parallèlement à la Chambre de Commerce, les groupements d'opérateurs économiques tels que le Groupement des Entreprises de Madagascar (GEM), le FIV.MPA.MA. (Groupement des Opérateurs Privés Nationaux), l'Union des Artisans de Madagascar (UAMA)... appuient aussi et accompagnent les opérateurs et les promoteurs dans leurs demandes d'informations et contribuent à faciliter les courants d'échanges à travers des opportunités de partenariats (commerciaux ou autres domaines).

Dans le domaine de l'investissement, le «Guichet Unique des Investissements» vient d'être créé au mois de Septembre dernier. Il a pour mission d'être l'interlocuteur unique des investisseurs, de

simplifier les procédures administratives relatives à l'agrément (Code des Investissements et Régime de Zone Franche) et de coordonner tous les travaux y afférents : instruction de dossiers, suivi de la réalisation des projets agréés, etc... Notons que jusqu'à l'opérationnalité de ce Guichet Unique, ce sont les Services des Projets de chaque Ministère technique qui continueront à travailler, jouant le rôle d'institutions oeuvrant à la promotion de l'investissement trans-frontière. L'Office de Promotion des Investissements (OPI), organisme chargé de la stratégie marketing pour vendre le produit «Madagascar» sera créé incessamment également.

Dans le domaine du financement, il n'existe pas à proprement parler d'institutions spécialisées de financement intra-régional. Toutefois, à part les quatre banques primaires commerciales, il est bon de mentionner l'existence d'institutions financières et d'organismes visant à conforter les fonds propres des jeunes promoteurs et investisseurs et à cautionner les crédits contractés par ses membres sur initiative des groupements professionnels ou d'opérateurs du secteur privé.

Citons notamment :

- FIV.CAM Caution Mutuelle mise en place par le FIV.MPA.MA.,
- SIPEM, par le GEM,
- FIARO : institution financière de capital-risque et de capital-développement,
- MADINVEST,
- Entreprendre à Madagascar, initiée par le BIT.

Enfin le Ministère de l'Economie, en collaboration et avec l'assistance du PNUD, va créer incessamment aussi une institution financière «Fonds de prêt participatif et fonds de conseil et d'assistance», qui constituera le noyau de départ d'une banque de développement à Madagascar pour la promotion effective de la Petite et Moyenne Entreprise (PME/PMI).

4.4.2 Institutions au niveau régional

Au niveau de la COI, rappelons l'existence de la Fédération des Chambres de Commerce et d'industrie de l'Océan Indien (FCCIOI), regroupant les Chambres de Commerce respectives de chaque pays. Une harmonisation des Chambres de Commerce devrait être effectuée compte-tenu de la différence de niveau de chaque pays entraînant une disparité dans le traitement des affaires respectives.

5. CONTRAINTES ET PLAN D' ACTIONS

L'analyse de la situation actuelle a permis de dégager les principales contraintes qui constitueraient des obstacles au processus d'intégration régionale, ce qui fait l'objet du présent chapitre.

5.1. Contraintes identifiées dans le domaine de l'investissement

5.1.1 Formalités administratives

Les formalités et procédures administratives sont très lourdes et longues aussi bien depuis la création de l'entreprise qu'au niveau de la demande d'agrément au titre de Code des Investissements (et/ou régime de Zone Franche)

Actions :

- Au stade de la création, il est nécessaire de procéder à la fusion des démarches de création juridique en vue de raccourcir le parcours et faciliter les procédures administratives.
- En matière d'octroi d'agrément, l'opérationnalité du «Guichet Unique», tel que déjà prévu dans le Code des Investissements, s'avère urgente pour renforcer le climat de confiance dans le domaine des Investissements.
- L'automatisme de l'octroi d'agrément devrait être de règle dès que les conditions d'éligibilité sont remplies.

5.1.2 Système de crédit

Les banques primaires travaillant à Madagascar ont essentiellement le statut de banques commerciales. Les banques de développement n'existent pas. C'est ainsi que les critères d'éligibilité à un prêt sont très restrictifs, excluant plusieurs entreprises, dont les petites et moyennes du champ d'accès aux crédits. En plus, on assiste à une forte concentration des crédits bancaires sur le court terme, moins risqués et plus rémunérateurs. Le long terme (supérieur à 10 ans) est quasi-inexistant.

Actions :

- Instaurer un système de financement plus incitatif et non discriminatoire. Par ailleurs, le financement d'un projet par un concours bancaire devrait être accessible, parallèlement à l'octroi de l'agrément.
- Création de banques de développement.
- Mis en place de lignes de crédit spécifiques (fonds d'études et crédits d'investissement) pour le financement des investissements (industriels) des opérateurs privés, dans le cadre de l'amélioration et l'uniformisation de l'environnement institutionnel et juridique régissant la coopération industrielle (*).

(*) Madagascar a proposé la mise en place de ces lignes de crédit lors de la III^e réunion du CRCI à Antananarivo en Septembre dernier, spécifiquement pour les projets régionaux : la Banque Européenne d'investissement (BEI) a émis le préalable de l'existence d'un organisme financier au niveau régional avant la mise en place de ces lignes de crédit.

5.1.3 Infrastructure d'Accueil

L'infrastructure d'accueil à l'investissement (bâtiments industriels, plateaux et zones viabilisés et aménagés) est insuffisante.

Les coûts de location sont prohibitifs en cas de non-construction. Cette carence freine particulièrement l'implantation d'entreprises franches.

De plus, la communication en général, routes et télécommunications, pénalise les opérateurs, en se répercutant sur les charges d'exploitation : frais de transport, délai de livraison... Par ailleurs, le coût de l'énergie électrique est très élevé.

Actions:

- Il faudrait mettre en place des zones industrielles aménagées, sur initiative de l'administration ou en confier la charge au secteur privé.
- Dans ces zones industrielles, il faudrait envisager la possibilité de production d'énergie électrique par les entreprises privées elles-mêmes, en complémentarité avec les services publics offerts par la société nationale d'électricité, la JIRAMA.
- Dans le régime de la Zone Franche, l'administration devrait entreprendre des actions publicitaires et de vulgarisation pour inciter la création d'entreprises de promotion-exploitation (EPE), lesquelles sont chargées de travaux d'aménagement et de construction et de la gestion des zones franches.

5.1.4 Environnement global

Les mesures d'accompagnement concrètes pour créer un environnement favorable à l'investissement, notamment en Zone Franche, n'ont pas suivi. L'on assiste à un cloisonnement entre les Ministères et certains départements techniques, dont notamment les Douanes, entraînant une non-coordination, voire une incohérence, entre les textes et leur mise en application, ce qui favorise la corruption et le laxisme.

Actions :

- Il faudrait réaliser des séminaires et/ou dispenser des séances de formation spécifiques aux agents administratifs et différents techniciens qui sont impliqués dans la mise en application des textes régissant l'investissement afin qu'ils puissent mieux accompagner les promoteurs et les opérateurs en général.
- Les textes d'application relatifs aux investissements, ainsi que leur mise à jour et/ou révision, sont à diffuser largement afin que les opérateurs puissent maîtriser leurs droits et obligations. Il en est de même pour les tarifs douaniers dont les nomenclatures font l'objet d'interprétation abusive.
- L'uniformisation de l'application des tarifs douaniers devrait être effective, dans le cadre du programme de réforme tarifaire. Par ailleurs, l'adoption d'une Taxe unique à l'importation, au lieu et à la place des Droit de Douane (DD) et Taxe d'importation (TI), perçus cumulativement sur la valeur CAF est vivement souhaitée : dans les autres pays, le Service des Douanes perçoit une seule taxe à l'importation. Ce taux unique, déterminée à partir éventuellement d'un taux moyen entre le DD et le TI ou calculé sur d'autres bases, tendrait vers la réforme du système tarifaire.

5.1.5 Circulation des hommes

L'octroi de permis de travail et de visa de séjour pour les investisseurs étrangers est conditionné par l'obtention de l'agrément et/ou de l'autorisation d'investissement direct. Les formalités y afférentes, bien que relativement simples d'après les textes, demandent quelquefois plusieurs mois d'attente.

Action : Des mesures d'assouplissement devraient être prévues.

5.2. Contraintes identifiées dans le domaine des échanges

5.2.1 Barrières tarifaires

Il n'existe pas encore de traitement de tarifs préférentiels en matière d'échanges commerciaux entre Madagascar et les autres pays de la sous-région: ainsi les prix offerts dans la région sont quelquefois non compétitifs par rapport à la concurrence des produits importés traditionnellement d'Europe. Il faut rappeler néanmoins que Madagascar, sous programme d'ajustement structurel, ne peut pas encore procéder à un abaissement tarifaire.

Au niveau de la COI, dans le cadre du CREC et du CRCI, il a été déjà proposé d'étudier les possibilités d'abaissement de la taxation des importations inter-îles: chaque Etat a accepté le principe de proposer 5 (cinq) produits par pays à échanger et qui feraient l'objet d'abaissement tarifaire.

Actions :

- Le plan d'action pour mettre en oeuvre le programme d'abaissement tarifaire prévu dans le PRIDE, dans le cadre des mesures de facilitation de la circulation des biens et services, devrait être concrétisé. Des mesures d'accompagnement pourraient être cependant proposées par Madagascar et les Comores, sous ajustement structurel.
- La concertation entre les techniciens et les experts douaniers, en vue de l'établissement d'une liste de produits à échanger, devrait être élargie à la zone Afrique et non seulement au niveau de l'Océan Indien.

5.2.2 Douanes

Les formalités douanières, notamment les contrôles à l'importation et à l'exportation, sont trop lourdes et non coordonnées. A l'exportation, la pratique d'une double visite, une à l'usine et la contre-visite au port d'embarquement est à déplorer.

Actions :

- Pour mieux accompagner la politique de libéralisation, des réformes structurelles sont à apporter au niveau des ports et aéroports d'embarquement pour faciliter les formalités d'embarquement. La création d'un guichet de réception des documents d'expédition allègerait les procédures.
- Il faudrait également rationaliser les procédures de contrôle à l'importation.

5.2.3 Libre circulation des hommes

Le non-octroi de visa systématique aux hommes d'affaires constitue un frein à une libre circulation dans la région et portant une entrave aux échanges commerciaux : il est à rappeler que les hommes d'affaires étrangers en général et ceux de la région en particulier, déplorent l'inexistence de délivrance de visa d'entrée à l'aéroport international d'Ivato. Il faut noter que les procédures actuelles permettent déjà d'obtenir le visa de long séjour avec plusieurs entrées/sorties. Les opérateurs nationaux, comme tout citoyen malgache, doivent obtenir un visa de sortie du Ministre de l'intérieur, avant de se rendre à l'extérieur : de telles dispositions ne cadrent plus avec celles du Pacte international relatif aux droits civils et politiques auquel Madagascar a adhéré. Ce qui est pire c'est que l'opérateur malgache ne peut aller en voyage d'affaires à l'extérieur que sur présentation d'une lettre ou note d'invitation. Quid alors des actions de marketing et de prospection du marché ?

L'inexistence d'équivalence ou de reconnaissance des diplômes (de tout niveau) et de la formation en général, freine la libre circulation de la main-d'oeuvre.

Actions :

- les propositions avancées, par Madagascar notamment, pour la libre circulation des hommes devraient être concrétisées et appliquées, à savoir :
 - l'étude des possibilités de circulation avec un visa automatique pour les hommes d'affaires et les investisseurs : une liste serait établie à cet effet sur la base de critères définis au préalable (liste agréée par les organisations professionnelles, les Chambres de Commerce...)
 - envisager l'octroi de visas temporaires de 48 à 72 h. à l'entrée de Madagascar.
- Parallèlement à l'octroi de visas temporaires à l'entrée du pays, le Gouvernement devrait donner son approbation pour la mise en place de «représentant honoraire» agréé par Madagascar dans les pays où il n'existe pas de consulat ou d'ambassade.
- La procédure liée à l'octroi de visa de sortie est à réviser. Il faudra accorder aux opérateurs nationaux la facilité et la liberté de quitter et de rentrer dans le territoire national. L'octroi de visa de sortie permanent devrait être automatique du moment qu'une personne a obtenu un visa d'entrée permanente à l'extérieur. Un système d'équivalence du niveau de formation de la main-d'oeuvre devrait être institué et accepté par tous les pays de la région.

5.2.4 Manque d'information

Le système d'informations existant sur les opportunités du marché (Statistiques du Commerce Extérieur de la COI, Centre Régional d'informations Commerciales (CRIC)) n'est pas encore accessible à bon nombre d'opérateurs à défaut de large publicité auprès des hommes d'affaires : ainsi des lacunes en matière d'informations subsistent.

Mention doit être faite qu'au niveau régional, un Centre de Documentation Economique et Sociale (CDES) a été mis en place au siège du Secrétariat Général de la COI à l'île Maurice : cette banque de données régionale vise à une meilleure circulation des informations entre les pays membres.

Actions :

- Un organisme indépendant, à gestion privatisée, jouant le rôle d'une banque de données à vocation essentiellement économique est à créer pour desservir les hommes d'affaires en particulier. Son mode de fonctionnement viserait à minimiser l'implication de l'Administration dans les procédures.
- Il faudrait entreprendre une large publicité sur les bases de données et réseaux d'information se rapportant à la coopération régionale. ■

5.2.5 Normalisation – Qualité des produits

Les échanges inter-îles et les exportations restent actuellement toujours très limités car les produits échangeables ne correspondent pas aux normes requises et reconnues mutuellement. Ainsi Madagascar a raté beaucoup d'opportunités de marché à cause de ce problème de non-conformité aux normes, malgré l'existence d'un potentiel immense au niveau de ses ressources. Il faut noter que les autres pays de la région, dont ceux de l'océan Indien offrent des barrières non-tarifaires aux produits malgaches en argumentant les critères «phytosanitaire ou sanitaire».

Actions :

- Il faudrait accélérer la réalisation du programme «Normalisation – Amélioration de la qualité» déjà envisagé au niveau de la COI (CRCI et PRIDE). Il s'agit de mettre en place un système commun de normalisation qui permettra aux produits de la région de pénétrer dans chacun des pays membres, sur la base de l'adoption des normes internationales en vigueur. Ce programme verra la contribution financière :
 - d'une part de l'ONUDI et de l'ACCT à travers le projet «Promotion de la Coopération Industrielle de la COI»
 - d'autre part des fonds PNUD régional sous le Vème cycle.
- Madagascar devrait s'orienter et élargir son champ d'actions vers l'Afrique où l'aspect «Normes» reviendrait à la qualité des produits eu égard au niveau de développement des pays si

5.2.6 Desserte maritime et aérienne

La faiblesse des liaisons aériennes et maritimes constitue un frein aux échanges commerciaux régionaux : irrégularité des liaisons maritimes et rotation limitée du trafic, manque d'information sur le réseau maritime. Des études ont été déjà faites par le Cabinet Maxwell Stamp dont les recommandations émises visent à l'amélioration des transports maritimes régionaux.

Actions :

- Dans le cadre d'un transport régional, il faudrait prévoir, conformément au PRIDE :
 - la mise en place d'un réseau d'informations sur les opportunités de fret (offre et demande) :
 - de faciliter l'accès des petits exportateurs aux moyens de transport modernes en regroupant les opérateurs et les chargeurs;
 - de relancer les efforts de concertation entre les responsables du transport aérien dans la région.

- Par ailleurs, une ouverture du trafic à des sociétés de transport privées et non essentiellement nationales, contribuerait à favoriser la libre concurrence et la compétitivité au niveau des services offerts.

D'une manière générale, dans le cadre global des échanges commerciaux, il faudrait mettre en place une réglementation régissant le commerce extérieur malgache par filière ou branche d'activités dans le but d'améliorer le cadre global où évoluent les opérateurs et mettre en place des dispositions concrètes spécifiques à chaque filière/secteur.

5.3. Contraintes identifiées dans le domaine des finances et paiements

Règlement des échanges intrm-régionaux

La forte réglementation des changes, avec sa faiblesse de disponibilité en devises constitue un handicap majeur aux échanges. Face à cette situation, l'homme d'affaires malgache ne peut espérer une forte pénétration sur le marché régional. Le droit d'allocation en devises est limité à 50.000 FF/personne/an, restreignant ses possibilités de stratégie-marketing. D'ailleurs, d'une manière générale, l'opérateur privé malgache ne dispose pas de moyens financiers pour faire des contacts promotionnels ou assister à des foires et autres manifestations commerciales à l'extérieur. La réglementation des changes s'applique également sur les insertions publicitaires effectuées à l'extérieur qui doivent être réglées en devises : elle font l'objet de demande ponctuelle au cas par cas.

En matière de circulation des capitaux, l'homme d'affaires malgache ne peut pas ouvrir de structure commerciale à l'extérieur, freinant son expansion sur le marché régional : l'opérateur ne peut pas répondre alors au professionnalisme du métier dans la mesure où le suivi des opérations à l'exportation est pratiquement impossible. Le recours à un réseau de distribution extérieur se traduit par une perte de marge bénéficiaire pour l'entreprise et de valeur ajoutée nationale qui auraient contribuer à la formation du Produit Intérieur Brut (PIB).

Enfin, la non-libre circulation des capitaux favorise l'existence de marchés parallèles qui tuent le marché officiel, essentiellement en matière de produits artisanaux.

Actions :

- Face au problème de disponibilités en devises, la première approche, d'ailleurs préconisée par le PRIDE, serait de rechercher l'engagement ferme des autorités financières et monétaires de chaque pays pour accorder une garantie de paiement aux échanges intra-régionaux.
- Ensuite, la création d'une Chambre de Compensation des règlements commerciaux entre les pays membres de la COI pourra être envisagée et étudiée.
- Il faudrait envisager des mesures d'assouplissement à la réglementation des changes et envisager la possibilité de création de structure commerciale à l'extérieur.
- Il faudrait également accélérer l'installation du marché des devises à Madagascar, orientation qui est d'ailleurs préconisée par la Banque Mondiale pour éviter les pénuries chroniques en devises : ce système remplacerait la convertibilité de la monnaie.
- Néanmoins la possibilité de convertibilité de la monnaie malgache dans la zone devrait être étudiée pour favoriser le libre échange.

5.4. Contraintes dans le domaine des institutions

La structure actuelle de la Chambre de Commerce, d'industrie et d'Agriculture de Madagascar ne lui permet pas d'assumer pleinement le rôle qui lui est dévolu en qualité d'institution d'informations et d'appui au service des opérateurs et des hommes d'affaires.

Actions :

- Il faudrait accélérer le processus de restructuration et de rénovation de la Chambre de Commerce afin qu'elle puisse être opérationnelle dans les meilleurs délais pour mieux appuyer les opérateurs dans le cadre de la libéralisation et de l'économie de marché.

ANNEXE AL

Régimes préférentiels offerts par le Code des Investissements et le Régime de Zone Franche

AI Agrément au titre de Petite et Moyenne Entreprise

La période d'exploitation effective couverte par l'agrément est de :

- 10 ans pour les investissements de création d'entreprise ou de reconversion d'activités ;
- 5 ans pour les investissements d'extension et/ou d'amélioration de qualité et/ou de diversification d'activités ;
- 5 ans pour les investissements de réhabilitation.

Des textes réglementaires portant application du présent Code fixeront les critères pour la définition des entreprises considérées comme petites et moyennes entreprises.

Les entreprises agréées au titre du présent régime préférentiel bénéficient, sous réserve du paiement d'une taxation minimum de 10 pour cent à l'importation, des avantages suivants :

7° Avantages fiscaux

a) Dispositions communes

- Exonération totale de la taxe d'importation et de la taxe unique sur les transactions d'équipements, matériels, matériaux de construction, accessoires d'usine, matériels de bureautique et d'informatique nécessaires à la réalisation du projet pour lequel l'entreprise est agréée, figurant dans le programme agréé et conforme aux dispositions de l'article 3 ;
- Exonération de la taxe de propriété foncière sur les prêts bancaires destinés au financement des investissements agréés ainsi que sur le montant des avals bancaires donnés en garantie de la bonne fin des opérations de crédits fournisseurs engagés avec les pays étrangers.

b) Dispositions particulières

b.1 Création d'entreprise ou reconversion d'activités

- Exonération totale de la taxe d'importation et de la taxe unique sur les transactions sur les éléments du fonds de roulement initial correspondant à une période ne dépassant pas trois mois de la première année d'exploitation;
- Exonération du droit d'enregistrement pour l'acquisition des immeubles nécessaires à l'implantation;
- Exonération de la taxe professionnelle pendant cinq ans d'exploitation effective;
- Exonération des droits d'apport;
- Exonération totale de l'impôt sur les bénéfices ou revenus pour les cinq (5) premières années d'exploitation effective, puis réduction de 90,80,60,40 et 20 % du taux de l'impôt applicable respectivement aux résultats de la 6^e, 7^e, 8^e, 9^e et de la 10^e année.

b.2 Extension - Amélioration de qualité - Diversification d'activités

- Réduction d'impôt sur les bénéfices ou revenus égale à l'impôt correspondant à 75 pour cent du montant des nouveaux investissements.
Le droit à réduction non utilisé peut être reporté aux exercices suivants mais ne doit pas dépasser cinq (5) exercices.
- Exonération du droit d'enregistrement pour l'acquisition des immeubles nécessaires à l'implantation.
- Exonération des droits d'apport.

2° Avantages financiers

Liberté et assurance de transfert des droits de licence, royalties ou redevances pour assistance technique aux entreprises selon des modalités à préciser dans le texte d'application du présent Code.

B/Agrément de base :

Est admise au bénéfice du régime préférentiel de l'agrément de base toute entreprise remplissant les conditions d'éligibilité stipulées à l'article 16 ci-dessus et ne pouvant être classée comme petite ou moyenne entreprise.

La période d'exploitation effective couverte par l'agrément est de :

- 8 ans pour les investissements de création d'entreprise ou de reconversion d'activités;
- 5 ans pour les investissements d'extension et/ou de diversification et/ou d'amélioration de qualité ;
- 5 ans pour les investissements de réhabilitation.

Les entreprises agréées au titre du présent régime bénéficient, sous réserve du paiement d'une taxation minimum de 10 pour cent à l'importation, des avantages suivants :

1° Avantages fiscaux

a) Dispositions communes

- Exonération totale de la taxe d'importation et de la taxe unique sur les transactions sur les équipements, matériels matériels de construction, accessoires d'usine, matériels de bureautique et d'informatique nécessaires à la réalisation du projet pour lequel l'entreprise a été agréée, figurant dans le programme agréé et conforme aux dispositions de l'article 3.

b) Dispositions particulières

Création d'entreprise ou reconversion d'activités

- Exonération totale de la taxe d'importation et de la taxe unique sur les transactions sur les éléments du fonds de roulement initial correspondant à une période ne dépassant pas trois mois de la première année d'exploitation;

- Exonération totale de l'impôt sur les bénéfices ou revenus pour les cinq (5) premières années d'exploitation effective, puis réduction de 75 pour cent, 50 pour cent, 25 pour cent du taux de l'impôt applicable respectivement aux résultats de la 6^e, de la 7^e et de la 8^e année;
- Exonération de la taxe de publicité foncière sur les prêts bancaires destinés au financement des investissements agréés ainsi que sur le montant des avals bancaires donnés en garantie de la bonne fin des opérations de crédits fournisseurs engagés avec les pays étrangers.
- Exonération du droit d'enregistrement pour l'acquisition des immeubles nécessaires à l'implantation;
- Réduction de 50 pour cent des droits d'apport.

CI Fiscalité des entreprises en Régime de Zone Franche

Toute entreprise bénéficiant du régime de Zone Franche Industrielle est soumise à l'impôt sur les bénéfices des sociétés (IBS), fixé au taux de 10 pour cent.

Toutefois :

- Les EPE en sont exonérées pendant une période de douze (12) ans à compter du démarrage des travaux de construction de la zone;
- Les entreprises industrielles de transformation en sont exonérées pendant les cinq (5) premiers exercices d'exploitation effective;
- Les entreprises de services en sont exonérées pendant les deux (2) premiers exercices d'exploitation effective.

L'exploitation effective exclut la période de mise au point industrielle et celle de la formation professionnelle; dans tous les cas cette période ne peut pas excéder douze (12) mois...

Les matériaux et accessoires de construction, matériels roulants de chantier, véhicules destinés au transport des marchandises, équipements d'usines, matières premières, produits semi-ouvrés, emballages, pièces de rechange ou détachées, matériels didactiques, mobiliers, matériels informatiques et de bureautique ainsi que les fournitures de bureaux, destinés à la préparation, à l'aménagement et à l'exploitation des ZFI et des entreprises y opérant, sont exonérés de :

- droit de douanes,
- taxe d'importation,
- taxe de consommation,
- taxe unique de transaction (TUT).

PROCÉDURES

a. Procédures à l'importation

- Demande d'autorisation d'importation au préalable, le cas échéant, pour certains produits soumis à réglementation.
 - Remplissage Fiche Statistique d'importation (FSI) délivrée par les banques primaires dont la durée de validité est de 3 mois à compter de la date de domiciliation.
 - Domiciliation bancaire aux guichets d'une banque primaire locale sur la base de la facture pro-forma accompagnée de la F.S.I.
 - Autorisation d'importation de la Banque Centrale qui délivre une fiche FSI Bis avec le numéro de domiciliation et les modalités de paiement : par ouverture de crédit documentaire, remise documentaire ou remise libre.
 - Embarquement marchandises par le fournisseur et envoi des documents relatifs à l'importation.
 - Réception documents par la banque locale : factures définitives, titre de transport, certificat d'origine, connaissance.
- » Reconnaissance par le transitaire et dédouanement : paiement droits de douane et taxe d'importation (Droit Commun) ou exonération (Régime d'admission temporaire, Code des Investissements ou Zone Franche).

Le délai des procédures à l'importation dure en moyenne 2 (deux) mois pour les produits importés d'Europe (fonction surtout de la durée du transport) : dépôt FSI jusqu'à la réception des marchandises importées.

b. Procédures à l'exportation

- Demande d'autorisation éventuelle d'exportation auprès du Ministère de tutelle
- **Contrôle de conditionnement par le Service du Conditionnement et de la qualité des produits** (certificats spéciaux : conditionnement, phytosanitaire, sanitaire...)
Ce contrôle est subséquent à une demande de vérification préalablement établie par l'exportateur, 3 à 4 jours avant l'embarquement.
- Déclaration d'exportation et d'engagement de rapatriement de devises : délai maximum fixé à 90 (Quatre vingt dix) jours à partir de la date d'embarquement.
- Contrôle en magasin sous douane du lieu d'embarquement.
- Paiement droits à l'exportation le cas échéant.
- Expédition

Les procédures administratives d'exportation dure en moyenne 1 journée à une semaine au maximum compte-tenu de l'allégement apportée par l'Administration: déclaration d'exportation à la date d'embarquement.

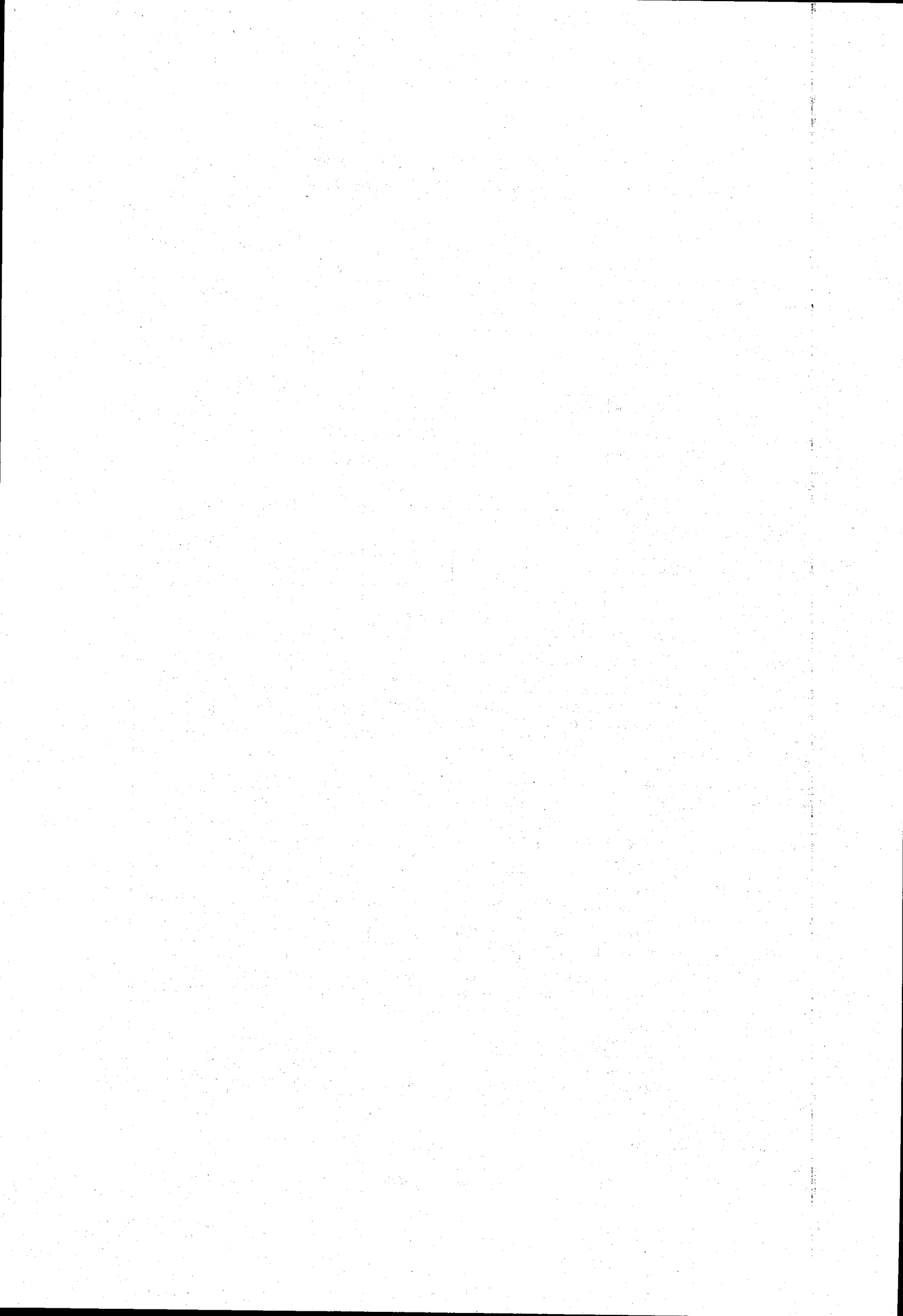
ANNEXE A3

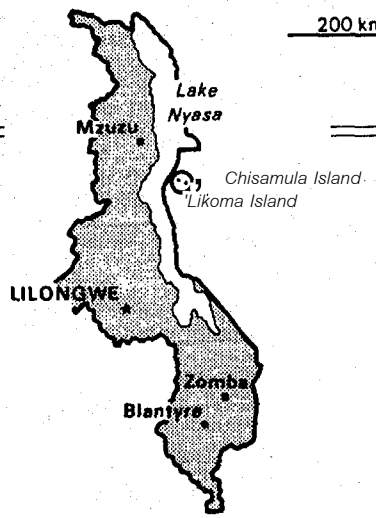
STATISTIQUE COMMERCE INTRA-REGIONAL
Tableau 1 Echanges commerciaux avec l'Afrique (Pays de la ZEP)

PAYS		1989		1990		1991	
		Q	V	Q	V	Q	V
ZAIRE	Import CAF	-	-	3.000	7.074	70	102
	Export FOB	0,905	141	15.500	329	-	-
OUGANDA	Import CAF	-	-	-	-	1	3
	Export FOB	-	-	-	-	-	-
ZAMBIE	Import CAF	244.263	571.399	-	-	16	884
	Export FOB	3.119	3.925	-	-	-	-
MALAWI	Import CAF	4	1.000	136.800	3.483	-	-
	Export FOB	-	-	-	-	-	-
RWANDA	Import CAF	-	-	-	-	-	-
	Export FOB	110	4.090	24	500	-	-
NAMIBIE	Import CAF	-	-	-	-	7	396
	Export FOB	-	-	-	-	-	-
BURUNDI	Import CAF	-	-	-	-	-	-
	Export FOB	135	7.473	8.832	15.029	156	2.944
ETHIOPIE	Import CAF	-	-	800	1.743	-	-
	Export FOB	10.029	2.051	26	6.552	1	3.321
LESOTHO	Import CAF	-	-	-	-	-	-
	Export FOB	-	-	40.000	23.704	-	-
TANZANIE	Import CAF	1.206.659	1.123.142	1.585.000	193.585	2.813.440	232.045
	Export FOB	10.574	340.633	3.055.727	2.339.348	25.283	144.709
SOMALIE	Import CAF	2	100	-	-	-	-
	Export FOB	-	-	-	-	-	-
ZIMBABWE	Import CAF	-	-	22.596.950	12.551.992	5.268.651	5.824.020
	Export FOB	-	-	-	-	1.250	1.535.500
SWAZILAND	Import CAF	4.259.911	6.293.113	4.255.220	5.092.928	406.436	905.192
	Export FOB	9	500	270	1.754	-	-
MOZAMBIQUE	Import CAF	7.205.021	931.156	21.429.490	7.300.279	833.772	110.908
	Export FOB	32.942.047	3.106.186	16.333.170	8.619.694	1.029.270	506.546
DJIBOUTI	Import CAF	1.000	5.000.000	3.117	29.027	8.544	5.290.300
	Export FOB	4.000	19.000.000	3.290	23.823.600	3.936	15.001.400
KENYA	Import CAF	64.667.014	6.231.038	42.007.053	14.964.715	3.347.793	3.263.644
	Export FOB	643.349	376.738	1.126.275	973.725	23.678	554.417
ANGOLA	Import CAF	-	-	-	-	-	-
	Export FOB	-	-	-	-	3.796	5.193.000
AFRIQUE DU SUD	Import CAF	n.d.	n.d.	n.d.	73.661.761	30.081.125	-
	Export FOB	n.d.	n.d.	n.d.	n.d.	1.486.766	1.437.847

Q : Quantité en Millier Kg
V : Valeur en Millier FMG
n.d. : non disponible

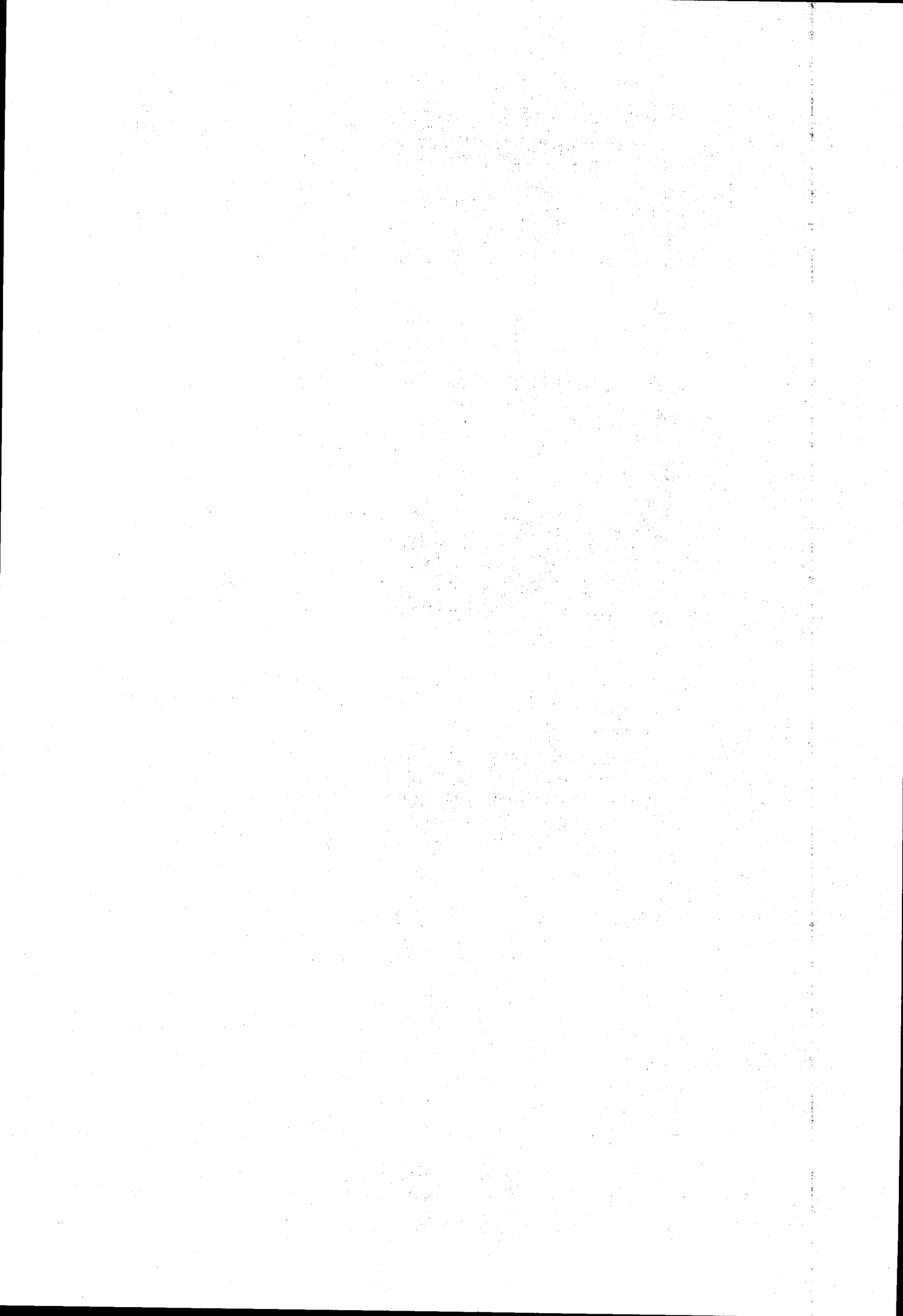
Source : MINCO et Service de la Coopération Régionale





200 km

Malawi



1. INTRODUCTION

Regional integration is one of the important issues which is on the agendas of three of the major African organisations, namely the OAU, the PTA and SADC. One of the PTA's major strategies is the creation of a common market by the year 2000. SADC (formerly SADCC) also has the set objective of becoming an economic community.

Being , a landlocked country with difficult access routes to international markets Malawi welcomed the EC and the World Bank invitation to participate in a regional project to analyse ways of improving inter-regional trade and investments. Malawi participated in the workshop held in Mauritius in June 1992.

This report is the result of the TWG research and represents the private opinion of the members rather than any statement of government policy. The main report has addressed the issues relating to investment, trade, finance and payments, and institutions and presents a brief synopsis of the key issues. Supporting data is contained in the appendices.

The report concludes that Malawi has one of the most liberalised trading and payment policies in the PTA and would be easily integrated into a PTA common market. Malawi nevertheless has other constraints that still have to be addressed to overcome and facilitate its participation in intra-regional economic activities. The TWG believes that most of the barriers can be overcome and that there is a willingness for economic change.

2. INVESTMENT CLIMATE

2.1 Investment Act, Regulations and Climate

Investment in Malawi is now governed by an act of parliament, namely the Investment Promotion' - Act.No.'-28 1991, which was enacted in March 1992. This act aimed to :

- Promote investment in Malawi by offering tax, export and other incentives to attract and induce both foreign and local investment.
- Form a corporate body known as the Malawi Investment Promotion Agency (MIPA). MIPA was to facilitate all aspects of the investment process in Malawi including, but not limited to, the timely receipt of government approvals, permits, licences, registrations and the fulfilment of all other regulatory authorisations.

In concept the act is an excellent tool as drafted. It is one of the most liberal acts in the PTA region. The problem is not with the act itself, but with its overall implementation, interpretation and application. It became statutory in April, but was only available in published form in June 1992. MIPA is still only in secretariat form and as yet has no real teeth. There is therefore still no central point of contact for an investor and no easy method through which to redress problems, much less the access to international arbitration promised in part III: 18,. The Act/guide is meant to be paramount in any decision taken by a public official (part 11:3) yet-it would appear from information gleaned that in most cases the officials concerned are unfamiliar with the act. In some circumstances when the facts are brought to the attention of an official they are effectively disregarded. What is desperately needed is firm implementation of the act to its fullest extent and education of all officials concerned with the act as to its true meaning and objectives.

What is becoming increasingly evident is that Malawi and the PTA in general needs to change its attitude to foreign investment. The attitude perceived by the private sector and investors is that officials generally regard all investors as exploiters. Officials need to be convinced that they are in competition for investment not only with their neighbours, but with the world at large. The investment act must be attractive not only in theory, but in practice as well so as to compensate for disadvantages and the perceived risks. Malawi has to adequately compensate for distances from ports, poor infrastructure, etc. The present inaction of the Government to adequately implement the Investment Promotion Act has not only lost its credibility but has done active harm.

2.2 Suggested Improvements to the Act

- More specific clarification is required as to what constitutes an EPZ.
- The concept of EPZs should be broadened to cover traditional agricultural commodities'
- Investment procedures should be improved and streamlined in accordance with the objectives of the act.

- Increased dividend remittances should be allowed during the first 10 years after the initial investment.
- Forex repatriation of net asset value (NAV) of the investment at original exchange rates, at any time after the initial investment, should be guaranteed together with the principal and interest associated with any loan specified under the original investment authority.
- Investment should be denominated in hard currency.
- Capital gains tax should be withdrawn as per the original pledge in the draft investment act.
- Interest rates should be liberalised and a gradual shift towards reliance on indirect monetary instruments to regulate the financial sector should be allowed.
- Domestic borrowing by foreign investors should be reviewed and relaxed to bring them into parity with local investors.

2.3 Barriers to Investment

There are many factors outside of the act that will, we believe, affect the investors decision to invest in Malawi and which must be addressed if Malawi is to be competitive in the region. They include the following:

- Bureaucratic inertia and the inability of government to respond fast enough to private sector needs.
- High interest rates which make borrowing for investment burdensome.
- Very low domestic savings rates tend to create bottlenecks in the availability of local investment funds.
- General risk adversity in the market. There is an over-reliance on cash transactions.
- There is a general lack of government appreciation for the contribution of the private sector to the economy. Hence little attention is given to private sector needs. Consultations tend to be of a cursory nature
- The forfeiture act must be repealed not just amended. After all, the prerequisite for an investor is his ensured long term security. Kenya (for example) has the right approach to this problem in its Foreign Investment Protection Act.
- The Malawian customs duty system is a major disincentive and discourages investment in local industries. It should be restructured in such a way as to make locally manufactured goods

competitive. The present structure actively encourages the importation of manufactured goods. Although this is in conflict with the liberalisation policy it needs to be taken cognisance of as there has to be some support for local industries especially when they are in their infancy. Malawi's present economic predicament supports this argument. There is a shortage of foreign currency which is likely to continue for some time and Malawi will need its manufacturing base to see it through these difficult economic times.

- The labour although relatively cheap is at a low level of sophistication given the industrial needs of the economy. The education system should provide for more technical colleges that can update the system to help address these needs.
- Pricing policies which favour consumers at the expense of producers, represent a serious impediment to investment. This is more visible in the agriculture sector, where prices paid to small holders do not reflect the cost of inputs. The idea is to maintain low food prices for the urban areas. In practice therefore, the small-scale producer subsidizes the urban consumer.
- Regulations in the Reserve Bank need to be changed to allow companies operating in Malawi to invest offshore, be they local or foreign.

What Malawi should also look into is an investment strategy that would build on existing achievements in agriculture and expand tourism using the game parks and the lakes. The large irrigation schemes such as Sicomu and Dwangwa should be used as examples to promote similar ventures near the Lakes and the Shire River. The infrastructure relating to tourism should be improved, (i.e. hotels, casino, roads, combating of bilharzia, advertising to promote an up-market image, increased airline capacity, etc.)

Foreign investment in Malawi has decreased over the years. For Malawi to show meaningful growth it would need to devote a good share of its domestic resources to attract reasonably large amounts of foreign capital. There are obvious constraints to achieving this goal:

- Managed interest rates and exchange rates have made Malawi's interest rates uncompetitive and led to the overvaluation of the Malawi Kwacha. This has had the effect of discouraging saving and making investment inefficient.
- Recent balance of payments problems and foreign exchange shortages have discouraged investors and worse still the existing investments are experiencing declines in their operations. For instance David Whiteheads have had to lay off over one thousand employees. The Blanket Factory (a recent investment) laid off half its work force of 450.
- Political pressure has led to US\$ 240 million worth of aid monies being withdrawn. This has literally stopped all new foreign and local investment in Malawi and has adversely affected existing investments.

The authorities have interpreted trade liberalisation literally, to satisfy the conditions laid by lending institutions like the International Monetary Fund and the World Bank. They have disregarded the

fact that the size of the domestic market is small in terms of real disposable income and consequently effective demand. The result has been dumping of cheap imported consumer goods; to the detriment of local industry and at very high costs in the form of job losses and even shutting down of operations in some cases.

2.4 Local Investment

Local investment has increased over the past twelve months for the simple reason that there has been an upsurge in the economy arising from the liberalisation policy, with implementation giving greater confidence to businessmen in general. The quantitative amount of this investment is not readily available, but it is quite substantial, in relation to the fairly small size of the local market. As with all PTA countries, it is hard for Malawi to obtain economies of scale without a viable export market. However, this increase in local investment has recently been countered by the shortage of foreign exchange and increased political risk. Malawi has now moved into a period of consolidation. The freezing of aid funds by the Paris Club of nations and the severe drought have distorted the country's track record in economic growth and local investment. These recent developments have acted as a deterrent to both local reinvestment and foreign investment and it may be some time before this situation is rectified.

Very little data on the size of local investment is available. Press Corporation, the largest corporate body in Malawi, has recent investments of upward of MK40 million and they intend to continue their investment programme by continuing to fund the organic growth of the organisation and to acquire existing businesses. There has been considerable investment by the Asian community but it is difficult to quantify. They have invested in such businesses as milling, polyurethane, PVC pipe extrusion* shoe manufacturing, textiles etc. The above expansions have relied fairly heavily on imported content and have created hundreds of jobs.

2.5 Investment to the Region

The dominance of foreign business interests in most countries in the PTA sometimes makes it difficult to redirect investment and trading patterns, and to retain profits for reinvestment within the region. Cross-border investments from Malawi to the region in the past six years have been minimal. The only known recent investment has been Press Corporation's setting up a joint venture trading house called Press Trading with Boart International (an Anglo American subsidiary) in Johannesburg to finance the importation of goods into Malawi.

Given the strong position of Malawi in 1990 and 1991 in terms of its Balance of Payments and its foreign exchange reserves, it was advantageous to set in motion a foreign investment vehicle for Malawi-based capital to expand into other markets. As with all PTA countries there is an aversion to the outflow of forex without immediate gain. The Reserve Bank does not look favourably upon outward cross-border investments. The only cases that might receive positive responses are projects where there is a direct hard currency gain for Malawi. There are no gazetted procedures for cross border investment in Malawi. Each investment would have to be sanctioned by the Reserve Bank on a case-by-case basis. There are however a number of Malawians that have invested in outside countries using offshore funds.

The exchange control regulations are a barrier to cross-border investment. There will have to be a major relaxation of exchange control procedures if there is to be any movement of Malawian capital. There is considerable scepticism regarding cross-border investment by Malawian capital as none of its neighbours have liberal investment schemes and none are holding to the procedures as laid out by the PTA MIE Charter.

2.6 Investment from the Region

There has been a good level of investments in Malawi brought about mainly by the ADMARC Divestiture programme. These investments have all come from offshore with the exception of Grain and Milling which was sold to Press Corporation. However, it is not the purpose of this report to analyse offshore investment.

The only recent cross-border investment from PTA countries have all come from Zimbabwe and they include: The Blanket Factory, GDC Haulage Ltd., the purchase of Consolidated Textiles Malawi Ltd. now known as CTM (Malawi) Ltd. The Zimbabwean tobacco industry also has interests in Malawi with some recent investment into existing business. The size of the GDC Haulage and Blanket Factory investments is USD2, 245, 271 (MK6,084, 464).

Most of the funding for these investments has come from offshore sources although the head offices are in Zimbabwe. Total offshore investments from the beginning of 1990 total USD8, 638, 445 (MK23, 492, 225). (These figures are not comprehensive but are the best available from all the TWG's sources. Therefore the PTA accounts for 26% of total investment into Malawi (appendix 1). Investments from South Africa in recent years are mostly on a joint venture basis and are as follows:

- 1987 Press Corporation's Subsidiary, Peoples Trading Centre (PTC), sold 40% of its shares to the Score chain of supermarkets in South Africa and Blantyre Print and Packaging Limited's Subsidiary, Times Book Shop, sold 50 %, of its shares to CNA Ltd. South Africa's largest stationary chain.
- 1990 Press Corporation Subsidiary - Bergers which was set up with the South African Bergers with Press owning 51 %, of the shares. We are unable to quantify the other recent size of this investment. The only operations that could be qualified as a form of investment are the CMT (Cost, make, trim) operations that have been set up in Malawi to manufacture goods in bond for the South African market. These operations have all been established with existing companies to value-add to manufactured products by more than 25% for export to South Africa. This is as a direct result of a special bilateral trade agreement between South Africa and Malawi which allows all Malawian manufactured goods to be sold to South Africa on a duty free basis. So far the goods involved are cut timber, cane furniture, various forms of textiles, shoes and television sets. We had no access to the actual investment value required to set up the CMT operations but it was under MK1 million (USD250,000). The main gain with these projects is that they have increased foreign exchange earnings for the services and inputs used in the manufacturing process.

2.7 Investment guarantees

It was established through our questionnaires that certain investment guarantees would be required by potential investors in the sub-region, e.g.:

- Guarantee that profits from the investment will be remittable;
- Guarantee that the capital investment will be remittable should the investor wish to disinvest;
- Guarantee that the investment will be safe and not be subject to forfeiture by the various authorities at a later date;

Q Management contracts with fees denominated in foreign currency and not tied to profitability. This would ensure that the investor gets some return so as not to be wholly dependent on the performance of the investment in initial stages;

- The freedom to appoint expatriate management for key management positions if so required;

Q Government guarantees on importation of raw materials and other inputs;

Q Government guarantees on repatriation of dividends;

O Guarantee against exchange rate risks for repatriation of funds, management fees, interest and loan repayments, at least in the short term to allow the investment to become established.

General Comment:

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One of the main macroeconomic constraints affecting investment/trade in Malawi is the lack of natural resources, especially in the area of minerals. Malawi's distinct economic attractions and advantages are: plentiful water, agricultural potential, tourism potential, relative political stability. In summary, investment that is not related to the above will not have a natural attractiveness to the investor because low tax jurisdictions already exist in many locations around the world as well as because of the usual disadvantages of the transport routes, infrastructure, small market and unskilled labour. Even investors looking for the above will find more competitive locations around the world.

2.8 Foreign Exchange Control and Effects on Investments

Malawi's liberalised forex regime together with 26 years of relative political stability and good repayment records has, until recently, been a definitely positive factor in attracting foreign investment. Companies have taken the opportunity to install more modern and efficient equipment. There has been an effort on the part of local businessmen to expand and diversify their products. In spite of this, the investment from outside has been minimal.

However, the exchange control programme is discredited at present. The reasons may be attributed to economic, political and external factors, compounded by the worst drought in living memory. A pipeline of between 30 to 90 days has already built up and there are indications that the pipeline will extend even further as foreign reserves drop.

The monetary authorities, we believe, have not made adequate provision for foreign exchange setbacks and have continued to push the official line that the liberalisation policy is still in place. They have made no official announcement as to why there are foreign exchange delays/shortages. This has caused foreign suppliers and trade credit organisations to suspect that individual importers are in financial difficulties. This has slanted the truth at the expense of the local private sector as the risk factor is mainly political and not commercial. This could adversely affect the credit standing of local companies in the future and affect their ability to trade. This effect when compounded with the devaluation effects could push some companies to the wall. The offshore export insurance companies have taken a hard line on Malawi credit ratings and have either removed their cover completely or have become very strict in assessing company and country exposure levels. A large number of foreign exporters have reacted by only supplying on the basis of hard letters of credit.

The local commercial banks are having difficulties in securing lines of credit from foreign banks. Accurate information is required in the financial markets for trade to continue with confidence; Malawi's monetary and fiscal policy-makers cannot afford to lose the trust of their foreign creditors. This could have a severe effect on the inflow side of the trade equation and a knock-on effect of decreasing exports through the lack of imported components required for the manufacture of Malawi's exports. The banks report that the demand for imports has declined over the last three months.

These problems regarding the foreign exchange situation can best be sorted out by monetary authorities who should give accurate information to the market place so that businesses can adjust their expectations without fear of unnecessary shocks and misinformation. Malawi's foreign exchange policy has been a virtual OGIL system which we believe has been a very positive factor in attracting investment, although this investment has been minimal.

2.9 PTAMIE Charter

The PTA MIE charter has been ratified by Malawi.

2.10 Double Taxation Agreements

Within the region, Malawi only has double taxation agreements with South Africa and Kenya. From the point of view of the Reserve Bank of Malawi (an opinion formed in view of the tax exemptions granted by the tax department in support of the applications for foreign remittances) the agreements mainly affect the remittance of service fees and profits. However, analysis shows that the implementation of the agreements is inconsistent. The fees that are taxed and should be subjected to the agreement are usually taxed due to ignorance on the part of the tax payer (companies remitting and the beneficiaries). These agreements came into effect in the late fifties. The South African agreement is seldom used and the Kenyan agreement which was established during colonial times is conveniently forgotten by both sides.

2.11 Movement of Persons

More than ten countries, including Malawi, have ratified the protocol on the gradual relaxation of and the eventual elimination of visa requirements within the PTA. Malawi notified PTA of its approval on 30th August, 1992. Malawians require visas in Angola, Burundi, Ethiopia, Namibia, Reunion, Rwanda and South Africa, if the visit is longer than 14 days. Angola, Burundi, Comoros, Ethiopia, Madagascar, Reunion and Rwanda require visas to enter Malawi. There is still no automatic right to residence or employment for other PTA nationals. This is a sensitive area owing to the shrinking employment base and a refugee population of over one million. Regulations governing work and residence permits are very rigid and cumbersome in Malawi and in fact in most of the PTA member states. Before a work permit may be issued there has to be proof that the person concerned possesses skills that are not available in this market. The problem is that PTA member states would obviously wish to keep their own trained manpower. Malawi has suffered a brain drain of some of its most skilled people.

For cross-border migration of PTA citizens for the purpose of residence and/or employment the PTA member states would have to simultaneously and efficiently implement the different related Protocols.

More than eleven countries have ratified the agreements on the member states in connection with the PTA Agreement on Privileges and Immunities to be recognised and granted by the member states in connection with the PTA. Malawi has not yet ratified this agreement.

The question of extending the PTA Agreement on Privileges and Immunities to all PTA created institutions was discussed by the Council of Minister's meeting in Lusaka (14 to 27 January, 1992). It was observed that there were differences in the extent of the privileges and immunities each institution required for the proper discharge of its functions. Accordingly, the Council of Ministers agreed that the member States may adopt privileges and immunities. As far as Malawi is concerned, any PTA institution can apply to be considered under the existing Immunities and Privileges Act Cap 1:6:01 of the Laws of Malawi. Staff of the PTA Bank have already been accorded Immunities and Privileges under the Act.

3. TRADE

3.1 Macro-economic Constraints

3.1.1 Non-tariff Barriers

Malawi's experience is that the non-tariff barriers have been an impediment to trade.

Examples are:

- Following import liberalisation, capacity utilisation in the manufacturing sector increased as raw materials and spare parts became readily available. Enterprising entrepreneurs sought and secured export orders, proving that some industries in Malawi can compete successfully within the region. The importing countries however, did not always grant import licences,

thereby rendering it impossible for the Malawian manufacturer to export. Zimbabwe was a prime example of this.

Q Some PTA countries have suffered severe shortages of foreign exchange. This group includes Malawi's neighbours, Mozambique, Zambia and Tanzania.

Malawi suffers from a lack of price competitiveness on many products, arising mainly from the country's land-locked status.

Q The size of the markets in the PTA is a constraint to both trade and investment.

There is a tendency within the PTA for each country to produce the same goods owing to the third world nature of their economies and the similarities in natural resource endowments;

Potential importers do not have sufficient knowledge of what is being produced within the PTA region.

Potential exporters lack information on market opportunities.

The real or perceived poor quality of PTA manufactured goods often prompts importation of these goods from offshore or from South Africa. There is a bias against PTA products in favour of foreign products.

There is also a prejudice against Malawi on the part of some of Malawi's PTA trading partners.

All of the above must be viewed against the background of the economic structure of the region which is characterised by a prevalence of producers of broadly similar commodities and to a lesser extent services.

Suggestions:

Malawi needs other member states to move faster in liberalising their import regimes within the respective PTA charters and in general terms.

PTA member states need to recognise each others currencies more effectively by a greater use of the PTA Bank and clearing house.

The liberalisation policy should be adjusted, in the short term, to halt the excessive importation of non-essential luxury goods into the market.

O There need to be tighter controls over exporters through enforcement of quicker remittances of their export proceeds so as to avoid the manipulation of our exchange rates as happened with Malawi's tobacco exports.

3.1.2 Devaluation

Political pressure and economic constraints brought about by the severe drought and external donor pressure forced two devaluations of the Malawian Kwacha (MK). The currency was effectively devalued by 45%. Business confidence in the stability of the Malawian Kwacha has been eroded, slowing down the desire of the private sector to import and thus subject themselves to further devaluations. Malawian exports are now more competitively priced, but are still awaiting the effects of this new competitive advantage to show in the export sector. In the tobacco sales, Malawi's main export, there has been no real advantage in the net tobacco prices obtained by the growers as the increase in prices has been netted away by the devaluations.

The Malawi Government has often used devaluation as a policy measure to alleviate economic ills such as balance of payments problems and to increase the competitiveness of the export sector in the world markets. This measure has only short term positive benefits and has proved historically to be inflationary in Malawi; the benefits are thus quickly offset. On analysis of the current account of the balance of payments it will be observed that these balances have worsened over the last ten years since 1982. We would suggest measures that help directly to balance the economy's budget. The only way to achieve this is either to increase revenues or decrease Government expenditure. Why should the private tax-paying sector always pay the price for the inefficient Government sector? On analysis, it will be shown that the tax department's revenue collection decreases in real terms as the Malawian economy grows. We must endeavour to make this a balanced scenario.

3.1.3 Foreign Exchange Shortages

Foreign exchange shortages are mainly due to the following:

- O Expectations of further devaluations have slowed down the foreign exchange payments for the tobacco sales.
- The Paris Club withdrew its aid and project support for the period of May through to November pending the Malawian Government's actions on certain political criteria. Indications are that this support will be withheld for a further six months.
- O There are indications that the USD40 million balance of payments support may not be forthcoming from the IMF in the first quarter of 1993.
- Over MK100 Million worth of foreign exchange was set aside by the Malawian Reserve, Bank for the purchase of commercial maize to help alleviate the drought conditions. This has been compounded by the increased cost of transport that must be paid in hard currency to carry these large tonnages of Maize.

The net effect of this is a shortage of forex in the market for imports. This caused a pipeline for foreign payments which extends from four to twelve weeks. There are still facilities for the establishment of hard L/Cs where both the banks' lines of credit are available and/or the imported product is required for manufacture or may be considered of a strategic nature.

3.1.4 Interest Rates

Interest rates are negative in real terms, reducing the incentive to hold liquid assets. This affects the availability of institutional funds required to fuel the investment and trade requirements of Malawi.

3.1.5 Malawi Money Supply

The money supply in circulation is constrained by the following factors:

- tobacco buyers holding their payments for the purchase of both the 1991 and the 1992 tobacco crops offshore in the expectations of future dévaluations; this means that the commercial banks have large amounts of their funds tied up in loans to the buyers in MK awaiting these offshore sales proceeds to be paid;
- large losses caused by major and unexpected devaluations;¹ importers' goods had been received and sold prior to the payments to the suppliers being honoured;
- the Reserve Bank lending ratio of 25% which restricts the ability of the Commercial Banks to lend;
- the bad drought, which means that the large overdrafts run by the agricultural sector are not being honoured and are having to be carried forward into the 1992/93 season;
- the severe downturn in the economy, which has affected the credit ratings of some companies causing the commercial banks to tighten their lending requirements,
- the increased Interest rates of between 21 % and 25%, which have reduced the demand for borrowing.

All of the above affect the ability of the private sector to trade or invest, both locally and in the region and to provide the right environment to attract investment and/or trade.

3.1.6 The Government

The public sector has had continuous difficulty in balancing its budget. This has resulted in currency depreciation and inflation. The only way to solve this problem is to cut expenditure or increase revenue. Long-term disbursed and outstanding debt is almost 80 % of G.N.P. Government borrowing is too high. There is too large a portion of available resources used up by Government at the expense of productive investments; It would appear that the attractiveness of Malawi as a country with which to trade and or invest has been negatively effected by all of the above. Drastic action by both the fiscal and the political decision-makers will be required if this situation is to be radically changed in the short-term. This* will have to be accompanied by an act of nature, in that Malawi, being an essentially agricultural economy, requires a good rainy season and has little in the way of spare resources for the importation of extra food stuffs.

3.2 Import and Export Procedures and Practices

3.2.1 Foreign Exchange/Import Liberalisation Scheme

Malawi's importation system is now in the fourth and final stage of liberalisation. Over 75 % of all goods imported into Malawi do not require import licences. The importers deal directly with their commercial banks. Only 1.5 % of Malawi's total imports require prior Reserve Bank approval. These commodities are listed in appendix 2. To ensure effective budgeting, importers are required to submit to the Reserve Bank of Malawi their projections for the year at the beginning of each year. Thereafter, the importers can import their goods without an import licence. All that is required is for the importer to obtain the necessary approval from the commercial bank.

An importer is required to be in possession of a valid trade licence and should be registered with the Reserve Bank in order to engage in the import business. Before importing, the importer must present a copy of the Proforma Invoice to the commercial bank in order to obtain the approval to order the goods. The invoice must not be older than six months or have expired. The commercial bank, once satisfied with the authenticity of the import, will stamp it approved. Goods should be imported within three months. Although authority to import is given by the commercial banks, payments for the goods have to be authorised by the Reserve Bank. This authority is sought by the commercial bank and not the importer. Goods have to be in the country before payment can be made. However, the Reserve Bank has recently been encouraging payment by hard letters of credit.

Malawi under liberalisation is, without doubt, more sinned against than sinner. The trade imbalances that Malawi has with PTA countries are a direct result of its own open trading policy combined with the restrictive licensing policies of other member states. Zimbabwe is a prime example. In 1989, Malawi imported MK80 million from Zimbabwe while Malawi only exported MK10 million to Zimbabwe, a disparity of 8 to 1.

In general, the open trading liberalisation policy has worked very well, but it falls apart at the payments end. We would suggest the following:

Q Delays occur in handling applications to pay for imports; the process is slow and uncertain.

Applications to import are given promptly, but with no guarantees as to the timing of the remittances. This results in interest charges being levied and increases the costs of imported goods; Malawi should realistically appraise its foreign exchange reserves and offer accurate assessment as to the date of payments of imports.

□ The liberalisation policy should be changed as a short-term measure, to exclude unnecessary luxuries, especially given the present constraints on Malawi's foreign exchange reserves. A measure of control over imports would almost certainly have saved some foreign exchange.

➤ O Local industry should be protected from dumping especially in the areas where they have a large manufacturing base, e.g. clothing, textiles, vegetable oil extraction and milling. In recent years foreign donors have donated large amounts of wheat flour, second-hand clothing and vegetable oils to the refugee populations. Large volumes of these products have ended up on the Malawian market virtually bringing some local industries to a stand-still; An

example of this is that in 1990 and 1991 America donated approximately six thousand tonnes per year of vegetable oil to refugees. The total demand in the Malawian market is approximately twelve thousand tonnes per annum. This had severe repercussions on the vegetable oil market, almost closing down the National Oil Industries vegetable oil extraction plant.

- The liberalisation policy should endeavour to provide a higher level of protection to our local producers than is now available. We cannot always count on having adequate foreign resources to fund unlimited imports. Malawi must therefore protect its industrial/manufacturing base. To argue that market forces should apply is to ignore the fact that most major countries in the world operate on the basis of some form of quota or other managed system to limit imports.

3.2.2 Export Licensing Regulations

Few products require export licenses (Appendix 4) The main area of restrictions are on the export of unprocessed food.

Recommendations:

- There are too many forms required to be completed on the application for an export permit. This situation becomes tedious and inefficient. The procedure should be rationalised ; -to involve only one form. A similar uniform procedure should apply in the whole PTA region.
- The time required to obtain an export license is too long and often results in the cancellation of orders. Licences are only issued from one place. Licensing should be decentralised to speed up the process.
- The list of products that require an export license should be reviewed on an annual basis and be reduced wherever possible.

3.3 PTA Liberalisation Scheme

In March 1993, Malawi will publish the remaining two tariff reduction requirements i. e. PTA tariffs for the 319 commodities and the PTA tariffs for the 43 commodities. This will be done by the Ministry of Finance in conjunction with the Ministry of Trade and Industry. Malawi has therefore implemented (published) the first three requirements.

In spite of the PTA liberalisation scheme, there has not been a significant increase in intra-PTA trade in the past nine years. The lack of effectiveness of this scheme may be attributed to the lack of implementation of the tariff reductions and the unwillingness to remove the NTBs. Many PTA countries still deny import and export licences to fellow members. Malawi on the other hand has one of the most liberalised import and export licensing regimes in respect of other PTA countries. It does not apply such NTBs as quotas, quantitative restrictions, tax on foreign exchange transactions or advanced import

deposits. Malawi virtually has an OGIL system that should be emulated, as closely as is efficiently possible, by the other PTA member states depending on the strengths of their individual economies. Only then has intra-regional trade got a chance of increasing.

3.4 Malawi's trade with the Region (Appendix 5)

Malawi's trade with the region remained fairly static from 1984 through 1987 and was worth approximately MK80 million per annum. Full details of this trade, in summary for 1984 to 1988 and classified by country and by product for 1989 are given in Appendices 5, 1, 2 and 3. Exports to PTA countries ranged between MK18.176 million and MK47.165 during the years of 1984 to 1989, giving an average of MK37.142 million per annum. Intra-PTA imports increased from MK32.238 in 1986 to MK141.398 million reflecting an increase in nominal terms of over 400%. In 1986 Malawi showed its only positive trade balance with the PTA in six years. From 1987 to 1989 the trade deficit with the PTA countries widened exponentially, from MK44.463 in 1987 to MK51.937 in 1988 to MK106.218 million in 1989. Of late, Malawi has, therefore, had a growing trade imbalance with the PTA member countries. This can be attributed largely to the Liberalisation Policy which has increased the availability of foreign exchange for imports in Malawi without corresponding increases in foreign exchange in other PTA member states, coupled with the above-mentioned barriers to trade within the PTA. With the change in the foreign exchange situation in Malawi, this deficit may be reduced in 1992 and 1993.

This trend has been the same regarding imports from South Africa as for those from the rest of the world. With imports from PTA (including RSA) increasing from MK171.46 in 1986 to MK655.798.

In 1989 the percentage of PTA trade (including RSA) as a percentage of total trade was 35.87 and excluding RSA was 8.4%. Showing that the regional trade excluding South Africa is small and will require radical changes in regional policy to change this scenario. Malawi's total trade deficit for 1989 was MK670 million.

3.5 Regional Trade Development Activities

Over the years, Malawi has, through the Malawi Export Promotion Council, participated in many trade promotion programmes throughout the PTA region. In 1989, Malawi participated in four trade fairs and promotional programme, receiving potential orders for MK5, 687, 920 (USD2,053,400) worth of goods. The actual realised orders were MK1, 612,222 (USD582,003). In 1990, Malawi again participated in four trade fairs orders realising potential of MK5,715,776 (USD2,019,709) and actual orders of MK1 million (USD353,357). In 1991, Malawi only exhibited at three trade fairs realising potential orders of MK17,180,000 (USD6,607,692) and actual orders of MK1.5 million (USD576,923). However, during 1991 Malawi was involved in a contact promotion programme for Malawian products in Kenya and Burundi resulting in, actual orders of USD2.5 million (MK6.5 million). A list of the goods traded and a break down of each trade fair can be found in Appendix 4.

As can be seen from the statistics, Malawi's attendance at some of the regional trade fairs was relatively successful but the potential was not fully realised. Interviews with members of the private sector revealed the following problems which limited:

- Most of the exporters received some orders from Zimbabwe, but they were never realised owing to the restrictions that exist in the Zimbabwe Reserve Bank. Some exporters felt that they were being subjected to unfair restrictions by the Zimbabwe Reserve Bank since similar goods of inferior quality from other PTA States were being imported into Zimbabwe.
- Delays in payment for imports by the Reserve Bank were forcing local importers to borrow locally on overdraft. They were then further subjected to interest on late payment by the supplier. This affected their cash flows and the prices of their imports.
- There have been several bad debts in the region which have caused a lack of confidence for the Malawian exporters to supply the PTA countries except on a hard LC basis.
- Some of Malawi's goods are not competitive within the PTA owing to the high cost of transportation to and from markets.
- Lack of pre- and post-shipment financing schemes.
- Liberalisation has exposed Malawi producers whilst neighbours protect theirs.
- Lack of an export-credit guarantee scheme.
- Lack of long-term credit facilities in the local banking sector. Most financing is short-term and for working capital only.
- Lack of forward-cover facilities in either UAPTA or local currencies. *
- High interest rates which make short-term borrowing to finance trade transactions almost prohibitive.
- High duties on raw materials.
- Poor communications in some countries like Zambia and Tanzania. Telephones, faxes and telexes are often out of order.
- Delays in the issuing of certificates of origin by the Chamber of Commerce.
- Poor communication of information to the private sector on the availability of facilities from the donors aimed at boosting local production.

Recommendations:

- Export incentives in the PTA have to be rationalised in a way that does not create an unfair advantage. The alternative is to institute tariffs to protect Malawian manufactured goods against subsidised imports of PTA origin. This would be counter-productive to the spirit of regional trade.
- Reserve Bank should introduce a system to inform importers on the time lag on payment for their various imports to allow for adequate budgeting.
- Further analysis needs to be carried out on ways of setting up pre and post export finance facilities for Malawi and the PTA in general.
- The PTA Bank's export credit scheme should be further investigated and implemented as soon as possible.
- Malawi Export Promotion Council (MEPC) should be improved so as to collect and provide more information to the importers and exporters. It would be better if MEPC could be a joint venture between the private sector and the Government and not just a statutory body.

3. 6 State Trading

The TWG defined state trading as trading carried out by a Government or quasi Government body. Corporations such as Press Corporation and Blantyre Print and Publishing are definitely defined as full members of the private sector. State trading has little or no effect on the import side of the trading equation. The state only trades exclusively in areas of strategic importance, i.e. implements of war, fuel, strategic foodstuffs, etc. (see appendix 2). State trading therefore has very little effect on restraining imports and exports.

3.7 Export Licencing

There is a marginal effect on the export side of the trade equation as relatively few products require export permits (see appendix 3). These permits are controlled by Government and mainly apply to Unprocessed foods. ADMARC is generally responsible for the unprocessed food exports and there is a quota system where farmers are forced to sell to ADMARC not less than 25 %, of their output. The system is very bureaucratic, with far too many forms being required. It should be reviewed with one standardised form being issued for all exports.

3.8 Trade Facilitation Schemes

3.8.1 Trade and Investment Schemes

In Malawi, the S ADCC Comprehensive Export Financing Scheme has not been accorded much priority because the Government, through the Reserve Bank of Malawi, decided to take advantage of the PTA financing scheme under which loan financing is also available. The main reason for this is that the PTA financing scheme is very flexible. The flexibility is such that it enables Malawi to adopt guidelines and operating systems most suitable to the local conditions, including its own institutional framework.

Contracts are under way with the PTA Bank to assess the appropriate scheme for the private - sector in Malawi. Malawi has not really studied cross-border financing of inward investment. As in other PTA countries, the emphasis is on inward investment. Very little inward investment emanates from the sub-region due to exchange controls and the prioritised usage of scarce foreign reserves. Owing to these factors, there has been very little interest in the cross border investment facilities.

3.8.2 Harmonised Systems

Malawi realised early the need for simplifying and harmonizing customs systems with a view to facilitating trade. Consequently, Malawi closely followed the development of relevant international instruments. Malawi adopted the Harmonised System of Tariff Classification on 25th October, 1988 and is a contracting party to the GATT Valuation Code and the Nomenclature Convention. The Kyoto Convention, a comprehensive collection of all Customs procedures is being studied with a view to eventual adoption.

3.8.3 ASYCUDA

Malawi has been taking interest in the progress being made in the PTA Programme for introducing the Automated System for Customs Data (ASYCUDA). Malawi has taken note of the grant by the European Community of USD8.5 million to facilitate the introduction of ASYCUDA in the PTA region. Preparations for adopting ASYCUDA will be hastened so as to take advantage of the grant.

3.8.4 Standardisation

The Malawi Bureau of Standards is responsible for developing and maintaining standards of manufactured goods in Malawi. It is 50% government-financed and 50% self-financed. Formed in 1972 by statute, the Bureau now has 300 standards that conform to the GATT agreement as administered by the International Standards Organisation (ISO), Malawi is moving towards introducing the ISO 9000 which is applicable to both goods and services and has already been adopted by 49 countries, including South Africa, Zimbabwe and Tanzania. To date the Bureau has not insisted that imports have international standards except under the quality control scheme for agricultural goods. This has given imported goods an unfair advantage over locally manufactured goods. The bureau just does not have the manpower to police all the imports. We recommend that a system of meaningful standard procedures, which could not be classified NTBs, be introduced at the Customs clearing stage of importation so as not to prejudice locally-manufactured goods. The Act is too loose in this area and does not supply the mechanism for implementing the provisions of the Act (e.g. Part II objective L and part VI Section 20.1 should be given more teeth). Import quality control regulations have been submitted to Trade and Industry, but without much response. We recommend that Trade and Industry should seriously analyse this situation beginning with selected imports like foodstuffs that have a definite shelf life. The Bureau has also submitted a proposal for export quality control.

The PTA is far behind S ADCC on standardisation, having only held one meeting to date and that was in 1986 in Uganda. Nothing else has happened since. Standardisation needs to be taken seriously if the PTA wishes to operate as a common market and trading block. With European barriers coming down, the higher the quality standards, the better will be the PTA's chances of increasing trade, both regionally and internationally.

3.9 PTA Trade Facilitation Schemes

Third party vehicle insurance scheme. The Yellow Card is used in the following continental PTA countries: Burundi, Rwanda, Uganda, Kenya, Ethiopia, Tanzania, Zambia, Malawi and Zimbabwe; Somalia and Swaziland have acceded to the INTER-BUREAUX AGREEMENT, but have not yet started using the yellow card . -

An Extract from the National Bureau of Malawi report of 1 July 1991 to 30 June 1992 reads:

Yellow Cards issued - 596

Premiums collected - MK5, 956. 88 (USD1,446)

Accidents recorded	-	15.
Claims settled	-	nil

The scheme has not encountered any serious problems and is functioning adequately. However, the submission of quarterly reports has been poor with the exception of Zimbabwe. Also the settlement of claims is going slowly owing to lack of prompt action by central banks.

The Road Customs Transit Declaration Document (RCTD) is being satisfactorily used in Malawi. However, for the RCTD to be fully operational it needs the Regional Bond Guarantee Scheme (RBGS) to be ratified. It has been adopted, but to be effective a minimum of nine countries are required to ratify the agreement. Regarding the implementation of the existing PTA harmonised road transit charges, Burundi, Malawi, Zambia and Zimbabwe are implementing uniform charges, while Tanzania is implementing charges based on full cost payment damage recovery. However, they have not properly implemented the harmonised transit charges. The rest of the member countries had not yet implemented the Authority decision. On the question of other documentation requirements, it was noted that the foreign haulers were also paying national taxes (i.e. Road Service Permits, Licences, etc.) in their countries of registration and yet the PTA carriers licence should have eliminated the need for foreign haulers to pay national taxes in each country. Malawi is not charging its own intra-PTA transit vehicles because other members are exempting their haulers. Zambia has also suspended such charges. At the moment the position appears to be that operators who were not holders of the PTA carrier licences would continue to be subject to national licensing requirements.

We would recommend that all the PTA countries correctly implement this scheme. As Malawi haulers have to move through South Africa, Botswana and in some rare cases Namibia, we suggest that negotiations be opened with these countries to join the system especially at this time of severe regional drought.

Another restraint on transport affecting Malawi has been the flooding of the market with haulers from other countries, often using second hand vehicles and cutting rates to sub-economic levels; these operators have been able to operate freely in Malawi for years while bureaucracy, inefficiency and (although not proven) corruption make it very difficult for the Malawian haulers to reciprocate. This situation has been eased by the introduction of harmonised transit charges.

The PTA requirement for 8 ton maximum load per axle needs to be revised due to the fact that most trucks in Malawi have an 8.2 maximum load per axle. Furthermore, Malawian vehicles are experiencing delays in transiting through some PTA countries arising from the need to purchase coupons at the borders. We would recommend that the coupons be standardised and be on sale in foreign exchange from the commercial banks.

4. FINANCE AND PAYMENTS

4.1 PTA Clearing House

The PTA Clearing House was established in order to enhance cooperation in the settlement of payments for intra-regional trade in goods and services. Payments are effected through the clearing house mechanism in national currency. Every two months, the balances outstanding must be cleared in hard currency.

Malawi has been one of the chief utilisers of the PTA clearing house, being the fourth largest user over the period from 1984 to June 1992. During this time, the total transactions registered amounted to 169, 103, 227 UAPTA (USD192,439,470) representing 11.22% of all transactions. Malawi has always been in a negative position, with total receipts during this period amounting to 39,745, 238 UAPTA (USD 45,230,063) compared to total payments of 129, 357, 989 UAPTA (USD147, 209, 939). This is a good indication of Malawi's trade patterns that are skewed against it in terms of regional trade. ;

The clearing house is not being used well in Malawi owing to a number of constraints:

- The private sector in Malawi knows virtually nothing about the PTA Clearing House. All foreign payments made through the Clearing House, or otherwise, have to be channelled through the Reserve Bank. So long as the private sector transacts business within the PTA it is of little significance to the average businessman whether or not the clearing house works. The businessman's main interest is whether he will be able to pay his supplier or be paid for his exports on time or not. It is only when there are delays that the businessman wants to know the reasons why. It is the function of the commercial bank to sort out payment procedure with the Reserve Bank. Malawi is experiencing some delays in payment for PTA trade. We would recommend that the Reserve Bank explain to the Commercial banks and the private sector the reasons for these delays and if they are PTA Clearing House related what the problems are. We also recommend that the private sector and to some extent the commercial banks should be educated on the facilities of the PTA Clearing House and Bank. This can be achieved through workshops and advertising. It is observed from the statistics that about 90 % of trade is settled outside of the Clearing House in hard currency. Malawi needs to investigate together with other PTA countries, ways of increasing the usage of the clearing house. The private sector has always paid in hard currencies and they have a distinct lack of faith in the regional currencies. Most PTA suppliers want their payments in US Dollars. ;
- Only some of the PTA members have adequate provisions within their banking structures to cope with the use of the UAPTA. Some members still insist on payment in hard currencies. Further to this, the allocation and licensing systems of some member states conflict with the operation of the clearing house. Thus Malawi's liberalised system prejudices itself when they use the PTA mechanisms. We suggest that qualifying products within the PTA should be liberalised so as to balance regional trade.

- Some of the member states still insist on the use of hard currency for payments, especially in the area of traditional exports and products with a high import content. For the clearing house mechanism to be fair, these practices must end.
- A number of PTA countries have severe forex shortages and therefore allocate, most of their resources to importing capital and intermediate goods. This, decreases the allocation for inter-regional trade.
- The PTA clearing house needs to be upgraded so that it has more facilities available, such as letters of credit and bills of exchange. They should also look at the possibility of setting up some form of forward cover.

4.2. Correspondent Banking Relationships

Malawian Banks have relationships with very few banks in the region owing to some of the reasons expressed above. The Commercial Bank of Malawi Limited has accounts with only 5 out of the 17 PTA countries and only 7 countries have got accounts with the Commercial Bank of Malawi Limited. The main reason for this is that there is no business worthy of opening correspondent accounts for.

4.3. Foreign Bank Accounts

In Malawi, the Reserve Bank is not contemplating allowing the business community to hold foreign currency accounts in either hard or PTA currencies. The Reserve Bank is taking the stance that the liberalisation policy is long term and any foreign exchange shortages are viewed as temporary. The Reserve Bank feels that these bank accounts go against the very spirit of the PTA. Comments from the private sector were that these accounts would be useful, but that they would only be a stop gap for bigger problems. They feel that the more fundamental issues causing the forex shortages should be addressed, i.e. acceptance of realistically valuing the local currency, political will to carry through changes, removal of as many NTBs as possible, etc.

5. INSTITUTIONS

Malawi has a number of institutions that participate in initiatives to improve intra-regional trade, investment and payments.

5.1. Financial Institutions

There are eight institutions in Malawi that provide funds for investment and trade on both the regional and national levels. These organisations are owned and run by the private sector and/or are aid sponsored. They are run efficiently by competent management and we believe provide the backbone of financing for local trade and investment, (appendix 5)

5.2. Malawi Export Promotion Council (MEPC)

The MEPC is presently funded by Government and is a statutory body. Owing to tight monetary constraints and other problems MEPC has had limited success to date, and we would recommend that radical changes be made to the MEPC, such as partially or completely converting it into a private-sector-run institution. This type of body should be motivated by the same objectives as the private sector. We believe that such an initiative should come from the private sector backed with financing from external and local sources.

5.3. Chamber of Commerce

The Chamber is a fairly small body and has proved to be fairly effective in the past, its main constraint is that it is under staffed, under financed and tries to take on too much thus reducing its effectiveness.

5.4. Regional

At the regional level, it is becoming imperative that such bodies as SADC and the PTA harmonise their activities. Both bodies are moving towards the same goal of a common market. It is difficult for Malawi to be a member of both organisations and it would only be able to be a member of one viable and effective common market. We recommend therefore that a joint initiative be instituted by the two bodies to establish the best way for the PTA and SADC to co-operate in this matter.

APPENDIX A1**INVESTMENT INTO MALAWI SINCE 1990**

Name of Company	Form	Source	MK Approval in principle	Actual MK	U.S.D.
Applied Technology	Cash	U.K.	10,931.00	10,932.00	4,134.00
Abdulla Investments	Cash	U.K.	Not mentionned	Not yet	
Number 1 Stores	Cash	Zimbabwe	71,500.00	Not yet	
Amka Products	Cash	U.K.	200,000.00	100,000.00	35,900.00
Bate	Cash	U.K.	490,310.00	490,310.00	180,926.00
Cargo Marketing	Cash	U.K.	6,000.00	6,000.00	2,214.00
Carpet Furnishing	Cash	Switzerland	700,000.00	700,000.00	258,302.00
Casalee (M) Ltd Centraleaf	Cash & Conversion of Loans into Equi ty	Luxembourg & Belgium	13,880,428.00	13,380,618.00	4,937,497.00
Farmers Organization	Cash	Honk Kong	95,000.00	95,000.00	35,055.00
Stancom Tobacco Packers	Cash	U.S.A.	2,222,608.00	1,605,355.00	592,375.00
Tools & Dies Engineering	Cash & Equipment	France	48,005.00	9,827.00	6,626.00
Berger Resins	Cash	U.K.	98,000.00	98,000.00	36,162.00
Malawi Distilleries	Cash	U.K.	470,400.00	470,000.00	173,579.00
Metals and Chemicals	Cash	U.K.	26,520.00	26,520.00	9,766.00
N & B Investment	Cash	Switzerland	100,000.00	100,000.00	36,900.00
Proprietary manufacturing	Cash & Equipment	U.K.	127,200.00	127,200.00	46,938.00
Seba Foods Limited	Cash & Equipment	U.K.	730,000.00	Not yet	
Steward Scott Nel	Cash	U.K.	100,000.00	100,000.00	36,900.00
Sturdyhawk International	Cash	U.K.	121,520.00	Not yet	
Tyre retreaders Limited	Cash	U.K.	100,000.00	100,000.00	36,900.00
Westboume Developments	Cash	U.K.	280,000.00	Not yet	6,393,174.00
	Equipment	Luxembourg	3,400,000.00	3,400,000.00	6,259,259.00
Blanket factory	Cash	Luxembourg	2,672,093.00	2,672,093.00	986,012.00
Total			24,765,275.00	23,492,225.00	6,638,445.26

(These tables are not complet, some investment figures were unavaible. However, the above information giys an accurate enough analysis so as not to distort the interpretation in the text.)

APPENDIX A2

Procedure of Import Licencing and Foreign Exchange Allocation

The import licencing and foreign exchange allocation system has been so liberalised that only the following 30 commodities require an import licence. The licence need only be approved by the Ministry of Trade and Industry.

1. Clothing and uniforms, designed for military, naval, airforce or police use.
2. Used clothing, other than the personal effects of an individual.
3. Gold, including:
 - (a) unmanufactured gold in any form whatsoever; or
 - (b) any article or substance containing such unmanufactured gold; or
 - (c) any article consisting of, or containing gold which, although manufactured is, as such, not gold coin, an article of commerce, a work of art, or of archeological interest; or
 - (d) gold derived from the smelting or treatment of any manufactured article containing gold.
4. Sugar
5. Any knife having a blade which, either *
 - (a) opens automatically by hand pressure applied to a button, spring or any other device in, or attached to, the handle of the knife sometimes known as a "flick-knife" or flick-gun", or
 - (b) is released from the handle or sheath thereof by the force of gravity or the application of centrifugal force and which is released, is locked in place by means of a button, spring-fever, or other device, sometimes known as "gravity-knife".
6. Radioactive substances
7. Game traps
8. Mist nets for the capture of wild birds
9. Wild animals, wild animal trophies and wild animal products (including birds and reptiles) and any eggs produced by such birds or reptiles
10. Live fish, including the eggs and spawn thereof
11. Bees, honey, unmanufactured beeswax, foundation combs, used bee-keeping accessories and appliances

12. Beans, but excluding the following

- (a) Seed beans in quantities of less than 90 kgs
- (b) Beans which are tinned, bottled or otherwise preserved

13. Compound products containing flour, meal residues and other preparations of a kind suitable only for use as animal foodstuffs but excluding the following:

- (a) Chemical additions to animal foodstuffs;
- (b) Antibiotic growth stimulants;
- (c) Inert fillers;
- (d) Trace elements;
- (e) Synthetic animal foodstuff;
- (f) Bird seed;
- (g) Cat and dog foods;
- (h) Salt-lick for cattle

14. Eggs of poultry, whether in shell, pulp or dried forms; eggs of all birds

15. Gram and dhal

16. Groundnut

17. Maize, including:

- (a) maize grits;
- (b) maize cobs;
- (c) hominy chop;
- (d) maize offals;
- (e) processed maize meals with or without additives

18. Oil seeds, oil meal, oil cake, offals and residue from oil seeds

19. Potatoes

20. Live poultry, including day-old chicks

21. Rice

22. Rupoko, rupoko meal (finger millets)

23. Bananas

24. Meat

23. Exercise books

26. Fertilizers

27. Dieldrin

28. Aldrin

29. Kitchen and table salt

30. Beer

B. However, any commodity imported from the countries listed below requires an import licence whether it is included in the above list or not:

Andorra, Albania, Cuba, Czechoslovakia, Bulgaria, Mongolia, North Korea and countries of the former USSR.

C. This notwithstanding, in view of the recent developments in Eastern Europe the list of countries whose goods would require an import licence for importation into Malawi is being reviewed with a view to deleting some of the countries from the list.

D. All other goods which constitute well over 75% of all the goods imported into Malawi do not require any import licence and importers are required to deal directly with their commercial banks. As regards foreign exchange approval only 1.5% of Malawi's total imports require prior Reserve bank approval.

E. In Malawi goods have to be in the country before payment can be made but nowadays the Reserve Bank is encouraging payment by Letter of Credit.

F. The import licencing system is also not set to last for long since Malawi is working on modalities of abolishing the procedure altogether save for a few commodities which may require licencing because of national security.

(ii) Other non-tariff barriers

G. Malawi does not apply quotas, quantitative restrictions, tax on foreign exchange transactions or advance import deposits. Some prohibitions and restrictions do exist and they are as follows:

Prohibited Imports

(a) The importation of goods bearing forged trade marks or false marks in trade description or marked with offending forms of Act 17 of 1937 and Act 17 of 1999 is prohibited

- (b) The importation of all meals, including dressed poultry is prohibited without the prior permission in writing of the Minister of Trade and Industry

Restricted Imports

- (a) Animals and animal products

The importation of all animals and other animal products require to be certified as free from disease before importation

- (b) Military-type clothing

Import licences for new military-type clothing of any kind will be issued only if the importer produces evidence that he had obtained an order from the Army or Police authorities

- (c) Firearms and Ammunition

All applications for permits for the importation of firearms and ammunition and explosives should be made to the Inspector General of Police.

- (d) Dangerous drugs

The importation of certain drugs and poisons is controlled by the Ministry of Health, Applications of import licences should be made to the Secretary of Health

- (e) Soap

The importation of soap is subject to special regulations as set out in the Control of Goods (Importation of Soap) Order, 1967 (G.N.64 of 1967).

- (f) Protected Flags, Emblems and Names Act, 1967 (Act 10 of 1967)

This Act provides that, without the written permission of the minister, no person shall import or possess for the purpose of sale any article bearing any protected colours or cork symbol or any article on which or in respect of which any title of any patent or any trade mark or design is used in connection with any of the foregoing, or which resembles or is capable of representing any of them.

The Act provides for the safeguard of the dignity of the Head of State, the national Flags, the Armorial Ensigns, the Public Seal, and prohibits the use of any likeness of the President, the word "President", the names styles and titles of the President, the words "Malawi" Unity and Freedom "National", "Republic" and "University".

- (iii) Steps taken to implement the Open General Import Licence (OGIL) System

H. By their liberal nature the import licencing and foreign exchange procedures' in Malawi are virtually an open general import licence (OGIL) system

(iv) Problems faced in connection with other Member States denying Import Licences!

I. The following applications by Zimbabwean importers for import licences to import goods from Malawi have been rejected:

Blue Ribbon Foods	- PYC Granules ZWD250,000 750 ML bottles ZWD380, 000 Polypropylene sacks ZWD350,000
Clintrin (Pvt) Ltd	- MK69,652 Brushware
Astro Electric	- MK57,000 PVC
Field Electrical	- MK271,660 Service PVC
Bestobell	- UAPTA 86,500 PVC - UAPTA 36,000 PVC
Everglow	- MK80,000PVC
Francis & Company	- MK Torch Batteries
United Builders Merchants	- MK216,000PVC

GOODS REQUIRING PRIOR APPROVAL BY THE
RESERVEBANK OF MALAWI BEFORE IMPORTATION

J.

DESCRIPTION	HCD CODE
Beer	22.03
Wine	22.04
Vermouth	22.05
Cider	22.06
Liquor	22.08
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof imitation jewellery, coin 71	
Automatic goods vending machines, including moneychanging machines	84.76

Electro-mechanical domestic appliances, with self-contained electric motor	85.09
Microphones, loudspeakers, amplifiers, etc.	85.18
Turntables, record players, cassette players, etc.	85.19
Magnetic tape recorders) or reproducing apparatus, etc.	85.20
Video recording or reproducing apparatus, etc.	85.21
Prepared unrecorded media for sound recording or similar recording of other phenomén	85.23
Records, tapes and other recorded media for sound or other similar recorded phenomena	85.24
Television receivers (including video monitors and video video projectors) whether or not combined, in the same housing, with radio-broadcast receivers or sound or video recording or reproducing apparatus	85.28
Motor cars and other motor vehicles principally designed for the transport of persons	87.03
Special purpose motor vehicles, other than those principally designed for the transport of persons of goods	87.05
Photographic (other than cinematographic) cameras; photographic flashlight apparatus and flash bulbs other than discharging lamps of heading N° 85.39	90.06
Works of art, collectors, pieces and antiques	97
Tobacco and manufacture tobacco substitutes	24

(Source PTA/TC/CT/XIV/4 Appendix II)

APPENDIX 3

Goods requiring Export Licences

The following goods may not be exported without a licence:

1. Implements of war, (other than arms and ammunition), atomic energy materials of strategic value, and items of primary strategic significance used in the production of arms and ammunition and other implements of war:

Beryllium
Cobalt
Tantalum
Uranium
Lithium
Columbite
Niobium (columbium)
Thorium
Germanium
Titanium
Nickel and Nickel alloys

and any materials containing such metals.

2. Petroleum products
3. Wild animals, wild products (including animal trophies and wild animal birds or reptiles) and any eggs produced by such birds or reptiles
4. Beans meal
5. Sorghums, sorghum meal, sorghum salt
6. Groundnuts
7. Beans and Peas
8. Maize, including:
 - (a) dried maize, on or off the cob;
 - (b) crushed maize;

but excluding green maize on the cob

9. Maize meal including:

- (a) Maize grits;
- (b) Maize cones;
- (c) Maize offals;
- (d) Hominy chop

10. Munga, Munga meal (millets)

11. Oil seeds, oil meals, oil cake

12. Rice

13. Rupoko, rupoko meal (finger millets, gram or dhal)

14. Seeds for planting, in quantities of more than 90kgs.

15. Unmanufactured tobacco

16. Live fish, including the eggs and spawn thereof

17. Crocodile skins

18. Gemstones unmanufactured

19. Tea (including tea seeds)

20. Cassava

Appendix 4

Source : MALAWI EXPORT PROMOTION COUNCIL

During the period 1989 - 1991 Malawi has participated in the following promotional programmes :

A. *PTA/SADCC/IOC SUB-REGION TRADE FAIRS 1989 -1991,*

Country and Name of the fair	Estimated Value of serious enquiries	Measurable confirmed orders	Products Exhibited	Number of exporters exhibiting product
<u>Year: 1991</u>				
Zimbabwe Zimbabwe International Trade Fair (ZITF)	MK1.7M	MK1.5M	Nali sauce, Agric. produce melamine tableware, computer paper, footballs nets and twines blankets, beverages and handicrafts	18
Mozambique Maputo International Trade Fair (FACIM)	MK4.08M	-	Textiles, Agric. produce, PVC pipes, enamelware, beverages, computer paper, fishing nets and twines, brushware, Agricultural handtools, shoes confectionery	25
Namibia - The 1st Namibia Trade Fair	MK12.0M	-	Agric. produce, confectionery beverages, Nali sauces and African relish, garments and textiles, pharmaceuticals, fishing flies, plastic products and fishing nets	18
<u>Year 1990</u>				
Mauritius The 3rd PTA Trade Fair	MK1.6M	-	Hot chili sauce, Agric. products Canned fruits, confectionery, shoes, beverages, Enamel utensils, fishing flies, blankets, polupropylene bags, fishing & sporting nets, textiles	23

Mozambique Maputo International Trade Fair (FACIM)	MK3.6M	-	Agric produce, textiles, beverages, confectionery, fishing nets, PVC pipes, blankets, shoes, enamelware, Agric. handtools, knitted products, pharmaceuticals medicines.	30
Zimbabwe Zimbabwe International Trade Fair	MK400.000	MK1jOM	Beverages, netting products, Agric. products, textiles and garments, confectionery, Macadamia nuts, Charcoal burners.	15
Namibia Namibia International Trade Fair <u>Year : 1989.</u>	MK115,776	-	Textiles, blankets, netting products, shoes, fishing flies, agric. produce and garments	15
Tanzania - 13th Dar es Salaam Int. Trade Fair	-	MK200.700	Fishing nets, brushware, polypropylene bags, twines, agric. produce, agric. implements, mattresses, textiles, PVC pipes, body oils and starch.	13
Zimbabwe Zimbabwe International Trade Fair (ZITF)	MK1.06	MK25,920	Garments and textiles, fishing flies, earrings, footballs, computer paper, charcoal burners, nets, agric. produce, beverages, blankets	21
Botswana - The 1st Botswana International Trade Fair (BITEX)	-	MK3.8M	Agric. produce, timber, chillie sauce, animal feed, curios and artcrafts.	7

B. BUYER/SELLER MEET IN BOTSWANA (1989)

Date	Venue	Total confirmed orders received	Total potential orders received	Products	Malawi beneficiaries
10-14 April 1989	Gaberone Botswana	MK411,500.	MK811,500.	textiles	David Whitehead (M) Ltd
10-14 April 1989	Gaberone Botswana	MK140.722.	MK850,000	dhalls, rice, chillies,	Produce Comm. Exports & Imports Ltd

C. CONTACT PROMOTION PROGRAMMA FOR MALAWIAN PRODUCTS IN KENYA AND BURUNDI

Date	Total confirmed orders received	Products	Beneficiaries
9 th - 16th Nov 1991	US\$ 2.5M	PVC pipes, electrical components. Blockboard, plywood. Vegetable cooking oil Computer stationery Hide and skins Chillies, pulses, spices	Pipe extruders Viply Ltd Noil Ltd BP&P Comstat Liwonde Tannery Ltd J.F. Gomani and Company

Appendix 5.1

Malawi's trade with PTA countries

1984-1989
(MK' 000)

		1984	1985	1986	1987	1988	1989
Malagasy	Imports	-	-	-	-	-	-
	Exports	-	6	6	-	7	-
Mozambique	Imports	2,123	516	835	1,608	1,593	3,292
	Exports	7,160	5,797	18,361	4,213	10,697	1,810
Burundi	Imports	-	-	-	-	-	-
	Exports	1,443	819	958	1,082	7,128	6,995
Rwanda	Imports	-	-	-	-	-	-
	Exports	-	61	86	46	238	254
Angola	Imports	-	-	-	-	-	-
	Exports	-	876	-	150	109	118
Zimbabwe	Imports	103	125	51	7	24	42
	Exports	281	227	768	395	186	309
Kenya	Imports	877	1,191	1,019	972	4,857	3,155
	Exports	2,183	269	199	21	300	400
Tanzania	Imports	171	598	372	778	3,985	3,830
	Exports	1,216	685	2,656	828	2,232	1,026
Swaziland	Imports	3,340	279	483	5,585	6,188	6,211
	Exports	9	43	292	289	64	169
Uganda	Imports	1	-	-	-	-	-
	Exports	157	15	13	74	26	1,244
Zambia	Imports	19,028	8,333	7,162	15,902	19,684	44,100
	Exports	14,856	19,763	12,800	2,630	4,183	8,193
Lesotho	Imports	239	40	199	1,048	118	25
	Exports	166	95	257	21	268	129
Ethiopia	Imports	7	-	11	5	15	21
	Exports	108	2	20	16	-	4
* Republic of SA	Imports	154,524	194,837	139,222	226,391	337,765	514,400
	Exports	33,563	28,380	32,855	65,319	83,275	72,677

	1984	1985	1986	1987	1988	1989
Imports from PTA countries	61,808	40,866	32,238	62,639	90,338	141,398
Export to PTA countries	44,091	39,834	47,165	18,176	38,401	35,180
Exports as A% of imports (excluding RSA)	71%	97%	146,3%	29%	42,5%	24,9%
Total imports including R.S.A	216,332	235,703	171,460	289,030	428,103	655,798
Total exports including R.S.A	77,654	68,214	80,020	83,495	121,676	107,875
Exports as A% of imports (including R.S.A.)	35,9%	28,9%	46,7%	28,9%	28,4%	16,5%
Total trade with the Region (including R.S.A)	105,899	80,700	79,403	80,815	128,739	176,180
Total trade with R.S.A. (excluding PTA)	188,087	223,217	172,077	291,710	421,040	587,077
Total trade (including R.S.A.)		303,917	251,480	372,525	549,080	763,257

(Unable to obtain Botswana statistics, Namibia Trade virtually non existent)

Appendix 5:2

Malawi's trade statistics with P.T.A. countries -1989

A. Imports

<i>Country</i>	<i>Major products imported</i>	<i>Value MX</i>
Angola
Mozambique	Salt	<u>3,292,485</u>
	Coal	
	Natural Rubber	
Burundi
Rwanda
Zimbabwe		<u>80,722,197</u>
	Maize	25,826,316
	Starch	3,669,401
	Food preparations	
	Minerals	
	Dolomite	
	Gypsum	
	Coal	
	Coke	
	Petroleum products	
	Pharmaceuticals	1,100,000
	Fertilisers	4,100,000
	Plastic Rubber	3,900,000
	Raw skins	
	Paper and Paper products	5,780,000
	Metalised Yarn	1,290,000
	Clothing	1,640,000
	Stonement	
	Asbestos products	
	Ceramics and Glass	
	Iron and Steel Products	10,700,000
	Machinery	7,220,000
	Vehicles	5,500,000
Mauritius	Vegetables	<u>41,745</u>

Kenya		<u>3,154,882</u>
	Pharmaceuticals	
	Skins	
	Bottles	
	Turbine Hydraulic	
Tanzania		<u>3,830,000</u>
	Cement	
	Petroleum Products	
Swaziland		<u>6,211,000</u>
	Make Up	
	Preparations	
Uganda
Zambia		<u>44,330,000</u>
	Maize	24,100,000
	Cement	1,200,000
	Iron Ore	5,500,000
	Coal	1,140,000
	Petroleum Products	6,800,000
	Plastics	600,000
	Wire of Iron/Steel	540,000
	Copper	600,000
	Electric Lamps	500,000
	Tapes and Discs for recording	1,350,000
Lesotho		<u>24,705</u>
Ethiopia		<u>21,242</u>
Comoro		...
Somalia		...
<i>Total imports from P.T.A. States</i>		<i>141,398,256</i>

Summary

	<i>Value (MK)</i>
Total imports from all destinations	1,400,498,901
Imports ex. PTA states	141,398,256
Imports from R.S.A.	514,400,000
Imports as A percentage total exports (excluding R.S.A.)	10.1%
Imports as A percentage total imports (including R.S.A.)	46.8%

B. Exports

<i>Country</i>	<i>Major products exported</i>	<i>Value (MK)</i>
Mozambique		1,809,642
	Beer	
	Tobacco	
	Yarn	
	Hand Tools	
Burundi		6,994,604
	Sugar	
	Toilet Paper	
	Calendars	
Rwanda		253,744
	Sugar	
Angola	Twine/Rope	117,766
Zimbabwe		10,911,11
	Rice	2,800,000
	Tobacco	580,000
Mauritius	Vegetables	309,665
Kenya	Hand Tools	400.446
	Green Tea	400.446
Tanzania		1,025,534
	Cigarettes	
	Toothpaste	

	Plastics	
	Packaging Materials	
	Yarn	
	Garments	
	Electrical Lights	
Swaziland		168,502
Uganda	Assize Equipment	1,243,580
Zambia		8,193,046
	Vegetables	
	Coconuts	
	Coffee	
	Rice	
	Copra	
	Pharmaceuticals	
	Natural Rubber	
	Toilet Paper	
	Hand Towels	
	Buses	

Appendix 5.3

B. Exports

Country	Major products traded	Value (MK)
Lesotho		128,938
Comoro		93,995
Somalia		2,812
Ethiopia		4,309
Sudan		201,745
Total exports to PTA Country		35,180,460
Exports to R.S.A.		72,676,982
Exports to alia destinations		730,227,325
PTA exports as a percentage of total exports (excluding R.S.A.)		4.82%
PTA exports as a percentage of total exports (including R.S.A.)		14.98%

Appendix 6

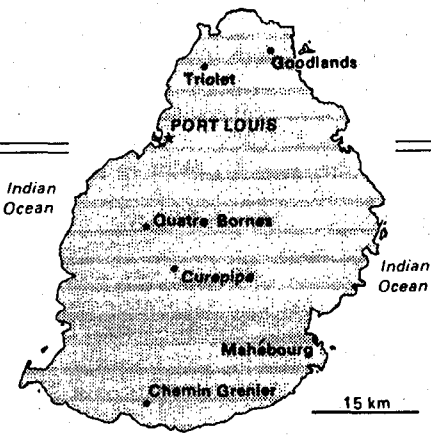
Financial institutions survey

Financial Institution	Types of Funds	Beneficiaries	Amount per lending period	Uses of funds	Loan period	Interest rates/ Commitmt fkes	Equity participation	Other remark
Indetrust	Term loan, Equity fixed deposit	Limited liability companies and fixed deposit taking institutions	No less than K 500,000 tat no upper limit	Project expansion, capital equipment acquisition, new project finance.	5-10 years	Vary with type of loan. No commitment fees	Not required	Not applicable
Old mutual	Loan and Equity Finance	Limited liability companies with a proven financial track record	Not less lan K 200,000	To finance purchase or construction of commercial buildings (offices, warehouses, factories and shops)	Not less than 5 years and not more than 15 years depending on the size and nature of the project.	Up to 3% p. a. floating above the commercial banks'prime lending rate with a fixed minimum below witch theeffectiverate would not fall. Up til% commitment fee.	Only as a minority shareholder	Loan amount is up to 60\$ of the certified value of commercial buildings offered as security or 100% funding if loan is guaranteed by a Government or a commercial bank.
National Insurance Company Ltd.	Medium and long term loans	Limited liability companies in productive economic sector. Only existing companies in operation are considered.	From K 500,000 to K 5 million	Working capital, Buying/Construction of commercial or residential buildings, purchasing capital equipment.	5 years to 15 years	Vary with type of loan and security between 1.5% to 3% above Prime lending rates of commercial banks.	5% to 10% of any existing operation.	Security: Legal Mortgage on property in witch case lending will be limited to 60% of current market value of the property, Bank or Coiporate Guarantee
Indebank	Loan & Equity finance for viable investments projects	Limited liability companies in productive economic sectors	Minimum K 200,000 maxcimum is variable but currently fixed at 4,200,000.	Financing new projets and/or expansion of existing projects	Not normally shorter than 3 years nor longer than the economic life of main asset on which the loan is secured	Interest rates vary with the type of the loan. Investigation diargesmaynot exceed 1.5% of bank's proposed investment.	Project sponsor to provide at least 25% of the project cost.	a) Bank gives up to 50% of capital requirement ofa project b) Bank can also give up to 60% of capital requirement in the expansion of an existing project to maximum lending limit

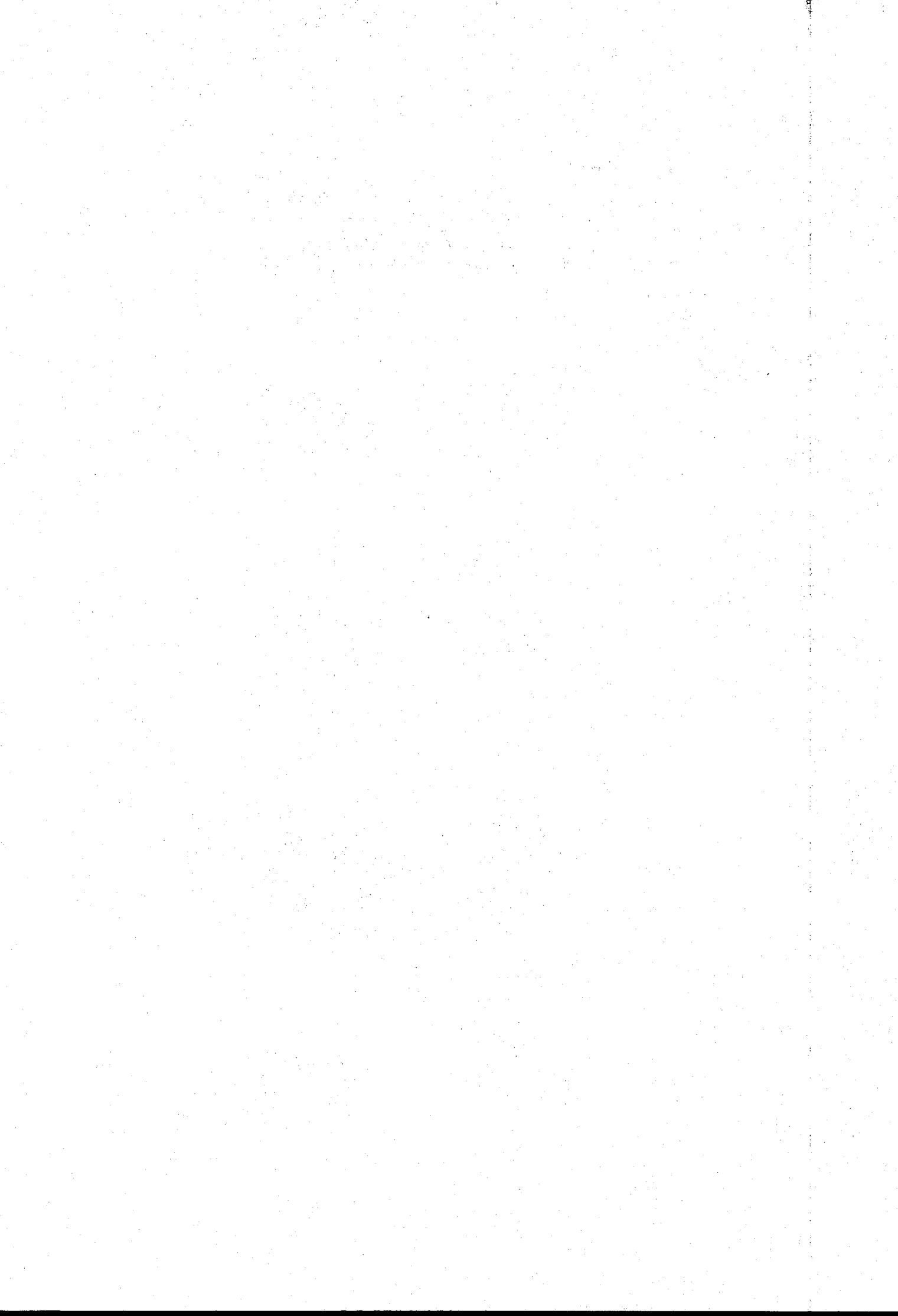
Financial Institution	Types of Funds	Beneficiaries	Amount per lending period	Uses of funds	Loan period	Interest rates/ Commitment fees	Equity participation	Other remarks
Leasing & Finance Company	Lease Hire	Business entities	Cost of equipment purchased	Purchasing capital Equipment	Lease period of 6 to 60 months. The period being dependent on the maximum depreciable life of an asset, business financial status, future projected cash flow.	Interest rates depend on the leased item, its value and the lease period. No commitment fee	Not required	Repayment may be monthly, quarterly, semi-annually to suit one's cash flow.
Commercial Bank of Malawi	Overdraft loan facilities	Customers of CBM ■ individuals, partnerships, firms or limited companies	No limits but depends upon purpose. ODs are reviewed annually or earlier where necessary.	Bridging finance, working capital, seasonal finance, trade finance.	Short term up to 2 years; medium term up to 5 years; tag term up to 10 years.	Variable upwards from the current Base Rate of 21%	Not applicable	Tangible security-invariable required
National Bank of Malawi	Overdraft loan facilities	Customers of NBM ■ individuals, partnerships, firms or limited companies	No limits but depends upon purpose. ODs are reviewed annually or earlier where necessary.	Trade finance, business development, capital expenditure, working capital.	Generally limited to no more than 6 years.	Variable upwards from the current Base Rate of 21%	Not applicable	Tangible security-invariable required
SEDOM	a) Mini loan	Small entrepreneurs	Up to K 5,000	Working Capital	1 year	Interest-18%	20%	Very minimal security needed
	b) Term loan	Small entrepreneurs	K 5,001 to K 100,000	Acquisition of capital goods and infrastructure	Up to 10 years	Interest-18%	20%	May attract pledges of substantial securities
	c) Leasing finance	Small entrepreneurs	Any amount up to K 100,000	Purchase of SEDOM leased capital equipment	Depending on one's cashflow.	Interest- 18%	Not required	Repayment to be done through proceeds of particular contract
	d) Building contractors finance	Building contractors	K500-K 10,000. It is only a standby facility	Commercial construction or maintenance of buildings.	Depending on cash flow	Interest: 18% for urban areas, 16% for rural areas, 20% for borrowers granted loans over two times	Not required	Not required

Financial Institution	Types of Funds	Beneficiaries	Amount per lending period	Uses of funds	Loan period	Interest rates/ Commitmt fkes	Equity participation	Other remark
	e) Workshop finance	Entrepreneurs using expensive rented premises	Any amount up to K 100,000	Constructing workshop	Medium to long term	10% Flat rate	20%	SEDOM noimally takes security over title document of property
	o) Credit guarantees	Existing and new clients in need of a commercial bank overdraft facility	K 2,000 to K 50,000	To compensate one's fluctuating cash flow	Depends on commercial bank's Overdraft period for the amount	Depends on Bank	20%	SEDOM guarantees repayment of 80% of loan if default
	g) Equity participation	An economically attractive project failing to take off due to equity deficiency					<i>m</i>	





Mauritius



1. INTRODUCTION

1.1 Commitment to regional integration

From the 18th century to the 1980s the sugar industry constituted the backbone of the Mauritian economy. In the 1960s, when the pressures of the growing population were being felt on the 1,865 square kilometre island, the Government turned towards economic diversification to reduce the country's overdependence on the monoculture of sugarcane. Towards the end of the 1960s, an industrial strategy based on import-substitution industries was adopted with the introduction of the Development Certificate (DC) Scheme. However, it was soon realised that the industrial spurt would rapidly be limited by the insular narrowness of the domestic market. The policy emphasis thus logically shifted towards the promotion of export oriented industries and the Export Processing Zone (EPZ) Scheme was launched in 1970. But it was from 1983 that the EPZ and the Mauritian economy as a whole experienced a boom.

In 1983, when the world economy started to recover, Mauritius had important assets, among which a cheap, plentiful and literate labour force, quota- and duty-free access to the EEC markets through the Lomé Conventions, relatively easy access to the US markets and unspoilt beaches and lagoons. Numerous foreign and local investors, attracted by the fiscal and financial incentives being offered, set up mainly textile - manufacturing enterprises in the EPZ sector and established international-class beach hotels. In 1991, EPZ exports totalled Rs 12,136 million (US\$ 772 million) while sugar exports amounted to Rs 5,221 million (US\$ 332 million) and tourism brought in Rs 3,875 million (US\$ 247 million).

Today, Mauritius has reached a full employment situation. Labour is scarce and increasing pressure on wages and salaries is being felt. Exporting industries are losing their competitive edge because of the increasing costs of production. Trade barriers are being dismantled and the current GATT negotiations could have serious repercussions on the sugar and export manufacturing sectors in the long run.

Mauritius, therefore, has to go beyond its own shores and build up a broader economic base together with its neighbours. For this reason, Mauritius, which is a founding member of the Indian Ocean Commission (IOC) and of the Preferential Trade Area for Eastern and Southern African States (PTA), is fully committed to the two regional organisations and firmly believes in regional cooperation and integration. It has, in this respect, made great effort to implement decisions made by the policy organs of the organisations. However, on account of the slow pace at which other member countries are implementing the same decisions, Mauritius is not enjoying reciprocity.

It would be desirable that all parties to the common decisions taken, move in tandem and that the process of achieving a common market, as regards PTA, be accelerated. Mauritius welcomes this study which comes at an opportune time and is confident that policy makers and economic operators can together build regional integration.

1.2 Approach

Our approach consisted of the following phases :

- Survey of constraints as they have been identified in existing reports and other literature, and of proposed actions as they have been recommended in the reports.
- Interviews of investors, traders, officials from public institutions and private institutions, officers responsible for administrative procedures, persons providing support services to investors and traders, so as to identify constraints broadly.
- Identification of constraints and potential to export and import through a survey of members of Mauritius Chamber of Commerce and Industry.
- Confirmation, in concrete terms of the constraints identified, through a products' approach and formulation of remedial actions.

It should be pointed out that the full collaboration and support of persons interviewed was obtained. The importance of the TWG's task had been explained at a press conference held on 28 June 1992. Many businessmen expressed concern about the slow progress of the IOC and the PTA and also expressed the hope that the recommendations of the study would focus attention on the compelling need to remove constraints on fuller economic cooperation and integration. They further urged that the commitment of all, in each country, should be renewed in achieving this common objective.

1.3 Summary of Action Plan

Action	Responsibility	Timing	Financial assistance
<i>INVESTMENT</i>			
1. Ratify the PTA Multinational Industrial Enterprises Charter	Government of Mauritius	ST	
2. Assess implications of simplifying procedures for permission to invest (Reduce delay to 20 days maximum)	Government of Mauritius	ST	
3. Assess implications of simplifying procedures for work and residence permits (Reduce delay to 30 days maximum)	Government of Mauritius	ST	
4. (a) Consider having sub-region Chambers of Commerce and Industry issue credentials to businessmen applying for entry visa	CCIs/Ministry of External Affairs	ST	

(b) Issue one year multi-entry visas to businessmen	Government of Mauritius	ST	
5. Specify, in appropriate legislation, the delay within which an applicant for a Development Permit should receive a reply to his application	Government of Mauritius	ST	
6. (a) Make one-stop shop more effective	Government of Mauritius	ST	
(b) Disseminate information about facilities of one-stop shop in investment brochure	MEDIA	ST	>
7. (a) Publish information notes on sectors of local market where foreign investment is allowed	Ministries concerned	ST	
(b) Elaborate investment code which will define clearer criteria for permission to engage in activities tapping all sectors of local market	Ministries concerned	MT	
8. Assess possibility of allowing foreign investors to invest more than 30 % in equity capital of an ESZ company	Ministry of Trade and Shipping	ST	
9. Allow commercial banks to take the risk of granting term loan facilities according to a higher ratio than what is currently permitted	Ministry of Finance	ST	
10. (a) Examine implications of simplifying procedures for transfer of shares.	Government of Mauritius	ST	
(b) Take action to reduce delay in approval	Bank of Mauritius	ST	
11. (a) Simplify procedures for transfer of shares, in line with action #2	Government of Mauritius	ST	
(b) Take steps to speed up processing of dossier	Bank of Mauritius	ST	
12. Request, from Malagasy authorities, multi-entry visa valid for one year for Mauritian businessmen	Prime Minister's Office and Ministry of External Affairs	ST	

13. Sign double-taxation treaties, initially, with IOC and PTA countries and make them effective without delay	Ministry of Finance	ST	
14. (a) Disseminate available information on investment schemes in sub-region countries	MEDIA/MCCI	ST	
(b) Elaborate a guide on all investment schemes implemented in IOC, PTA and SADC countries. Include South Africa	IOC, PTA, SAADC Secretariats	ST	Donor countries and agencies
(c) Sub-region countries with large local market to include incentives for import-substitution industries in their investment schemes.	Governments of sub-region countries	ST	
15. Create a revolving fund for feasibility studies of projects having a regional impact	Private sector organisations	ST	Donor countries and agencies
<i>TRADE</i>			
1. Work out a scheme for the liberalisation of import control by Zimbabwe, Kenya, Zambia, Uganda, Tanzania, Mozambique, so that increased trade on a reciprocal basis can be achieved with countries not practising restrictive import policies	Government of concerned countries	ST	
2. (a) Accelerate study on Common List goods and its implementation	PTA policy organs	ST	
(b) Accelerate process of gradual elimination of tariffs	PTA policy organs	LT	
3. Harmonise tariff cuts to be proposed by IOC with existing tariff reductions of PTA	IOC policy organs	MT	
4. Request, from South Africa, reciprocity for preferential treatment for our exports	Ministry of External Affairs	ST	
5. Consider lowering value added criteria to 30 % of ex-factory costs or amend wording to 40 % of ex-factory prices	PTA policy organs	MT	

6. (a) Organise/follow up buyer-seller meetings; initiate market surveys prior to on-field visits; encourage businessmen to visit sub-region countries	MEDIA/MCCI	ST	
(b) Set up a fund to finance organisation and follow up of buyer-seller meetings as well as market surveys	MEDIA/MCCI	ST	Donor countries and agencies
7. (a) Disseminate information on PTA more aggressively	MEDIA/private sector organisation	ST	Donor countries and agencies
(b) Publish a free information sheet on PTA affairs	MEDIA	ST	Donor countries and agencies
(c) Operate a PTA antenna in a private organisation	Private sector organisation	MT	Donor countries and agencies
8. (a) Update TINET more rapidly	PTA Secretariat/ITC	ST	
(b) Include information on transport	PTA Secretariat/ITC	MT	
(c) Set up TINET in Chambers of Commerce and Industry of all PTA countries without delay	PTA Secretariat/ITC	ST	
9. Make better use of existing computerised facilities so as to produce handy information for traders	Ministry of Economic Planning and Development	ST	
10. Extend the use of the fund created in 6(b) to financing participation of traders in buyer-seller meetings	MEDIA/MCCI	ST	Donor countries and agencies
11. (a) Accelerate proposed telecommunications projects of IOC, PTA and ECA	IOCC, PTA and ECA Secretariats	ST	
(b) Make available to Mauritian utilizers of telephone directories of sub-region countries	Mauritius Telecom Ltd	ST	

(c) Update telephone directories regularly	Concerned authorities of sub-region countries		
12. (a) Implement norms and standards of EEC	IOC member countries	MT	
(b) Accelerate implementation of ARSO projects	ARSO member countries	MT ■	
13. Disseminate up-dated and complete information on shipping routes	MEDIA/MCCI/ Association Professionnelle des Transitaires TINET/FCCI	ST	
14. Implement projects on sub-region maritime services without delay when studies are completed by PTA	IOC and PTA Secretariats	MT	Donor countries and agencies
15. Include assessment of a freight groupage service within sub-region in study to be undertaken by PTA	PTA Secretariat	ST	
16. Study joint venture projects that could be implemented to collect and package perishable products	Private sector organisation	ST	Donor countries and agencies
FINANCE AND PAYMENTS			
1. Organise awareness seminars on PTA banking procedures for bank staff and traders	MEDIA/MCCI/ Ministry of Trade and Shipping	ST	Donor countries and agencies
2. Improve general awareness of PTA Clearing House facilities available to services sector	MEDIA/private Sector organisations/ BOM	ST	Donor countries and agencies.
3. Consider extending mechanism of PTA Clearing House to non-PTA members in the sub-region	PTA policy organs	ST	
4. Eliminate 'Stop Payment' practice regarding UAPTA travellers cheques	PTA Clearing House	ST	

5. Accelerate establishment of Mauritius Export Finance Corporation and ensure flexibility in operating schemes	Ministry of Finance	ST "	
6. Revise conditions of DBM Export Credit Insurance Scheme	Ministry of Finance	ST	
7. Allow trading of all convertible currencies through foreign currency accounts	Ministry of Finance	ST	
8. Allow freeport and trading companies to use forward exchange cover facility	Ministry of Finance	ST	
9. Conduct a seminar on PTA Bank's operations and facilities; make information available to MEDIA, MCCI, commercial banks, consultancy firms	PTA Bank	ST	
<i>INSTITUTIONS</i>			
1. Establish TWO as a permanent forum on regional integration	Government/private sector institutions	ST	Donor countries and agencies
2. Increase Collaboration between MEDIA and MCCI regarding market surveys and organisation/follow up of fairs and buyer-seller meetings ,	MEDIA/MCCI	ST	■■■■, ■■■■: ■
3. Give possibility to Chambers of Commerce and Industry and to FCCI to raise funds and to act autonomously	Government of sub-region countries	■ ST ■■	
4. Strengthen and promote autonomy of Secretariats of sub-region groupings and give possibility and means to the secretariats to recruit the best people	Sub-region groupings policy organs	, ST	
5. Consolidate existing consultancy firms; establish network of consultancy firms. Involve local and sub-region expertise in donor financed projects	PTA and IOC Secretariats/donor institutions	ST	

6. Conduct appropriate training programmes to improve technical and managerial skills/entrepreneurial abilities of officials/members of private sector organisations. Use sub-region professional and technical expertise	PTA and IOC Secretariats/ private sector organisations	ST	Donor countries and agencies.
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2. ANALYSIS OF CURRENT SITUATION

2.1 In the area of investment

2.1.1 Investment flows

Investment in Mauritius from abroad has grown steadily from Rs317 million (US\$ 23,3 million) for the year 1988 to Rs601 million (US\$40 million) for 1990. The main investing countries have been Hong Kong, France, Taiwan and Germany. Investment from the sub-region comes from Réunion, South Africa, Namibia, Zimbabwe, Seychelles and Madagascar, and has increased gradually from 6 % of total foreign investment in 1988 to 9,6 % in 1990 (Appendix A1.1). The IOC countries contributed a greater share of the investment from the sub-region over the three years (76 %) while one PTA country, Zimbabwe, accounted for 2,4 %, Namibia for 13,6 %, and South Africa for 17,9 %.

Investment in other sub-region countries from Mauritius tripled from 1988 to 1991 when it reached Rs21,1 million (US\$ 1,4 million). The investment is concentrated in the IOC countries (90 % over the three years), and the rest in South Africa. One company invested in tourism in Seychelles as far back as 1976. Investment from Mauritius is in tourism and in manufacturing, and principally in the Export Processing Zone of Madagascar which offers attractive incentives schemes, as well as abundant and cheap labour. Had Madagascar not been affected by political unrest recently, several investors based in Mauritius, who had already obtained authorisation from the Malagasy authorities to set up their companies in the EPZ, would have started their operations there.

Due to the increasing labour and productivity problems in Mauritius, investors from Mauritius are quite prepared to consider investing in other countries of the sub-region. However, they would have to be satisfied that the countries where they would invest could ensure the following in addition to attractive economic advantages and investment schemes :

- free repatriation of capital and profit
- guarantee against nationalisation
- political stability
- good infrastructure
- security for the person
- facilities to import raw materials

The Government is conscious of the fact that investors in Mauritius need to expand their operations in countries offering the above advantages and guarantees. Formalities to obtain approval from the Bank of Mauritius (Appendix A1.3), therefore, do not constitute a problem for outward direct investment. In line with its liberalisation policy and the move to encourage further regional investment in neighbouring countries, the Government has, as from 1 July 1992, reduced the transfer tax that has to be paid by resident investors from 15 % to 5 %.

2.1.2 Existing investment schemes

Over the years, the Government has introduced various incentive schemes aiming to encourage both local and foreign investors to establish manufacturing and service industries in Mauritius. Under these schemes (listed below), promoters can take advantage of financial, fiscal and other benefits. The schemes do not grant any special advantage or facility to sub-regional investors. Project promoters applying for benefits under these schemes need to submit their projects to the approval of special committees of concerned ministries, e.g. the Industrial Development Committee of the Ministry of Industry and Industrial Technology. A summary of the contents of the schemes is given in Appendix A 1.2.

- The Export Processing Zone Scheme (1970) was established to promote an economic diversification based on export-oriented manufacturing and processing industries.
- The Development Certificate Scheme (1974), initially aimed at promoting import-substitution industries; in subsequent years, priority has been given to projects furthering the development of tourism and agriculture.
- The Export Service Zone Scheme (1981) aims at encouraging export-oriented service enterprises.
- The Hotel Management Incentives Scheme (1981) aims at attracting managerial and marketing expertise in the hotel industry. It applies to any company which proposes to provide specialised managerial services in either a new hotel or in an existing hotel complex to which new rooms are added.
- The Pioneer Status Scheme aims to boost the development of the electronics assembly industry microtechnics including horological products, light engineering, and informatics, together with their related service and maintenance industries.
- The Offshore Certificate which is designed to promote offshore business activities (banking, insurance, funds management, etc.)
- The Freeport Certificate authorises such activities as warehousing and storage, breaking bulk, sorting, grading, cleaning and mixing, labelling, packing and repacking, minor processing and simple assembly.

2.2. In the area of trade

2.2.1 Trade practices

Mauritius enjoys a free trade regime. As from 1 August 1992, customs export and import procedures have been further simplified (Appendix A 2.2), resulting in a reduction in the length of time

required to complete procedures. Export or import permits are not required any more prior to exporting or importing, except for some controlled goods.

2.2.2 Trade Flows

Total exports by Mauritius amounted to Rs18,673 million (US\$1,189 million) in 1991 and in 1987 to Rs13,465 million (US\$1,035million), i.e. an increase of 39 %, while imports amounted to Rs24,650 million (US\$1,569 million) in 1991 and to Rs13,092 million (US\$1,006 million in 1987, i.e. an increase of 88 %.

Mauritius exports mainly to the EC and to USA. Exports to the sub-region are very low (Appendix II): 4.8 % of total exports in 1991 despite a 70 % increase from 1989 to 1991. Exports to IOC countries (Réunion, Madagascar, Comoros*, Seychelles) have increased from Rs390 million (US\$25.3 million) (2.6 % of total exports) in 1989 to Rs672.5 million (US\$42.8 million)(3.6 % of total exports) in 1991, thus showing a slight progression in their share of total exports. Exports to PTA countries have grown from Rs57.3 million (US\$3.7 million) in 1989 to Rs146.4 million (US\$9.3 million) in 1991, and have thus doubled in relation total exports : 0.38 % and 0.78 % for these two years respectively.

Mauritius imports mainly from EC countries (70 % of total imports in 1991). Imports from sub-region countries constituted 14.2 % of global imports in 1991, of which 11.7 % were accounted for by South Africa only, 1.3 % by PTA countries and the rest, 1.2 % by IOC countries (Appendix A 2d). Imports from PTA countries have decreased slightly in 1991 after having increased substantially from Rs136.4 million (US\$8.8 million) in 1989 to Rs339.1 million (US\$22.6 million) in 1990. Imports from IOC countries have almost tripled from 1989 to 1991.

Several products can potentially be exported to and imported from sub-region countries. However, constraints described in Section 4, need to be removed.

2.3 In the area of finance and payments

2.3.1 Banking and trade financing

Together with measures to modernise the financial system, steps have been taken by the Government to further liberalise exchange control. There is now no foreign exchange control on current international transactions. Commercial banks are authorised to effect payments for import of goods and¹ to establish credits in favour of non-residents in respect of imports . They do not require the prior approval of the Bank of Mauritius to arrange for settlement of imports (not even for any advance payment) and there are no limits on the amounts that may be settled.

* Comoros is classified as an IOC country in our study

The Exchange Control Section of the Bank of Mauritius controls the repatriation of export proceeds through the CD3 form which has to be submitted to commercial banks by the exporter. The completed form is returned to the Bank of Mauritius by commercial banks after export proceeds are received.

The limit of travel allowance of Rs200,000 (US\$12,730) per person (in case of Mauritian residents) during a period of two calendar years has been abolished as from 1 July 1992.

Capital transactions by local residents are being gradually liberalised. As from 1 July 1992, the Capital transfer tax has been reduced from 15 % to 5 % but prior approval from the Bank of Mauritius is still required. It is easier to obtain approval for capital transfers to countries forming part of regional cooperation agreements. There has been a precedent case where no capital transfer tax was paid by a company investing in another Indian Ocean country.

Foreign investors are now allowed to repatriate their capital, including capital gains, without payment of the 15 % capital transfer tax and without prior approval of the Bank of Mauritius.

Exchange control is not applicable to offshore activities.

2.3.2 Foreign exchange reserves

The tightening up of the exchange control was due to the adverse foreign exchange reserves situation prevailing in Mauritius. The current liberalisation process is due to the accumulation of reserves.

The level of foreign exchange reserves of Mauritius has steadily increased from Rs3,193.1 million (US\$245.4 million) at the end of June 1987 to RS12,182.7 million (US\$775.5 million) at the end of June 1991. This represented the equivalent of 25 weeks of imports, showing a strengthening of our import coverage.

2.4 In the area of institutions

2.4.1 Need for institutional support

Economic operators in Mauritius are quite dynamic, show a good sense of initiative and have played their role in the economic development of the country. They are well organised into various institutions which safeguard and promote their interests (e.g. Mauritius Chamber of Commerce and Industry, Mauritius Employers Federation, Mauritius Export Processing Zone Association, etc.). These institutions are their representatives for consultations with the Government on economic issues of national interest.

2.4.2 Existing trade and investment institutions

In Mauritius, the Chamber of Commerce and Industry (MCCI) is well structured and fully plays its role as representative of the private sector. It is also active in promoting regional cooperation. The EPZ companies have also their own representative, as the Mauritius Export Processing Zone Association (MEPZA). The latter's objective is mainly to promote its members' interests; it is not really involved in cross-border investment promotion. In the public sector, the Mauritius Export Development and Investment Authority (MEDIA) aims to promote exports and to encourage investment. MEDIA'S efforts have been mainly targeted towards Europe and the USA as far as exports are concerned and towards Europe and the Far East as regards investment in Mauritius, but it has started to gear its export and investment promotion strategies to the PTA market.

The IOC Secretariat-General, which was set up in June 1989 in Mauritius, follows up, promotes and coordinates projects implemented within the IOC. Having the Secretariat-General based in Mauritius makes it easier for the country to have a direct interlocutor on IOC affairs. The Secretariat-General is now increasing its scant staff force to ensure closer monitoring and speedier implementation of projects. ;i

The PTA, which has accomplished much in institution building, is now re-thinking and reprioritising its objectives and strategies so as to provide a new framework which will dynamise economic cooperation and integration. In this context, it would be desirable that the PTA Secretariat uses a private sector organisation as an antenna to facilitate closer links between the Mauritian private sector and the Secretariat.

3. CONSTRAINTS AND PROPOSED ACTIONS IN RELATION TO INVESTMENT

3.1 Investment in Mauritius from the sub-region

3.1.1 Charter on Multinational Industrial Enterprises

In November 1990, the PTA Authority adopted and signed the Charter on Multinational Industrial Enterprises (MIE) to give certain benefits to approved MIEs such as ability to transfer capital funds, both inward and outward, visas, residence and work permits to employees of MIEs as well as repatriation of salaries, etc. Mauritius has not yet signed this Charter, but notwithstanding the Charter, Government policies encourage inward and outward investment to and from Mauritius, and do not discriminate between sub-regional investors and investors from other countries as far as procedures are concerned. Mauritius should ratify this Charter to encourage and facilitate, even more, cross-border investment from sub-region countries.

3.1.2 Permission to invest

The foreign investor obtains permission to invest by applying for permission to acquire shares in a company. Red tape and delays in obtaining the permission to invest are not, per se, a real constraint to investment as the foreign investor is only confronted with them at implementation stage, when the decision to invest has already been taken. Moreover, the investor can also choose to take advantage of a certain degree of flexibility in the application of regulations, i.e. to start operating before obtaining all the required administrative clearances (Appendix A 1.5). However, should some unforeseen difficulty occur, the situation can quickly become very complicated, causing lengthy delay. This has sometimes led to projects being abandoned.

The time taken to authorise the purchase of shares in a new company could be reduced to 20 days, or less, if the following procedures were adapted. After the Industrial Development Committee has given its technical clearance for a project, a committee could be responsible for granting final permission to acquire shares to the potential investor. Approved Status for the investment could also be automatic once permission to invest has been obtained from the committee.

The committee would be composed of representatives of all institutions and Government agencies from which clearances have to be obtained, and would be given full authority to discharge its responsibility. It should be pointed out that since the Government has decided that, as from 1 July 1992, all foreign investors will be allowed to repatriate their capital, including capital gains, without payment of the capital transfer tax and without prior approval from the Bank of Mauritius, the Approved Status for foreign investment becomes, in our opinion, unnecessary and should not be required. Because of the complexity of the problem, it is proposed that the Government examines in more details the implications that a streamlining of the procedures would entail.

3.1.3 Work and residence permits

Obtaining work and residence permits is a very lengthy process (Appendix A 1.4) which could act as a disincentive to expatriates for example when they wish to open a bank account for the banking of their salary or when they travel abroad. Here also, flexibility in the application of regulations allows the foreign employees complete mobility in and out of the country even before the work and residence permits have been obtained.

Approval of work and residence permits could be given within 30 days maximum if the procedures were simplified along the following lines. The promoter would submit a complete dossier on his project to the one-stop shop. He would include the names and profile of the expatriates the company would employ. The Industrial Development Committee would give technical clearance to projects requesting for incentives under the different existing incentives schemes. The one-stop shop would direct the necessary information on the expatriates to the Passport and Immigration Office which would check on whether the expatriates have been convicted of any criminal offence before. The clearance from the Passport and Immigration Office would be passed on to the Ministry of Civil Service Affairs and Employment by the one-stop shop. The committee consisting of representatives of all institutions and Government agencies would give the clearance for the work and residence permits.

Again, the Government should assess more fully all the implications of a streamlining of procedures. The ratification of the Multinational Industrial Enterprises Charter would also make work and residence permits automatic for sub-regional investors. Application would only be for recording purposes!

3.1.4 Entry visa

The granting of an entry visa is subject to tight control which, in some cases, acts as a disincentive to prospective investors. The Government has not ratified the PTA Protocol on Relaxation and Eventual Elimination of Visa Requirements.

It could be considered to have the chambers of commerce and industry of sub-region countries issue credentials to businessmen wishing to submit an application for an entry visa to any sub-region country. Immigration authorities would feel more confident about the seriousness of the applicants and, at the same time, chambers of commerce and industry would be able to follow up the businessman's visit. One year multi-entry visas could then be issued to businessmen from the sub-region countries. - 1:

3.1.5 Administrative formalities for other clearances

Applications for the different licences and utilities required prior to the start of operations of a factory are fairly straightforward, and approval is given within a reasonable length of time (**Appendix A 1.5**). However, the procedure for the application for the Development Permit required from the local authorities tends to be heavy and to take time, but does not affect the decision to invest. Again, the project promoter is only confronted with the problem during implementation of the project. A Development Permit is normally required when a company begins its operations. Under the present system, since the company is a different entity from the owner of the building, a Development Permit is required even though the owner of the building would have already obtained a Development Permit for industrial purposes at the time the building was constructed. Because of the time taken to obtain the Development Permit, most investors take, the risk of beginning their operations before obtaining the permit.

It should be possible for the applicant of a Development Permit to consider that his application has been approved if no reply is obtained within a delay that should be specified within the appropriate legislation.

3.1.6 One-stop shop

The one-stop shop aims to facilitate and to speed up formalities for foreign investors. However, it is not working as in other countries, where a promoter can obtain all the required clearances, permits, and utilities in a few days. Industrial zones where utilities such as water, electricity, telephone, etc., are readily available are not common in Mauritius. It is, therefore, difficult for the one-stop shop to grant such services with minimum delay. Since its establishment, the one-stop shop has been acting as a coordinating body between all the ministries concerned with procedures and has, therefore, helped in reducing delays.

The one-stop shop could become more effective in ensuring that the promoters obtain all required clearances, etc., if it operated in the following way. A complete dossier would be submitted to the one-stop shop by the investor. The one-stop shop would ensure that complete information is provided to the investor. It would then submit the project to the Industrial Development Committee for approval. After approval is obtained, it would liaise with all the Government services and other organisations to request the necessary verifications be made, e.g. Passport & Immigration Office could check on the moral standards of the expatriates to be employed. Once all the preparatory work is completed, the one-stop shop would convene the committee (referred to in point 3.1.2) to grant required authorisations. As regards utilities, the one-stop shop would be limited to following up the formalities with the concerned organisations which should give priority to investment projects.

To encourage investors to solicit the services of the one-stop shop, MEDIA could provide information about its facilities in a brochure for investors.

3.1.7 Limitations concerning the local market

As a matter of policy, applications for foreign investment in economic activities within the domestic sector (trading and commercial, travel agency, restaurant and snack bar) is normally not allowed. But permission is given if a project for the domestic sector is considered beneficial for the country, with a limitation of 49 % of equity capital.

The ministries concerned should publish information notes to provide guidelines to foreign investors as to the activities in which they can invest. Furthermore, the different ministries concerned should work on an investment code that would define clearer criteria for granting permission.

3.1.8 Limitations concerning the export of services

The maximum allowable investment in an Export Service Zone (ESZ) company is, in practice, 30 %. However, there have been instances where foreigners have bypassed the limitation by investing through nominees. The Ministry of Trade and Shipping should assess the possibility of allowing foreign investors to invest more than 30 % in an ESZ company engaged in activities from which the country could benefit.

3.1.9 Financial limitations

Commercial banks are allowed to give to non-residents overdraft facilities to the tune of 100 % of their share capital without the approval of the Bank of Mauritius. But for term loan facilities, Bank of Mauritius permission is required. Even then, the maximum which is normally approved is 150 % of their equity.

With the current liberalisation process of exchange control, authorities should leave it to the **commercial banks to decide whether they wish to take the risk of granting a higher proportion of term loan facilities.**

3.1.10 Transfer of shares

Foreign investors disposing of shares or purchasing shares in a company already in operation, have to go through complex and lengthy procedures when a Bank of Mauritius approval is required (**Appendix A 1.6**). This often discourages foreigners from investing in such companies. The procedures have even been detrimental to companies in financial difficulties which investors wanted to take over as a going concern. The investors abandoned the idea due to the tediousness of the procedures. It has been reported that the Bank of Mauritius takes considerable time in examining the accounts of the company.

Procedures definitely have to be simplified. In addition, the Bank of Mauritius should take the necessary steps to speed up clearance on its side. In any case, since prior Bank of Mauritius approval is not required any more for repatriation of capital and capital gains by foreign investors, procedures concerning exchange control regulations become unnecessary.

3.2 Investment from Mauritius to the sub-region

3.2.1 Entry visa

As indicated earlier, because of the labour and productivity problems in Mauritius, investors are eager to consider investing in other countries of the sub-region, especially Madagascar and to a lesser extent, Comoros. Presently, Madagascar is the only IOC country requiring an entry visa even for short stays.

Considering the potential number of businessmen from Mauritius who are interested in the opportunities offered by Madagascar, Mauritius could request that multi-entry visas valid for one year be granted to Mauritian businessmen. Similarly, sub-region countries requiring entry visas could grant the same facility to businessmen.

3.2.2 Double taxation agreements

The only PTA country with which Mauritius has signed a tax treaty is Zimbabwe; this treaty is to become effective in the first week of November 1992. A tax treaty was entered into with South Africa in 1946 and still remains in force.

More inducement should be provided for businessmen from Mauritius to invest in countries of the sub-region where investment opportunities are interesting. Double-taxation agreements should be entered into, more particularly with IOC and PTA countries, and should be made effective without delay.

3.2.3 Investment schemes in sub-region countries

Businessmen are not well aware of incentives offered by investment schemes existing in other sub-region countries. In addition, several of these investment schemes have been inspired by the Export

Processing Zone Scheme of Mauritius and are export-oriented while the large local markets in these countries could benefit from the setting up of import-substitution industries.

Available information on investment schemes applicable in sub-region countries should be disseminated by the MEDIA and the MCCI in the very short term. A guide on all investment schemes applicable in the sub-region should be elaborated by the PTA, IOC and SADC Secretariats and should include investment schemes in South Africa.

The investment schemes applicable in these countries should allow and encourage investment in activities supplying the local market. Foreign exchange on import of certain goods would thus be saved, and sub-regional economic integration would be promoted.

3.2.4 Regional projects

Mauritius, which has developed expertise in some sectors of activity such as agriculture, could contribute its expertise for projects having a regional impact, and could set up these projects through joint ventures with other countries. A revolving fund which could be used to finance the feasibility studies of such projects should be set up and placed under the responsibility of private sector organisations.

4. CONSTRAINTS AND PROPOSED ACTIONS IN RELATION TO TRADE

4.1 Import licensing

The restrictive import licensing policies of several countries of the sub-region, particularly Zimbabwe, Kenya, Zambia, Uganda, Tanzania and Mozambique, are making it difficult for Mauritius to export to the sub-region.

The countries mentioned should work out a scheme whereby the control of import licences is liberalised with a view to increasing trade with the countries not practising restrictive import policies. Trade would then be conducted on the basis of reciprocity.

4.2 Tariff barriers

4.2.1 PTA Countries

To date, Mauritius has abided by the PTA time-table for the gradual elimination of tariff barriers on intra-PTA trade. In October of this year, a 30 % reduction on applicable customs duties and the 17 % levy imposed on imported goods, will have been implemented. However, several countries are implementing

the timetable at a slower pace, and the gradual elimination of tariffs is not the same for the six categories of products on the PTA Common List. This penalizes Mauritian goods exported to these countries.

In this context, it is important to draw attention to the fact that with the economic liberalisation policy being adopted by countries such as Zambia and Zimbabwe, some Mauritian products are facing competition from non-PTA countries such as China and Hungary, despite the import tariff cuts.

The policy organs of the PTA should accelerate the study undertaken on the modification of the Common List. The project should subsequently be implemented rapidly. In the present context of the liberalisation process under way in several of the countries, the process of gradual elimination of tariffs should also be accelerated.

4.2.2 IOC countries

The IOC members have not yet instituted a common preferential tariff treatment as regards import of member countries' products. Seychelles imposes high taxes on certain goods from Mauritius. In Réunion, imported goods are taxed an "octroi de mer", equivalent to 5.5% of the cost and freight value of goods. If goods are on the "octroi de mer" tariff list, either an exemption is granted or the rate is lower or higher than 5.5 %. An additional tax (droit additionnel) of 1 % is imposed except for certain products on the "octroi de mer" tariff list.

The IOC will soon undertake a study aiming to lower import tariffs on member countries' products (Projet Régional Intégré du Développement des Echanges Commerciaux). The IOC should ensure the harmonisation of the tariff cuts with those of PTA. The consultants undertaking the study should examine what has already been accomplished by PTA.

4.2.3 Other sub-region countries

South Africa's products enjoy preferential tariff treatment when imported into Mauritius, but there is no reciprocity as regards Mauritian exports. For example, the 20-30 % import tariff levied on textile goods imported from Mauritius have been doubled and a 15 % surtax imposed as from 1 May 1992. Unless South Africa grants preferential treatment to Mauritian exports entering its market, it seems unlikely that Mauritius will find interesting market opportunities in South Africa unless the latter joins one of the existing sub-regional organisations.

Mauritius should request, from South Africa, preferential treatment on a reciprocal basis for its exports to this country, especially in view of the fact that South Africa is the second main supplier of goods to Mauritius.

4.3. PTA origin criteria

In January 1992, the PTA policy organs removed the local equity criterion for products qualifying for preferential treatment in order to make the rules of origin less rigid. In line with this new

direction to encourage intra-PTA trade and with a view to harmonising the origin criteria with those of the Lomé Convention, the PTA policy organs should consider reviewing the value added criterion of 45 % of ex-factory costs.

The proposed study on PTA origin criteria should be undertaken without delay and should consider proposing a lowering of the required value-added to 30 %, or the wording of "Value added resulting from the process of production should account for at least 45 % of the ex-factory costs" should be amended to be "40% of the ex-factory prices".

4.4 Lack of information

4.4.1 Local context of PTA countries

Mauritian manufacturers and traders, in general, have a poor knowledge of the sub-region countries and existing opportunities. Interested businessmen should undertake prospection visits to these countries to better understand the local context and foster better business relationships, for example, find a reliable agent or business associate. Participation in trade fairs through MEDIA is a good way of initiating business contacts, but orders often materialise after a considerable length of time (one to two years in some cases).

Specialised buyer-seller meetings organised by MCCI or MEDIA seem to be more appropriate. Market research should be initiated by these institutions prior to businessmen visiting these countries so as to produce better results; and follow up of these meetings should be carried out by the same institutions. A fund should be set up to finance buyer-seller meetings and market surveys. Businessmen should also be encouraged to make the effort to travel to these countries to have a first-hand appreciation of the investment and trade climate.

4.4.2 PTA policies and export promotion efforts by Mauritius

It has been found during our interviews that several manufacturers and traders are not fully aware of the functioning and advantages of using the PTA Clearing House, or of the policy developments occurring in the PTA, or even of the actions being undertaken by the MEDIA to promote exports to the PTA. From time to time the MCCI mails from time to time "flash" information on PTA developments to its members, but a greater effort to disseminate information at national level should be made.

MEDIA should be more aggressive in disseminating information on PTA. A free information sheet to which interested businessmen could subscribe could be sent out regularly by MEDIA. Private sector organisations could also participate in disseminating information at national level.

A PTA antenna should be set up in a private organisation in Mauritius, along the same lines as the Centre for the Development of Industry.

4.4.3 PTA Trade Information Network

The PTA Trade Information Network (TINET) available at the Ministry of Trade and Shipping is not well known by traders. The availability of TINET at the MCCI soon will be useful since the MCCI is much more in contact with businessmen and is more aggressive in furthering their interests. However, information provided by TINET is not updated rapidly enough. At the time of our visit to this section of the Ministry of Trade and Shipping for the purpose of this study, the latest figures available were those of 1989.

TINET should be more rapidly updated. The PTA Secretariat should be more active in obtaining information. Officers from the Secretariat could be sent to collect information in each country of the sub-region instead of having local offices of TINET send out the information to the Secretariat. TINET could also provide information on sea and air links at a later stage.

It should be ensured, in addition, that TINET is implemented in chambers of commerce and industry of other sub-region countries as rapidly as possible so that the MCCI can have counterparts in other countries to deal with.

4.4.4 Availability of statistics in Mauritius

At the Trade Statistics section of the Ministry of Economic Planning and Development, information is not computerised whereas the IOC Trade Statistics (Site Régional COI) of the same Ministry can provide information easily from its computerised system. Statistics on PTA countries are also available there. It seems that there is a duplication of functions and that more coordination is necessary with the Automated Systems for Customs Data (AS YCUDA) implemented at the Customs & Excise Department, which can provide handy information.

The trade statistics services of the Ministry of Economic Planning and Development should make better use of existing computerised resources and facilities, both at the Customs & Excise Department and at the Ministry itself, so that information can be retrieved and processed quickly.

4.5 Lack of funds for prospection visits

Small companies can less easily afford to participate in trade fairs or buyer-seller meetings than large companies. Expenses incurred by MEDIA for rent and decoration of the Mauritian national stand and for the forwarding and clearing of goods to be displayed have been, so far, financed by the EEC under the Lomé III Convention. However, participants have had to bear the costs of their air fare and accommodation.

MEDIA will soon implement a scheme whereby a term loan of Rs40,000 (approx. US\$2,565) interest free and repayable over 18 months will be granted to businessmen for individual PTA market surveys and follow up of PTA fairs and buyer-seller meetings.

The Government has, in its new budget for 1992-93, announced that to enable exporters to penetrate new markets, companies will be allowed to effect a double deduction from chargeable income in respect of certain export promotion expenses. Qualifying expenditure will include participants' expenses in approved trade fairs, overseas advertising and preparation of tenders for supply of goods. However, not all companies will be able to benefit from this measure, for instance, companies making losses or companies with special certificates.

These new measures could be supplemented by extending the use of the fund to be created for the organisation and follow up of buyer-seller meetings to the financing part of the expenses of buyers and sellers when they participate in buyer-seller meetings.

4.6 Communications

Many traders have reported that telecommunications, with several sub-region countries (especially telephone and telefax communications) are difficult. The IOC is currently carrying out a preliminary technical study on the setting up of an international telecommunications transit centre in Comoros. The PTA is aiming to set up facilities for direct satellite communications among its members. A pre-feasibility study in this regard is under way. This will be followed by a feasibility study next year. A study led by the Economic Commission for Africa and supported by the PTA is also being carried out on the linking of Southern and Eastern African countries by optical fibre cables to Comoros.

Furthermore, traders have had difficulty with telephone numbers that have changed as a result of improvements made in telecommunications in several countries.

The IOC and PTA Secretariats as well as the ECA should accelerate the implementation of the projects referred to above.

The Mauritius Telecom Ltd. should equip itself with the directories of the different countries of the sub-region. The countries of the sub-region should update their directories regularly.

4.7 Norms and standards

Goods manufactured in Mauritius for export are, in general, of good standard and therefore do not usually meet with problems when exported to the sub-region, but exporting to Réunion is more difficult. Norms and standards applied there, are more exacting as regards food than those in Mauritius.

Goods imported to Mauritius are often of varying quality. Because of bad past experiences and the absence of norms and standards in certain PTA countries, traders are very reluctant to do business in fresh food, as legal protection in case of delivery of poor quality of goods, would be non-existent.

The IOC has worked on a common norms and standards project (Projet de Normalisation), aiming to improve the quality of manufactured goods up to EC standards, and to promote metrology, testing and norms in its member countries. The five member countries have been designated as product

leaders for establishing norms and standards of certain goods having an important potential for export. The project is awaiting funding. The African Regional Organisation for Standardisation (ARSO), of which Mauritius is a member, has defined norms and standards, but these have not been made compulsory in member countries and local standards bureaux have not yet been accredited by ARSO. Furthermore, ARSO has elaborated projects through which member countries could share testing, metrology and instrumentation services. Due to lack of finance, these projects have not yet been implemented. But Mauritius, on its own initiative, is improving the Mauritius Standards Bureau (MSB) in terms of infrastructure and personnel. The MSB has recently launched two projects : the adoption of the ISO 9000 standard which has been implemented in more than 90 countries, and the introduction of a National Laboratory Accreditation System which will enable the certification of products made according to European or ISO 9000 standards.

The IOC and ARSO should implement their proposed projects in all member countries as soon as funding is obtained.

4.8 Transport

4.8.1 Information on transport routes

During our interviews, it was found that information about transport routes was not sufficiently disseminated, especially as regards new developments being undertaken by forwarding companies.

MEDIA and/or MCCI could disseminate complete information on shipping lines and their agents, so that all exporters could be made aware of different routes possible and services available. The association of clearing and forwarding agents (Association Professionnelle des Transitaires) could make an effort to systematically provide and disseminate up-to-date information on their services. TINET and the Federation of Chambers of Commerce and Industry could also provide information on transport services of the sub-region countries once a proper system is instituted to update TINET rapidly.

4.8.2 Insufficiency of sea links

The frequency of services on certain sea links is insufficient and certain links do not exist at all (**Appendix A 2.4**). The Maxwell Stamp report on the organisation of regional sea transport in the IOC countries concluded that a new regional shipping line that would introduce a diversification of routes would only be viable if intra-IOC trade was sufficient enough. The PTA, on its side, has started to carry out a pre-feasibility study for the provision of regular maritime services within the Indian Ocean, and between the Indian Ocean countries and the east coast of the PTA. The feasibility study, to be undertaken next year, should lead to the establishment of a coasting company which will provide regular services with the continent.

Since the new company would encompass the wider region of IOC and Southern and Eastern African countries, the volume of trade involved should be more interesting for the viability of the new

company and would be more likely to be in line with the findings and recommendations of the Maxwell Stamp report.

Studies are also being carried out to institutionalise the PTA Intergovernmental Standing Committee on Shipping (ISCOS) so that it can cover all member countries of PTA and can manage the sea transport policies of the PTA.

When the above study on new maritime services is completed, the project should be implemented jointly by PTA and IOC without any delay. As far as the ISCOS projects are concerned, they should also be set up as rapidly as possible.

4.8.3 Freight groupage

It was also found that big exporting companies face less problems in obtaining required services than smaller companies which do not have sufficient volume of goods to obtain interesting freight rates.

It could be envisaged to set up a groupage service within the sub-region. The feasibility study on maritime services to be carried out next year should assess prospects for the provision of a groupage service as well.

4.8.4 Freight tariffs

Exporters have expressed concern about the high freight tariffs for transport to other countries of the sub-region, especially land-locked countries, as compared to freight to European countries (Appendix A 2.4). The high tariffs contribute to making certain products uncompetitive, especially products that are also offered by other countries on the east side of the continent.

A solution to this problem does not seem to be within the competence of the TWG. The volume of trade to these countries is insufficient and transport by railway or roads to landlocked countries is more expensive since the forwarders have to cover numerous risks such as loss, pilferage, etc.

4.8.5 Packaging

There is a demand in Mauritius for fresh produce such as fresh fish and crustaceans, fresh fruit and live animals. However, countries from which these perishables could be imported do not have sufficient facilities to collect and/or package the goods so as to ensure freshness. Special ships required to transport live animals are also not frequent.

These countries should develop the facilities to collect and to package goods. Studies on projects that could be implemented in joint venture with importing countries should be carried out.

5. CONSTRAINTS AND PROPOSED ACTIONS IN RELATION TO FINANCE AND PAYMENTS

5.1 PTA Clearing House

5.1.1 Procedures

The PTA Clearing House mechanism enables countries to make use of local currencies and of the PTA Unit of Account (UAPTA) for payments of goods and services, and to clear debit balances every two months in convertible currencies. In practice, clearing is carried out every two and a half months. It has been found that banks' rank and file staff and potential exporters are often not fully aware of PTA Clearing House procedures.

Awareness seminars, which could be attended by bank staff and traders, should be organised.

5.1.2 Use of facilities by the services sector

The PTA Clearing House provides facilities not only for import and export of goods, but also for services. It has been found that several businessmen were not aware that services could benefit from this facility.

Media and private sector organisations should make businessmen in the services sector more aware that the facilities of the Clearing House apply to services.

5.1.3 Use of facilities by non-PTA countries

Non-PTA member countries cannot avail themselves of the facilities of the PTA Clearing House. This is an impediment to the further expansion of trade in the sub-region.

The PTA policy organs should consider extending the use of this mechanism to non-PTA member countries of the sub-region in order to encourage trade within the sub-region and to foster closer economic ties among PTA and non-PTA countries.

5.2 Correspondent relations of commercial banks

Mauritian commercial banks only have correspondent relations with other commercial banks in countries with which they have the highest volumes of trade, e.g. Kenya, Zimbabwe, Burundi, South Africa, Madagascar, Réunion and Seychelles. In order to encourage the development of these relationships, it is important that all banks follow international banking practices so as to create and maintain the trust which is essential where payments are involved. Should a trader feel that his commercial bank is unable to resolve problems with its correspondent bank in another country in a satisfactory manner, he will not be encouraged to expand his business in that country.

Proposing action in this area is beyond the competence of the TWG, which can only recommend that all commercial banks in sub-region countries should adhere to international banking standards and practices, and that the Central Banks of these countries should coordinate regulations.

5.3 UAPTA travellers cheques

Mauritians travelling to PTA countries do not use the UAPTA travellers cheques; they prefer to use convertible currency travellers cheques. Banks in Mauritius accept UAPTA travellers cheques. However, service is a bit slow since these travellers cheques have to be checked for any "stop payment" advice that may have been communicated to the banks. It has been reported that lost or stolen travellers cheques from PTA countries are quite numerous, which makes verification when cheques are presented in Mauritius quite tedious and raises the probability of errors.

As per international practice, payment should not be stopped on such travellers cheques, since the likelihood that they will be presented at banks for payment is minimal. The established international procedures to cash travellers cheques make it difficult to make payments to the wrong persons.

5.4 Export credit guarantee schemes

In the early 1980s, the Development Bank of Mauritius (DBM) introduced the Export Credit Guarantee Schemes (ECGS) with a view to encouraging export by providing cover to banks granting pre- and post-shipment finance to traders. This scheme has not been operational since 1985.

The ECGS is considered cumbersome and burdensome and sometimes leads to banks becoming more inflexible than they already are. Examples abound to show that the purported objectives of the scheme are not being attained. For example, in practice, the scheme covers only transactions that are supported by firm orders whereas it is known that since sources of raw materials are quite far away, manufacturers often import raw materials without receiving firm orders. Costs are also high.

In his Budget Speech for 1992-93, the Minister of Finance announced the establishment of the Mauritius Export Finance Corporation which will provide a range of services including pre-shipment and post-shipment financing, credit guarantee and refinancing facilities to banks.

The establishment of the Mauritius Export Finance Corporation should be accelerated. The qualifying criteria must be properly defined and flexible, and the schemes must be run in a business-like way.

5.5 Export credit insurance scheme

The Export Credit Insurance Scheme (ECIS) was introduced by the Development Bank of Mauritius to provide exporters with protection against commercial or country risks, thus giving them confidence to diversify their products and markets.

This scheme is not popular with traders either. Only one company used this scheme in 1991 and none at all in 1992. The exporters are required to obtain cover for all shipments, even for exports against letter of credit. Exporters also find premiums high. The Mauritius Commercial Bank, which runs an export credit insurance scheme in association with a French export insurance company, charges cheaper premiums than the DMB. The scheme is used by many traders exporting to Europe and Réunion. This facility could probably be extended to cover exports to Madagascar and Comoros, but premiums can be expected to be higher as regards exports to African countries due to the higher risks involved in exporting to these countries.

It should be pointed out that as from 1 July 1992, exporters are allowed a double deduction from chargeable income in respect of export credit insurance premiums.

The existing DBM Export Credit Insurance Scheme should review its policy conditions to make it more attractive to exporters. As regards higher premiums to be paid for exports to sub-region African countries, it is quite difficult to make a recommendation at this stage since only more confidence in importing countries can lead to a reduction in premiums.

5.6 Foreign currency accounts

Before the Budget Speech, EPZ and ESZ companies as well as certain companies which made special request to the Minister for Finance, could operate foreign exchange accounts with commercial banks. But since July 1992, these companies have the additional advantage of exchanging one foreign currency for another without having first to convert the amount into rupees. This prevents the payment of conversion fees twice, thereby eliminating unnecessary burden to exporters. However, the currencies that can be traded through the foreign currency accounts are limited to Deutsch Marks, Pounds Sterling, French Francs and US Dollars.

It should be possible to trade all convertible currencies through the foreign currency accounts so that back-to-back financial transactions can be effected.

5.7 Forward exchange cover

The existing forward exchange cover scheme enables the Bank of Mauritius to provide forward cover facility on a whole turnover basis in respect of import and export of goods by EPZ and ESZ companies. As from 1 July 1992, these companies are allowed to engage in forward-exchange cover with their local commercial banks in respect of their imports. This facility has been extended to other manufacturing companies, but not to trading companies.

Since the main activity of Mauritius with sub-region countries is trading, this facility should also be granted to trading companies. In addition, freeport companies should be able to use this facility.

5.8 PTA Bank

The business community has so far not utilised the credit facilities available at the PTA Bank which started its operation in January, 1986. It seems that neither businessmen nor commercial banks are aware of this organisation.

It would be advisable for the Bank to conduct a seminar in Mauritius for investors, traders and bankers to explain the facilities offered by the Bank and its operations. Information could also be made available to commercial banks and consultancy firms. These organisations which are close to businessmen, together with MEDIA and MCCI, could disseminate information on the PTA Bank.

6. CONSTRAINTS AND PROPOSED ACTIONS IN RELATION TO INSTITUTIONS

6.1 Coordination between private and public sectors

In Mauritius, the Chamber of Commerce and Industry is well organised, quite dynamic and the mouthpiece of the private sector. However, there is a need to strengthen the means to facilitate interaction between the private and public sectors. More coordination should be carried out between the private and public sectors and information should be disseminated at national level.

The TWG could be a permanent forum where representatives of the private sector and public sector could go deeper into the analysis of diverse aspects of regional integration, propagate new perspectives and propose avenues for the elaboration of development strategies.

MEDIA and MCCI should go on encouraging and supporting economic operators to visit countries with investment and trade potential. They should pool their resources to be able to commission market surveys and to follow up participation of businessmen in trade fairs and buyer-seller meetings. Information should be more regularly disseminated by MEDIA and MCCI.

6.2 Harmonisation of public sector's efforts

The actions of existing institutions in the public sector regarding investment and trade promotion within the different sub-region groupings are not adequately harmonised.

There should be more coordination of PTA and IOC affairs within the public sector to ensure optimum use of available resources.

6.3 Strengthening of private sector organisations in sub-region countries

The MCCI is dynamic and Mauritian businessmen are eager to explore new opportunities, but, most of the time, they do not have counterparts in other countries with whom they can interact. Where they

do actually exist, the chambers of commerce and industry, are weak and subject to Government intervention. They are not organised to provide information and cannot organise trade missions.

The Government of each of the sub-region countries should study ways and means to promote the financial autonomy of the chamber of commerce and industry in their countries. An active, empowered chamber of commerce and industry will help build up the private sector and give more confidence to businessmen to develop trade and industry. The process of privatisation in several of these countries would also be more successful. Similarly, the PTA FCCI should be a permanent autonomous organisation with financial autonomy.

The autonomy of the Secretariat of existing sub-regional groupings should be strengthened and secretariats should be given the possibility and means to recruit the best people, in compliance with the practices of international organisations.

Existing consultancy firms in the different countries should be consolidated and linkages between consultancy firms should be facilitated. For example, a network of consultancy firms across the sub-region could be established to facilitate market surveys and meetings between businessmen. Where local and regional expertise is available, it should be involved in the design and implementation of donor financed projects.

Human resources in terms of technical and managerial skills, creativity and entrepreneurial abilities should be developed. Training programmes tailored for the common needs of the different countries should be conducted using sub-regional professional and technical expertise.

7. OTHER ISSUES PERTAINING TO ECONOMIC INTEGRATION IN THE SUB-REGION

7.1 In the area of trade

7.1.1 Main macro-economic constraints

Macro-economic constraints such as interest and inflation rates do not really affect trade within the sub-region. However, traders have expressed concern about the risk of fluctuating exchange rate which can affect their activities adversely. They, therefore, wish to benefit from forward-exchange cover facilities and be allowed to operate foreign exchange accounts as well.

7.1.2 Buyer-seller meetings and trade fairs

It is very difficult to quantify the trade that has actually materialised as a result of participation in trade fairs and buyer-seller meetings since no systematic follow-up is carried out by either MEDIA or the Ministry of Trade and Shipping.

7.1.3 State trading agencies

In Mauritius, imports by the State Trading Corporation is restricted to a few essential products. The bulk of imports is carried out by private traders; this would be desirable in all the countries of the sub-region.

7.1.4 Harmonised System of tariff classification and Automated Systems for Customs Data

Mauritius has introduced the Harmonised System of tariff classification since 1988 and the Automated Systems for Customs Data since 1989. With the introduction of computerisation at customs, fundamental changes in the organisation and procedures at customs have been carried out. The customs clearance process has been rationalised and simplified. International forms of Bills of Entry and international norms of codification have been introduced. The ancient system of 18 different forms of Bills of Entry has been replaced by a system comprising only four forms. The computerised system captures all bills of entry at import and export, processes revenue collection and produces various economic, trade and financial databases. A fully fledged autonomous office was opened at the airport to handle all import and export cargo, with a view to decentralizing activities at the headquarters.

7.1.5 Unrecorded trade flows

Unrecorded trade with a few countries of the sub-region exists and concerns re-export activities. A number of people from Madagascar, Comoros and Zimbabwe come to Mauritius to buy electronic goods and textiles, as well as textile accessories, for an estimated value of not less than RS100 million (US\$7 million) per year, i.e. 0.5 % of total exports. These goods are under-invoiced to reduce the amount of import duties that have to be paid by the importers.

7.2 Harmonisation of investment and trade laws

The objective of the PTA study on harmonisation of trade and investment laws was to compile the different laws on trade and investment which exist in PTA countries and the court rulings on these laws so as to assess to what extent these laws comply with the PTA Treaty and its Protocols. The study in Mauritius covered the areas of exchange control, investment schemes, trade, immigration, professional activities, environment and taxation. The draft report has already been submitted. Upon completion of the study, a compendium of the laws, procedures and practices will be published for further analysis and for the subsequent elaboration of a harmonised PTA Investment Code.

8. CONCLUSION

Securing increased investment and trade flows with other sub-region countries will require simultaneous actions (as listed in Section 1.4), many of which are policy oriented and have to be implemented by the Mauritian Government in order to create the pre-conditions for the business sector to operate. Several of the recommendations would need donor financial support and are expected to have a direct impact on trade and investment.

Other actions will be successful only if countries commit themselves to implementing measures on a reciprocal basis. Considering the fact that sub-region countries are moving towards liberalisation at different paces because of disparities in their levels of economic development, it would be desirable that those countries which can implement measures for the elimination of investment and trade barriers more rapidly and extensively than others, should join forces and do so without delay.

We propose below a set of actions extracted from our summary action plan that could be implemented by interested countries as a priority programme. The programme would be submitted to donor countries and agencies for financial support. To ensure successful implementation of the programme, countries wishing to adhere to it would have to commit themselves to adopt liberalisation measures rapidly so that all countries could enjoy reciprocity. The measures would involve :

- the liberalisation of import control by countries having import control policies
- the acceleration of the process for the gradual elimination of tariffs
- the establishment of the TWG as a permanent forum on regional integration

The proposed programme would consist of the following:

- creation of a revolving fund for feasibility studies of projects having a regional impact >
- setting up of a fund to finance the organisation and follow up of buyer-seller meetings and market surveys as well as the participation of traders in the buyer-seller meetings.

This programme has a two-pronged orientation : it would place emphasis on development, as well as on trade. It translates our vision for this part of the world in the face of emerging world economic and trading blocs. It is up to the countries in the sub-region to see where their mutual interest lies. Less developed countries would not be left out. As the programme gathers momentum, it would pull up these countries which would have the possibility of catching up as they progress stage by stage towards higher levels, of development, to ultimately develop mutually reinforcing relations.

APPENDICES

A 1.1 INTRA-REGIONAL INVESTMENT

- a) Investment from sub-region countries in Mauritius (1988-1991) and
- b) Investment from Mauritius in sub-region countries (1989-1991)

A 1.2 INVESTMENT SCHEMES IN MAURITIUS

A 1.3 APPLICATION FOR PERMISSION TO INVEST BY FOREIGN INVESTOR

A 1.4 APPLICATION FOR WORK PERMIT AND RESIDENCE PERMIT BY FOREIGN INVESTOR

A 1.5 ADMINISTRATIVE FORMALITIES FOR OTHER CLEARANCES REQUIRED BEFORE STARTING OPERATIONS

A 1.6 APPLICATION FOR PERMISSION TO TRANSFER SHARES

A 1.7 PROCEDURES FOR CAPITAL TRANSFER TO FOREIGN COUNTRIES BY MAURITIAN INVESTOR

A 2.1 TRADE FLOWS

A 2.2 EXPORT AND IMPORT PROCEDURES

A 2.3 BANK PROCEDURES

A 2.4 TRANSPORT

A 2.5 INSURANCE ;

A 3 MAIN ECONOMIC INDICATORS-1991

Appendix A 1.1

INTRA-REGIONAL INVESTMENT

a) Investment from sub-region countries in Mauritius (Rs)

1988-1991

	1988	1989	1990	1991	Total
Madagascar	4,000,000	0	0	225,000	4,225,000
Namibia	13,000,000	0	2,478,200	0	15,478,200
Reunion	0	24,875,000	52,787,690	400,000	78,062,690
Seychelles	2,000,000	2,625,000	0	0	4,625,000
South Africa	360,000	6,598,400	1,998,000	6,875,000	15,831,400
Zimbabwe	100,000	2,203,200	375,000	2,700,000	5,378,200
Total	19,460,000	36,301,600	57,638,890	10,200,000	1243,600,490

Source : Bank of Mauritius

Exchange Rates :	1988	1989	1990	1991
Mau. Rs/US \$	13.59	15.41	14.99	15.71

Source : Bank of Mauritius

b) Investment from Mauritius in sub-region countries (Rs)

1988-1991

	1988	1989	1990	1991	Total
Comoros	6,150,000	2,955,000	0	0	9,105,000
Madagascar	0	3,489,250	4,891,148	5,010,000	13,390,398
Reunion	379,354	650,725	535,400	2,330,900	3,896,379
South Africa	0	2,096,500	0	0	2,096,500
Total	6,529,354	9,191,475	5,426,548	7,340,900	28,488,277

Source : Bank of Mauritius

Exchange Rates :	1988	1989	1990	1991
Mau. Rs/US \$	13.59	15.41	14.99	15.71

Source : Bank of Mauritius

Appendix A 1.2

INVESTMENT SCHEMES IN MAURITIUS

(a) Export Processing Zone Scheme

- (i) Tax free dividends for the first 20 years of operation.
- (ii) Nominal corporate tax of 15 % during the company's lifetime (the normal statutory rate is 35 %)
- (iii) Free repatriation of profit, dividends and invested capital including capital appreciation.
- (iv) Exemption from payment of import duty on machinery, equipment and spare parts; buses of not less than 25-seat capacity for the transport of workers will be exempt from customs duty. However, import levy and sales tax are payable.
- (v) Exemption from payment of import and excise duties on raw materials and components except spirits, motorcars, petroleum products and other non-productive items.
- (vi) Electric power at preferential rates
- (vii) Loans, investment and export finance at preferential rates from commercial banks.
- (viii) Eligibility under the Export Credit and Export Insurance Guarantee Schemes operated by the Development Bank of Mauritius.
- (ix) Investment allowances on new investments in manufacturing companies, buildings, machinery and equipment.
- (x) Availability of factory buildings on lease within serviced industrial estates.
- (xi) Exemption from payment of half the normal registration fee on land and buildings by new industrial enterprises.
- (xii) Issue of residence permit to promoters and shareholders as warranted by the size of their investment and degree of technological input in the country.
- (xiii) Favourable labour legislation to assist enterprises to meet their objectives.
- (xiv) Guarantee against nationalisation.
- (xv) Equitable settlement of disputes assured by Government's adherence to the Convention on the Settlement of Investment Disputes administered under the auspices of the International Bank for Reconstruction and Development.

ibi Development Certificate Scheme

- (i) Tax-free dividends for the first 20 years of operation
- (ii) Nominal corporate tax of 15 % during the company's lifetime
- (iii) Free repatriation of profit, dividends and capital, including capital appreciation.
- (iv) Loans, investment and export finance at preferential rates from commercial banks.
- (v) Investment allowances on new investments in manufacturing company, buildings, machinery and equipment.
- (vi) Availability of factory buildings on lease within serviced industrial estates
- (vii) Exemption from payment of two-thirds of the municipal rates during the tax holiday period.
- (viii) Issue of residence permits to promoters and shareholders as warranted by the size of their investment and degree of technological input in the country.

(c) Export Service Zone Scheme

- (i) Tax-free dividends for the first 20 years of operation.
- (ii) Nominal corporate tax of 15 % during the lifetime of the company.
- (iii) Free repatriation of profit, dividends and invested capital, including capital appreciation.
- (iv) Exemption from payment of import duty on machinery, equipment, spare part and goods for re-exports.

(d) Hotel Management Incentives Scheme

- (i) Tax-free dividends for the first 20 years of operation.
- (ii) Nominal corporate tax of 15 % during the company's lifetime.
- (iii) Free repatriation of profit, dividends and capital, including capital appreciation.
- (iv) One-time exemption from the payment of customs duty on the importation of equipment subject to the approved list published by the Government.
- (v) Loan and overdraft facilities at preferential rates available from commercial banks.
- (vi) Exemption from payment of half the nominal registration fees payable by the company.

(e) Pioneer Status Scheme

- (i) Tax-free dividends for the first 20 years of operation.
- (ii) Nominal corporate tax of 15 % during the company's lifetime.

- (iii) Exemption from payment of import and excise duties as well as sales tax on equipment and raw materials.

(f) Offshore Certificate

- (i) A zero rated concessionary income tax on net profits arising from offshore business operations (an operator has the option of choosing a rate between zero % and the prevailing corporate tax).
- (ii) Personal income tax rate, at half the normal personal tax rates, for expatriate staff. The maximum rate is 30 %.
- (iii) Complete exemption from taxes on imported office equipment.
- (iv) Exemption from stamp duties on all documents relating to offshore business transactions.
- (v) Exemption from customs duties on cars and complete exemption from import duties and taxes on household equipment for two expatriate staff per company.
- (vi) No withholding tax on interest payable on deposits raised from non-residents by offshore banks.
- (vii) No withholding tax on dividends and benefits payable by offshore entities.
- (viii) No estate duty or inheritance tax is payable on the inheritance of shares in an offshore entity.
- (ix) No capital gains tax.
- (x) Free repatriation of profits.
- (xi) Complete freedom from exchange control
- (xii) Ready availability of residence and work permits for expatriate staff.

(g) Freeport Certificate

- (i) Exemption from import duty, excise duty and sales tax on all machinery, equipment and materials.
- (ii) Warehousing and storage fees at preferential rates.
- (iii) Access to offshore banking facilities.
- (iv) All goods destined for re-export in the freeport will qualify for reduced port charges at transshipment rates.
- (v) Companies engaged exclusively in re-export can enjoy the advantages offered to offshore entities.

Appendix A 1.3

APPLICATION FOR PERMISSION TO INVEST BY FOREIGN INVESTOR

1. Foreign investor	Submits to Secretary for Home Affairs (SHA) at Prime Minister' Office <ul style="list-style-type: none">• Application/under Non-citizens (Property Restriction) Act, for permission to acquire shares• Copy of Certificate of Incorporation of company• Copy of Memorandum and Articles of Association of company• Information on equity capital structure
2. Secretary for Home Affairs	Issues "Letter of Intent" after <ul style="list-style-type: none">• Concerned Ministry has given its views on the project• Solicitor General has checked on legal implications of the investment
3. Foreign investor	Requests his commercial bank to issue a Bank Certificate to evidence the transfer of funds for the purchase value of shares, after the resident account of the company has been credited. Submits a copy of Bank Certificate to SHA A copy is sent to Bank of Mauritius directly by the commercial bank
4. Secretary for Home Affairs	Requests views of Bank of Mauritius on whether foreign exchange regulations have been respected Submits a copy of bank Certificate and a copy of "Letter of Intent" to Solicitor General
5. Solicitor general	Checks on legal implications of investment and gives clearance to SHA
6. Secretary for Home Affairs	Issues "Certificate of Authority" under the Non-Citizens (Property Restriction) Act to foreign investor, authorising him to acquire shares
7. Foreign investor	Submits copy of "Certificate of Authority" to commercial bank, requesting the bank to apply to Bank of Mauritius for permission to issue shares and for "Approved Status"

8. Bank of Mauritius	Gives exchange control permission to commercial bank for issue of shares and for subsequent transfer of funds should shares be sold or company liquidated (approved Status)
9. Commercial bank	Informs foreign investor that exchange control permission has been granted for the investment and encloses copy of letter received from Bank of Mauritius.

Appendix A 1.4

APPLICATION FOR WORK PERMIT AND RESIDENCE PERMIT
BY FOREIGN INVESTOR

1. Foreign investor	Submits to the Ministry of Civil Service Affairs and Employment <ul style="list-style-type: none"> • Application for Work Permit Submits to Passport and immigration Office <ul style="list-style-type: none"> • Application to enter Mauritius
2. Work permit committee (consisting of representatives of Ministry of Civil Service affairs & Employment, Ministry of Industry and Industrial Technology, SHA*)	Verifies the completeness and adequacy of details submitted Ask views of Secretary for Home Affairs on Residence Permit
3. Secretary for Home Affairs	Request Passport and Immigration Office to make a search on whether the foreign investor has been convicted of any criminal offense
4. Passport and immigration office	Makes a police report to SHA on whether the applicant has been convicted of any criminal offence
5. Secretary for Home Affairs	Informs Ministry of Civil Service Affairs and Employment that SHA has no objection to issuing the Work Permit
6. Ministry of Civil Service Affairs and employment	Informs applicant of the approval of the Work Permit conditional upon remittance of fee
7. Foreign investor	Pays fee
8. Ministry of Civil Service Affairs and employment	Permanent Secretary issues Work Permit with the Minister's consent; the permit is sent by post

9. Secretary for Home Affairs	Gives clearance to Passport and Immigration Office to issue residence permit conditional upon bank guarantee being submitted by applicant and members of his family (if applicable) for residence in Mauritius
10. Passport and immigration office	Issues the Residence Permit to the foreign investor

* SHA : Secretary for Home Affairs, Prime Minister's Office

Appendix A 1.5

ADMINISTRATIVE FORMALITIES FOR OTHER CLEARANCES REQUIRED
BEFORE STARTING OPERATIONS

CLEARANCE	AUTHORITY CONCERNED
1. Company's License	Accountant General's Office
2. Development Permit	Municipality or District Council
3. Factory License	Factory Inspectorate
4. Electric Motor Permit	Municipality or District Council
5. Fire prevention Clearance	Government Fire Services
6. Application for Water Supply	Central Water Authority
7. Application for Electricity Supply	Central Electricity Board
8. Application for Telephone, Telefax and Telex	Services Mauritius Telecom Ltd.
9. Registration of Trade Marks	Customs & Excise Department
10. Registration as Employer	Ministry of Social Security.

Appendix A 1.6

APPLICATION FOR PERMISSION TO TRANSFER SHARES

1. Foreign seller	Requests permission from Secretary for Home Affairs (SHA) to dispose of shares at an agreed price. Submits • Share Valuation Certificate*
2. Secretary for Home Affairs	Send to Bank of Mauritius the Share Valuation Certificate
3. Bank of Mauritius	Requests from commercial bank of the foreign seller: • Full set of audited accounts of the company for the relevant year • Auditor's confirmation of results as disclosed by the management accounts Gives clearance to SHA when satisfied that all exchange control regulations have been respected
4. Secretary for Home Affairs	Issues Certificate of Authority to dispose of shares at the agreed market price, after having obtained clearance, from Solicitor General on legal implications of investment Issues Letter of Intent for Permission to Acquire Shares to foreign buyer

* If shares are disposed at par value, no clearance is required from the Bank of Mauritius. When shares are disposed of at a price below par value, Bank of Mauritius clearance is necessary.

Appendix 1.7

PROCEDURES FOR CAPITAL TRANSFER TO FOREIGN COUNTRIES
BY MAURITIAN INVESTOR

<p>To Indian Ocean Countries</p> <p>Local investor</p>	<p>Submits application to Bank of Mauritius and provides the following information :</p> <ul style="list-style-type: none"> • Name of proposed company • Amount to be invested • Profile of promoters • Purpose of investment • Dividends to be repatriated • Financial statements <p>Approval is obtained normally within one week</p>
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<p>To other countries</p> <p>Local investor</p>	<p>Submits application to Bank of Mauritius which has to obtain authorisation from the Ministry of Finance</p> <p>Information to be submitted : same as above</p> <p>Approval is obtained normally within two weeks.</p>
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Appendix A 2.1

TRADE FLOWS

Exports in Mauritius totalled Rsl3,465 million in 1987 and Rsl8,673 million in 1991 (i.e. an increase of 39 %) while imports amounted to Rsl3,092 million in 1987 and to Rs24,650 million in 1991 (i.e. an increase of 88 %).

Exports

The main products exported by Mauritius in 1991 were sugar, molasses, tea, clothing and textiles, processed diamonds and synthetic stones, principally to United Kingdom (36%), France (20%), USA (12%) and Germany (11%). Mauritian exports to the sub-region are very low; they accounted for only 4.8 % of total exports in 1991 (see Table 1). The main IOC country to which we export our product is Reunion: 1.9 % of total exports, consisting mainly of cattle meat, live animals, fish (frozen, dried, smoked), vegetables, frozen prawns, tea, flowers, soap, fertilisers, fabrics and garments, shoes and jewelry. Zimbabwe is the principal PTA country which imports from us: 0.3 % of total exports, consisting of synthetic thread, wheeled tractors, wadding, gauze, bandages, electric bulbs, continuous-action elevators and conveyors.

Imports

Mauritius imports a wide variety of goods from around 54 countries. The main goods imported are food and live animals, textile fibres, yarn and fabrics, refined petroleum products, road vehicles, general industrial machinery and equipment, cement, iron and steel, pearls, precious and semi-precious stones. Most goods come from EC countries and amounted to Rs 17,326 million in 1991, representing 70 % of total imports. Mauritius imports mostly from France which had a share of 15.5 % in 1991 followed by South Africa with 12 %. The countries in the sub-region (including South Africa) accounted for Rs3,492 million of imports in that same year which constituted 14.2 % of global imports of Mauritius (see Table 2). Imports from sub-region countries other than South Africa are, therefore, very low (i.e. 2.2 %). The main PTA country from which Mauritius imports is Kenya (0.6 % of total imports in 1991). The imports consist mainly of portland cement, petroleum oils, medicinal products and packing articles. The main IOC country from which Mauritius imports is Madagascar (0.9 % of total imports in 1991). These consist mainly of live cattle, petroleum oils, cotton yarn, printed fabric, pullovers and cardigans destined for EPZ factories, peas and beans, frozen shrimps and other crustaceans, oil cake and other solid residues, and wood. It is clear from the figures above that trade flows with countries in the regional sub-groupings are sluggish and that much needs to be done to attain the objectives of regional integration.

Table 1. Exports Mauritius (Rs)

	1987	1988	1989	1990	1991
PTA Countries					
Angola	21,950	-	1,600	-	-
Burundi	-	-	5,416,278	257,586	9,561,795
Ethopia	116,496	10,851	10,802	114,318	68,296
Djibouti	97,463	174,506	130,047	350,053	485,736
Kenya	6,506,121	5,695,703	8,965,199	15,492,096	21,911,571
Lesotho	1,232,126	1,694,902	5,996	248,861	3,467
Malawi	318,394	938,265	454,823	1,643,094	593,032
Mozambique	58,615	371,102	89,968	16,965	169,236
Rwanda	-	48,990	7,572	36,796	27,474,067
Somalia	29,455	-	469,900	7,223	-
Sudan	-	45	88,284	87,854	-
Swaziland	13,656	56,723	1,814,569	3,080,779	1,535,994
Tanzania	418,743	1,449,465	301,360	1,185,499	2,298,150
Uganda	1,200	2,053,299	127,890	588,395	5,035,246
Zambia	507,874	163,299	4,120,166	4,297,972	20,985,950
Zimbabwe	7,673,791	17,352,816	35,282,936	47,500,899	56,266,970
Total PTA	16,995,884	30,010,371	57,287,390	74,908,390	146,389,510
IOC					
Comoros	16,387,737	13,566,638	20,658,314	23,484,429	25,663,882
Madagascar	16,123,399	27,533,667	52,442,012	132,330,637	105,094,162
Reunion	265,568,228	278,283,151	291,630,363	324,476,847	363,847,653
Seychelles	12,611,084	12,845,624	25,219,654	47,699,223	177,854,148
Total IOC	310,690,448	332,229,080	389,950,343	527,991,136	672,459,845
Other Sub-reg. Countries					
Botswana	-	15,549	9,230,704	5,393,789	234,585
Namibia	-	-	3,200	18,267	332,630
South Africa	47,594,618	63,651,352	82,222,568	89,763,468	75,482,202
Grand Total	375,280,950	425,906,352	538,694,205	698,075,050	894,898,772

Source : Trade Statistics Section, Ministry of Economic Planning and Development

Exchange Rates: 1987 1988 1989 1990 1991
Mau. Rs/US \$ 13.01 13.59 15.41 14.99 15.71

Source: Bank of Mauritius.

Table 2 - Imports by Mauritius (Rs)

	1987	1988	1989	1990	1991 t
PTA Countries					
Angola	-	-	-	-	-
Burundi	3,496,047	-	16,366	33,456	186,877
Ethiopia	4,298,208	2,242,021	-	84,507	1,757,980
Djibouti	-	0	-	4,954	7,176,565
Kenya	53,925,300	54,976,271	78,931,896	260,432,305	155,371,168
Lesotho	4,117	-	-	304,723	131,122
Malawi	8,795,051	9,235,791	2,156,665	6,237,750	3,508,988
Mozambique	-	39,665	573,536	703,272	4,442,944
Rwanda	-	-	-	23,600	-
Somalia	14,852	2,802	676,673	15,895	16,987
Sudan	165,285	1,896,473	4,045,800	2,533,357	1,421,064
Swaziland	4,969,741	2,925,152	5,961,441	21,957,506	44,027,003
Tanzania	122,899	1,441,537	4,517,243	6,334,432	60,558,103
Uganda	-	-	35,104	24,890	-
Zambia	2,861,891	848,354	133,875	209,826	133,195
Zimbabwe	18,196,679	37,380,595	39,339,117	38,815,847	30,745,545
Total PTA	96,850,070	110,988,661	136,387,716	337,716,320	309,477,541
IOC					
Comoros	19,254,058	5,432,676	945,315	515,030	848,905
Madagascar	36,847,494	48,281,383	92,042,422	173,433,111	234,633,284
Reunion	3,531,688	5,852,147	8,776,023	9,688,556	14,404,868
Seychelles	484,013	668,135	2,257,640	1,419,510	34,852,030
Total IOC	60,117,253	60,234,341	104,021,400	185,056,207	284,739,087
Other. Sub-reg. Countries					
Botswana	1,660,988	2,391,380	4,173,616	7,244,700	10,090,307
Namibia	-	-	388,410	166,211	42,843
South Africa	1,115,769,387	1,481,911,880	1,891,656,521	2,109,978,398	1,888,428,870
Grand total	127,439,7698	165,552,6262	206,153,9663	264,016,1836	349,277,8648

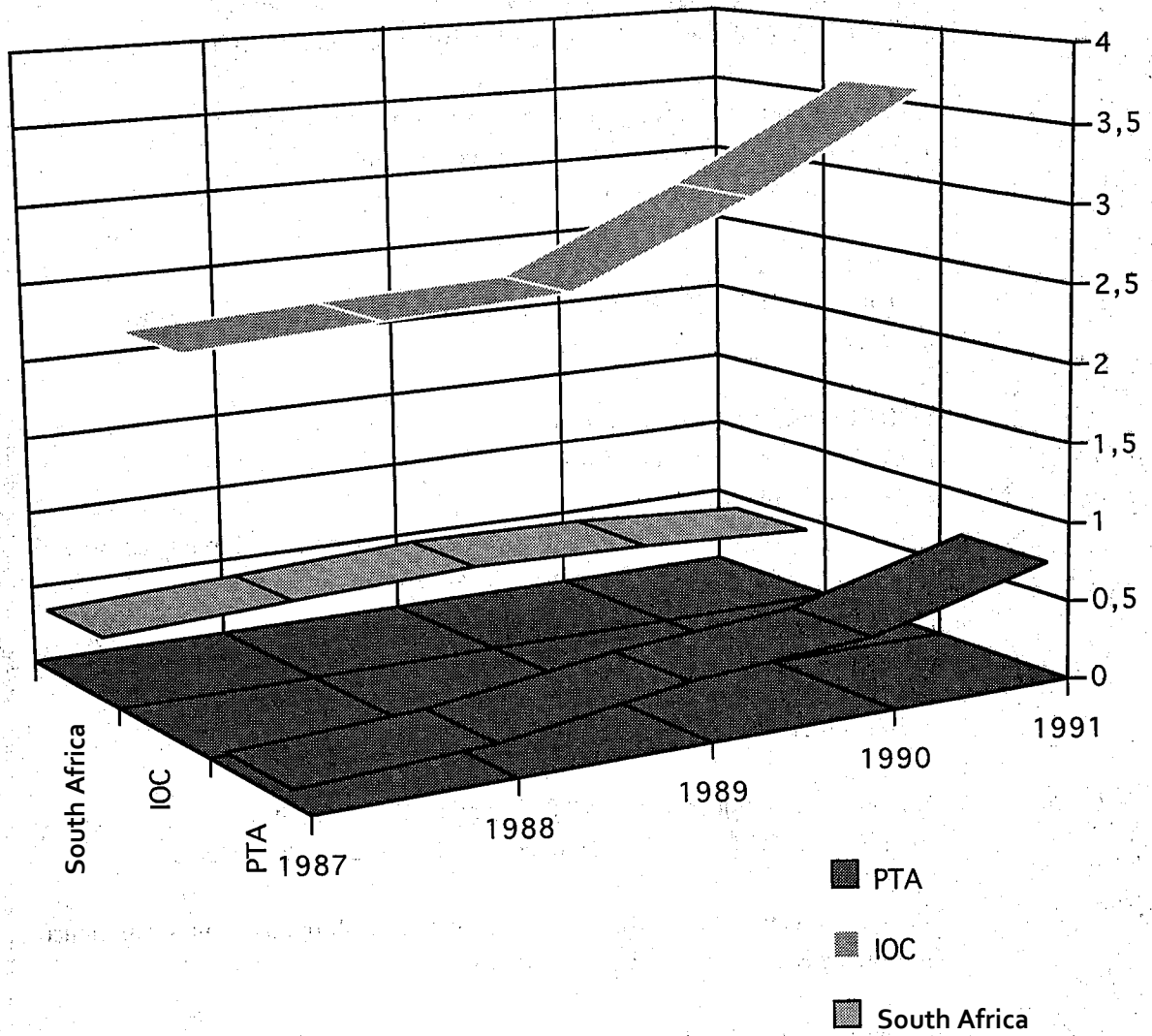
Source : Trade Statistics Section, Ministry of Economic Planning and Development

Exchange Rates : 1987 1988 1989 1990 1991

Mau. Rs/US \$ 13.01 13.59 15.41 14.99 15.71

Source : Bank of Mauritius.

Figure 1 - Exports by Mauritius (% of total Exports)



Export Procedures

BY SEA	<ol style="list-style-type: none">1. Book freight with shipping agent; take Form TO Cl (2 copies) Form TO C3 (4 copies), Shipping Order, Bill of Lading to fill in2. Prepare Export Bill of Entry in six copies and submit at customs Enclose two copies invoice (and Export permit, if necessary) two copies Form CD3 packing list (if any)3. Prepare <u>either</u> PTA Certificate of origin and submit to Ministry of Trade and Commerce <u>or</u> EUR1 Certificate and submit to customs Enclose Export permit, if necessary Invoice Approved Bill of Entry (Ministry of Trade and Shipping copy) Import Bill of Entry for raw materials Worksheet for quantity of raw materials used4. Take delivery of empty container from shipping agent for stuffing (if full container load only); submit Form TO Cl 75. Add container number on Form TO C3 and on Shipping Order; Submit Form TO C3 and Declarant copy of Bill of Entry to customs6. Deliver goods to MMA (if full container load) or to shipping agent's warehouse (if groupage) 224 hours before arrival of vessel 17. Submit full set Bill of Lading (3 originals + 8 copies) to shipping agent before departure of vessel8. Pays charges to shipping agent and collect «Shipped on Board» Bill of Lading after departure of vessel.9. Prepare documents for bank procedures according to Letter of Credit terms <p>Note : No export permit is necessary except for controlled goods.</p>
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Import Procedures

1.	Submit Import Bill of Entry (6 copies) to customs Enclose Original invoice Non-negotiable copy Bill of Lading or AWB Packing list Certificate of origin (if necessary)
2.	Documents processed by customs as follows : (i) Registration section verifies conformity of documents (ii) Manifest section checks Bill of Lading against computerised information (iii) Checkbranch checks amount to be paid (fiscal, levy and sales tax) and gives assessment to Cashier (iv) Sorting section clears documents (v) Cashier collects payment and returns Declarant and Bank of Mauritius copies (vi) Customs Investigation Unit verifies documents, duties paid, etc. (vii) Despatch section sends documents to place of landing of cargo Collect original documents from bank and either effect payment or accept to pay
3.	Submit original Bill of Lading obtained from bank to shipping agent and pay charges : take Delivery Order
4.	(a) If full container load, shift container at Mauritius Marine Authority for verification before taking delivery (2 days)
5.	(b) If groupage, examining officer operating at shipping agent's warehouse examines goods before delivery (2 days)
	Note : No import permit is necessary except for controlled goods.

Bank procedures

1.	For export Submit to bank, documents required as per Letter of credit • Commercial Invoice • Packing List + Weight List • "Clean on Board" Bill of Lading or Airway Bill • PTA Certificate of Origin or EUR 1 • Insurance policy/certificate • Quality and quantity inspection certificate, if required • Form CD3
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Transport

Mauritius imports and exports its goods mainly by sea. Existing sea links with countries of the sub-region are :

South Africa (Durban, Cape Town), Kenya (Mombasa), Madagascar (Tamatave), Réunion, Seychelles, Tanzania (Dar es Salaam), (see Table 1). However, the frequency of ships on certain routes is insufficient : for example, Mauritius to Seychelles which is serviced by a ship every five to six weeks only. This is explained by the low volume of trade within the IOC countries (2.2 % in 1989 of total value of trade of the five IOC countries). The latter trade mainly with Europe, South Africa, Far East and the USA. During the three last years (1989 - 91), the volume of intra-regional trade by the three biggest trading IOC members, Mauritius, Reunion and Madagascar, has increased by 15.5 % but this has still not been enough to encourage shipping companies to diversify their routes or increase the frequency of ships. For example, goods from Madagascar to Mauritius have to be transhipped in Reunion.

Links with South Africa are regular and frequent since South Africa ranks second among the countries from which Mauritius imports. Cargo capacity is, therefore, readily available on the return journeys of these ships, especially to Durban. For this reason, most of the exporters in Mauritius prefer to send their goods to other Southern African countries such as Zambia, Zimbabwe, Malawi and even Mozambique via Durban where connections are easier and more organised.

Exporters have expressed concern about the high freight tariffs to sub-region African countries as compared to European countries (see Table 2). The high tariffs contribute in making certain products uncompetitive especially products that are also offered by other countries on the east side of the continent. A solution to this problem does not seem to be within reach : the volume of trade to these countries is insufficient, transport by railway or roads to landlocked countries is more expensive, and providing services to these landlocked countries is more risky for freight forwarders since there is a high probability that containers will have to be returned empty or may even be lost on the way back. Pilferage of containers to landlocked countries has been reported.

Table 2 - Freight Tariff (Full Container Load 20 feet)

Mauritius - Europe.....	US\$ 1300- 1,500
Mauritius - Reunion.....	US\$ 400 - 600
Mauritius - Madagascar.....	US\$ 600 - 700
Mauritius - Kenya/Tanzania (port)	US\$ 850- 1,000
Mauritius - Tanzania (inland).....	Approx. US\$ 3,500
Mauritius - South Africa.....	US\$500-700
Mauritius - Zimbabwe (Harare)	US\$ 2500 (of which approx. US\$ 600 for sea freight)
Mauritius - Zambia	US\$4,000
Zambia - Taiwan.....	:US\$ 6,000

Direct air links exist with the following countries of the Sub-region: Kenya (Nairobi), Madagascar (Antananarivo), Reunion, Seychelles, South Africa (Johannesburg, Durban), Tanzania (Dar es Salaam),

Zimbabwe (Harare), (see Table 3). The demand for passenger traffic is more important than that for freight traffic. Passenger capacity to Antananarivo is inadequate and a direct link to Comoros (Moroni) does not exist.

Freight by air and freight by ship do not compete with each other. The products traded in the region are transported by ship except for fresh fruit, fish, crustaceans and other perishables. Cargo capacity, at the moment, is adequate. But should trade of perishables develop, air flights will be in greater demand.

Table 3 - Sub-regional Air Flights

Link	Route	Weekly frequency	Company	Type of airplane
Mauritius - Seychelles	Mauritius/Seychelles/Dubai/London	2	B. Airways	B747
	Mauritius/Reunion/Seychelles/Paris	1	Air France	B747
Mauritius-Madagascar	Mauritius/Madagascar/Comoros/Nairobi	1	A Madag.	B 737
	Mauritius/Madagascar/Nairobi	1	A Mauritius	B767
	Mauritius/Reunion/Madagascar	1	A Madag.	B737
Mauritius-Comoros	Mauritius/Madagascar/Comoros/Nairobi	1	A Madag.	B737
Mauritius-Reunion	Mauritius/Reunion	39	A Mauritius	ATR42
	Paris/Mauritius/Reunion	3	A France	B747.
	Mauritius/Reunion	6	A Austral	F28
	Mauritius/Reunion	1	A France	B737
	Mauritius/Reunion/Madagascar	1	A France	B737
Madagascar-Comoros	Mauritius/Madagascar/Comoros/Nairobi	1	A Madag.	B737
	Reunion/Madagascar/Comoros	1	A Austral	F28
	Madagascar/Comoros	1	A. Madag.	F 27
Madagascar-Reunion	Madagascar/Mauritius/Reunion		A Mauritius	B 737
	Madagascar/Reunion	5	A Madag.	B 737
	Madagascar/Comoros/Reunion	1	A Austral	F28
Comoros- Reunion	Paris/Comoros/Reunion	1	A France	B 747
	Madagascar/Comoros/Reunion	1	A Austral	F 28
	Comoros/Reunion	1	A Austral	F 28
	Madagascar/Comoros	3	A Madag.	B 737
Seychelles-Reunion	Paris/Seychelles/Reunion/Mauritius	1	A France	B747
	Paris/Seychelles/Reunion	1	A France	B474
Mauritius-Nairobi	Mauritius/Antananarivo/Nairobi	1	A Mauritius	B767
	Mauritius/Moroni/Antananarivo/Nairobi		A Mauritius	B737
Mauritius - Harare	Mauritius/Harare/Johannesburg	1	A Mauritius	B767
	Mauritius/Harare	1	A Zimbabwe	B 737
Mauritius - Johannesburg	Mauritius/Johannesburg	1	SA Airlines	Airbus
	Mauritius/Durban/Johannesburg	1	SA Airlines	Airbus

Insurance

Due to the high risks involved when exporting to landlocked sub-region countries, insurance companies either do not offer comprehensive insurance cover, or offer insurance cover up to the transit port and not to the final destination. Insurance premiums usually changed on sea freight to a few sub-region countries and to European countries are given in Table 1 for comparison purposes.

**Table 1 - Insurance - Sea Freight
(20 feet Full Container Load)**

Type of Products	Type of Cover	Zimbabwe		Comoros		South Africa		Europe		Claims subject to an excess of (%)	
		Rate (%)	Rate (%)	Rate (%)	Rate (%)	Rate (%)	Rate (%)	Co.A	Co.B	Co.A	Co.B
Fertilisers	All risks	0.6	0.5275	0.6	0.5275	0.5	0.35	0.5	0.5275	1	2 for South Africa
Electrical bulbs	All risks	0.25 ¹	0.5275	0.25 ¹	0.5275	0.25 ¹	0.2775	0.25 ¹	0.5275	-	Claims for breakage
Leather soles	All risks	0.40	0.75	0.40	0.75	0.25	0.50	0.25	0.75	-	-
Textile goods	All risks	0.50	0.5275	0.25 ²	0.25	0.25 ²	0.25	0.25 ²	0.5275	1	-

* rates received from two different companies

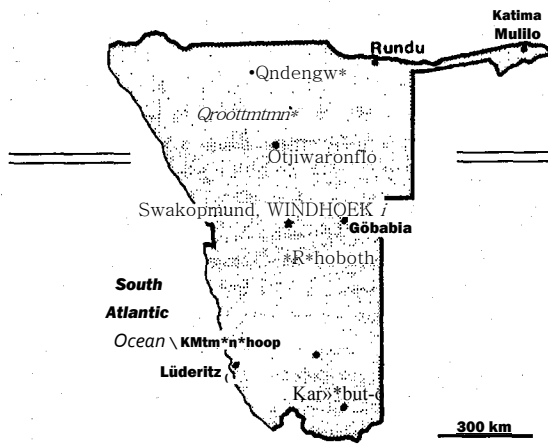
1. Total loss only
2. No excess

Main Economic indicators -1991

1.	Population (mid year)(000).....	1,035.8
2.	Per Capita GNP(Rs).....	41,359
3.	GDP at current market prices (Rsm).....	42,750
4.	GDP at current factor cost (Rsm).....	35,950
	breakdown (as a % total)	
	Agriculture, hunting, forestry, fishing (%).....	11.3
	- sugar (%).....	(7.3)
	Manufacturing (%).....	23.2
	- sugar (%).....	(2.0)
	- EPZ (%).....	(12.2)
	Construction (%).....	7.2
	Wholesale, retail trade,.....	17.0
	- restaurant & hotels.....	(3.3)
5.	GDP at constant 1987 prices (Rsm).....	— 24,552
6.	GDP (annual real growth rate) (%).....	4.7
7.	Gross Domestic Savings (Rsm).....	10,320
8.	Savings Rate (%).....	24.1
9.	Investment (GDFCF) (Rsm).....	12,385
10.	Investment rate (%).....	29.0
11.	GDFCF (annual real growth rate)(%).....	-2.9
12.	Exports (Rsm).....	19,273
	- sugar (as a % of total).....	27.1
	- EPZ (as a % of total).....	63.0
13.	Imports (Rsm).....	24,672
	- food (%).....	12.4
	- petroleum products (%).....	8.4
	- capital goods (%).....	24.8
14.	Visible trade balance (Rsm).....	-5,399
15.	Balance of payments (Rsm).....	2,900
16.	Foreign exchange reserves (Rsm).....	13,932
17.	Employment (September) (000).....	282.5
	- agriculture (as a % of total).....	16.6
	- manufacturing (as a % of total).....	38.4
18.	Unemployment (000).....	9.6
19.	Unemployment rate (%).....	2.5
20.	Inflation rate (%).....	7.0
21.	Overall budget (Rsm).....	-816
	(as a % of GDP).....	2.0
22.	Debt service ratio (%).....	10.4
23.	EPZ	
	- No of firms.....	586
	- No of employed (000).....	90.6
	- Exports (Rsm).....	12,136
	- Imports (Rsm).....	7,068
24.	Tourist arrivals (000).....	300.7
25.	Gross tourism earnings (Rsm).....	3,875

Source : Ministry of Economic Planning and Development.

The first part of the paper is devoted to a general discussion of the problem of the structure of the universe. It is shown that the universe is not homogeneous and isotropic, but that it is in fact a collection of galaxies, each of which is itself a collection of stars. The galaxies are distributed in space in a way that is not uniform, but that is rather irregular. The stars within each galaxy are also distributed in a way that is not uniform, but that is rather regular. The paper then goes on to discuss the problem of the origin of the universe. It is shown that the universe is not eternal, but that it had a beginning. The beginning of the universe is thought to have occurred about 15 billion years ago. The paper then discusses the problem of the future of the universe. It is shown that the universe is not eternal, but that it will eventually come to an end. The end of the universe is thought to occur about 10 billion years from now. The paper concludes with a discussion of the implications of these results for our understanding of the universe.



Namibia

**South
Atlantic**

Ocean



I. INTRODUCTION

Namibia gained its independence on 21 March 1990 after over a century of colonial rule, including a long period of occupation by South Africa. During this latter part of its colonial history, Namibia was, to all intents and purposes, considered a fifth province of South Africa. The territory was governed by South African laws and the South African rand was in circulation. Today, over two years after independence, almost all areas of life in Namibia still show a strong degree of South African influence.

Nowhere is this feature so marked as in the economy, where links with the southern neighbour are extraordinarily close. The fact that over 75 % of the country's imports come from South Africa, that 40 % of Namibia's GDP is generated by firms with head offices in South Africa, that Walvis Bay, Namibia's main port, remains in the hands of South Africa and that three out of five of the commercial banks in Namibia are owned by South African banks, demonstrates the point. Furthermore, Namibia is institutionally linked to South Africa through its membership of the Southern African Customs Union (SACU), which allows the free flow of goods and services between the two countries (as well as Botswana, Lesotho and Swaziland) and the Common Monetary Area (CMA), which ties Namibia to South Africa's monetary and exchange control policy.

While the Government of Namibia recognises the need to diversify its economic links with Africa and the rest of the world, it understands that this cannot be accomplished overnight. In addition, many of the links it maintains with South Africa are beneficial. SACU allows Namibian goods and services duty free access into the largest market in Southern Africa and provides the government with a substantial portion (40 %) of its revenue. Membership of the CMA and use of the rand means Namibia has the benefit of a widely traded, convertible and relatively stable currency.

Namibia is also a member of the Southern African Development Community (SADC). SADC which replaces the Southern African Development Coordination Conference (SADCC) was formed in August 1992. Its objective is the creation of a single economic community in Southern Africa. At present it excludes South Africa. Namibia is not a member of the Preferential Trade Area (PTA). Whether membership of both the PTA and SACU is a feasible and meaningful policy option remains to be explored.

What is clear is that Namibia's history and current economic situation set it apart from almost all other PTA countries. The problems Namibia faces differ considerably from those of many PTA members. The formal economy in Namibia has generally experienced little government interference and major market distortions do not exist. The economy is very open and Namibian businesses are generally competitive and geared to export, even if in the past this was almost exclusively to South Africa. Namibia is not undergoing a structural adjustment programme and does not have severe public debt. The central economic problem is that of extending the success of the small but healthy business sector to the majority of the people who hitherto have been excluded from the process of economic development.

Recognising the considerable differences that exist between Namibia and the rest of the PTA, NEPRU and the technical working group have attempted to carry out as many of the requirements of the terms of reference as possible. However, many of these tasks were simply not relevant to Namibia, either because Namibia is not a PTA member or because the Namibian economy operates in a very different way and environment to other PTA economies.

As things stand it is not difficult for any foreigner to trade with, or invest in, Namibia. The result is that the report does not have many major recommendations to make. We do, however, attempt to highlight policy inconsistencies and obstacles that hinder greater economic links between Namibia and the PTA region. Measures that the government could take to improve the existing climate are also suggested. One of the primary conclusions of the study is that the main obstacle to increased trade and investment with the rest of the region is one of business people's attitudes and habits. Namibian and PTA business people are simply not used to dealing with each other and there is much work to be done in overcoming the inertia of unfamiliarity.

In addition to the main report, two appendices are attached. Appendix A 1 is a table which summarises the main recommendations flowing from the report. It indicates who is responsible for each particular action whether donor assistance will be required and the time period envisaged for the implementation of the action. The second appendix provides a descriptive overview of the trade and investment climate in Namibia. It is intended that it be read alongside the main report. It also aims to give more detail on many of the issues addressed in the main report.

The study was completed with the cooperation and assistance of a technical working group including both government and private sector representatives. NEPRU was initially requested by the Ministry of Trade and Industry to complete the study. The report is, however, not an official government document. The recommendations suggested in the report should not, therefore, be seen as binding upon the government or the Ministry of Trade and Industry. They are made for consideration at a regional workshop which was to be held in Harare in November 1992 after which they were to be submitted to the Government of Namibia for consideration.

2. INVESTMENT

2.1. Investment Climate

2.1.1. General Climate

Namibia is a politically stable multi-party democracy with limited risk for investors. Article 16(2) of the Constitution guarantees investors, both foreign and local, the right to acquire and dispose of private property. Expropriation of property is only possible in accordance with the law. Furthermore the Foreign Investment Act grants further rights and privileges to holders of a Certificate of Status Investment (Section 2.1.4. below). Namibia currently uses the South African rand as its currency. The business community therefore has access to a widely traded and freely convertible currency. The Namibian investment climate is therefore very stable and, as it is pointed out below, relatively free of bureaucracy.

No recommendations can be made to improve the general investment climate.

2.1.2. Common Monetary Area

An important influence on the investment climate is Namibia's membership in the Common Monetary Area (CMA). The CMA includes Namibia, South Africa, Swaziland and Lesotho. Namibia also continues to use the rand as its currency. An independent currency, the Namibia dollar, will be introduced towards the end of 1993. The government's stated intention is that the dollar will initially be kept on par with the rand which will circulate as legal tender for one year after the introduction of the dollar. The government's current view is that Namibia will remain in the CMA after the introduction of the dollar. This view is supported by the Bank of Namibia (Namibia's central bank).

The major consequence of CMA membership is that Namibia's foreign exchange control regulations must conform with those applicable in the rest of the CMA (to all intents and purposes those regulations in force within South Africa). This has both costs and benefits. >

The advantages of belonging to the CMA are that trade and investment flows between Namibia and its largest trading partner, South Africa, are facilitated. Secondly, Namibia has access to the rand, a relatively widely traded, freely convertible, currency. Thirdly, and perhaps most significantly, foreign investors have access to the financial rand. The financial rand is an investment currency for foreign investors. It is traded at a discount to the commercial rand and therefore acts as an incentive to foreign direct investment. The exchange control regulations are discussed below (Section 2.1.3).

The major disadvantage of CMA membership is that Namibia's independence in determining its monetary policy is limited. Secondly, the strength of Namibia's currency is affected by events in South Africa rather than by events of Namibia's own making. Thirdly, the CMA's foreign exchange control regulations are determined by South Africa. They restrict the outflow of capital from the CMA, thus limiting potential investment by Namibians outside the CMA.

Membership in the CMA thus places certain restrictions on Namibia's independence with respect to monetary policy and foreign exchange control regulations. Despite this, however, it has significant benefits. As a result it is recommended that Namibia remains a member of the CMA until a detailed study of the costs and benefits of membership of the CMA has been undertaken. It is recommended that such a study be undertaken. The responsibility for this lies with the Bank of Namibia and the Ministry of Finance. Preparatory research with respect to Namibia's future position with regard to foreign currency holdings is being done by the Bank of Namibia which is gathering data to establish Namibia's balance of payments and is initiating real sector studies.

2.1.3. Exchange Control Regulations

The exchange control regulations in force within the CMA were introduced by South Africa in 1985 in order to protect its declining foreign exchange reserves. In general, residents within the CMA are restricted from transferring capital out of the CMA.

In order to attract direct foreign investment a dual exchange rate system, on the basis of the commercial rand and the financial rand, was introduced. The financial rand is an investment currency used by non-residents investing in the CMA. The value of the financial rand has consistently been lower than that of the commercial rand (as much as 30 % lower at times). This acts as an incentive to foreign investors, who in effect get more rands for their currency than they would have obtained at the commercial exchange rate.

There are very few foreign exchange control restrictions on foreign investors. After-tax profits and dividends are freely repatriable at the commercial rand exchange rate. However, disinvestment must be done via the financial rand.

As was discussed above, membership in the CMA has both advantages and disadvantages. One of the disadvantages is that Namibia is bound to have foreign exchange control regulations in line with those in the CMA, when in fact it may in the long run be more viable for Namibia to implement a more liberal exchange control policy. This should, however, form part of a broader study on the costs and benefits of membership of the CMA. Such a study should also consider such issues as Namibia's real effective exchange rate and Namibia's likely foreign currency reserves on the introduction of the dollar.

2.1.4. The Foreign Investment Act

The major legislation regulating investment in Namibia is the Foreign Investment Act of 1990. The Act aims to create a favourable investment climate and attract foreign investment.

The Act provides for non-discrimination between Namibians and foreign investors with respect to legal and fiscal regulations (sections 3.1. and 3.2.). The Act does not require local participation in foreign investments except in natural resource industries where the government reserves the right to acquire an interest (section 3.3.). However, the Minister of Trade and Industry may specify business areas in which foreigners may not become engaged if Namibians can adequately cater for needs (section 3.4.). Acting on the advice of the private sectors, the Minister has thus far, however, not enforced this provision.

The Act makes provision for the Minister to grant Certificates of Status Investment to foreign investors (section 4). Certificates of Status Investment provide additional rights and duties to certain foreign investors where this is perceived to be in the national interest.

Some of the benefits granted to holders of Certificate of Status Investment are in conflict with the foreign exchange control regulations of the CMA. Since the exchange control measures within Namibia must be in accordance with those applicable in the CMA, such benefits cannot be extended to foreign investors despite the Act. The Act was, however, drafted with a view to the future, when Namibia might have monetary independence. It therefore aims to establish an ideal investment climate. As it stands, however, the Act could mislead foreign investors.

It is recommended that Namibia negotiate the acceptance of the Foreign Investment Act in its current form by the other members of the CMA. If this is not possible then Namibia would possibly have to amend the Act to ensure that it conforms with the exchange control regulations applicable within the CMA. The alternative would be to withdraw from the CMA. This depends, however, on the results of a study into the costs and benefits of membership of the CMA. In the interim the discrepancies between the Act and the exchange control regulations should be pointed out to potential investors, possibly by means of an insert in the Act explaining the situation.

2.1.5. Tax Regime

Tax incentives will be announced along with a general package of incentives to be offered to business people. This will include the lowering of the corporate tax rate to about 35 % initially and possibly still lower later on. More information on the specific nature of incentives to be announced is not available.

It is recommended that the government clarify the nature of the tax-based incentives it is likely to introduce. However, it is important that this be done on a thorough understanding of the costs (to the fiscus) and benefits (in terms of expected returns in increased investment) of any tax-based incentives.

No specific recommendations with respect to tax incentives or reductions can be made in this report, as such recommendations require detailed technical study if they are to be of a real value.

2.1.6. Incentives

The government's white paper on industrial policy was recently presented to the National Assembly. It announced, among other things, the following measures to promote industrial development:

- The introduction of a loan scheme for industrial development once the Namibia dollar has been introduced. Foreign concessional funding will be sought for this scheme.
- The establishment of a database on: companies, the availability of local industrial services and technologies and scientific and technical skills. These will be housed in the Ministry of Trade and Industry.
- Government assistance for the participation of industries in regional and international trade fairs.

- O The establishment of routine reporting procedures on market opportunities and trends by Namibian embassies.
- An information drive at home and abroad to promote Namibian industry, to be coordinated by the Ministry of Trade and Industry.
- The establishment of a periodic market system to service the rural areas.
- The establishment of a system of financial incentives by way of company rebates or, in certain circumstances, subsidies for training costs.
- Q The cooperation of the Ministry of Trade and Investment in the establishment of a management training programme:
 - Financial support from the government for feasibility and pre-feasibility studies.
 - The establishment of a Namibian Export Promotion Programme.

The above measures are yet to be implemented. This should be done as quickly as possible. In addition the white paper announced that a comprehensive package of incentives for industries would be introduced. However, there have been considerable delays in the introduction of these incentives. This is partly due to the need for such incentives to be costed.

The government should clarify as quickly as possible the incentives it intends granting businesses in Namibia. Incentives should include specific measures to promote non-traditional exports.

2.1.7 Additional Measures

The favourable nature of the investment climate in Namibia and the various incentives offered by the government should be actively promoted on an ongoing basis. This can be done through trade missions, publications such as *The Investor* and the publication of a handbook for investors.

2.2 Investment Regulations and Procedures

The Investment Centre was established in 1991 with the aim of becoming a «one-stop-centre» to facilitate investment by both foreigners and nationals. The Centre is still in the process of achieving this goal. As a result it is still necessary for investors to call at a number of different institutions in meeting the various requirements before being able to invest. Despite the number of different institutions involved, the process is relatively simple.

Currently investors have to complete the following processes:

- Register their company with the Registrar of Companies;
- Register with the Receiver of Revenue;
- Apply for a trading licence from the Trading Courts at the Magistrates' Courts;
- Apply for import and export licences from the Ministry of Trade and Industry or other relevant Ministries for some products;
- Apply to the Municipal Authorities, when wishing to acquire land owned by the Municipal authorities, or to the central government through the regional offices of the Ministry of Local Government and Housing, when wishing to acquire land in the «communal areas». At this

stage it is not possible to obtain freehold in the communal areas, although the Ministry of Local Government and Housing is in the process of declaring towns in the communal areas which will make private ownership possible in these towns:

- Non-Namibian citizens require temporary residence, permits permitting them to work in Namibia. These are granted by the Immigration's Selections Board and application is made to the Ministry of Home Affairs. The Investment Centre has, however, taken on the responsibility for ensuring that work permit applications are processed within thirty days;
- There are various additional requirements (such as needing to obtain a liquor licence if selling or producing alcohol).

The role of the Investment Centre in this process is generally limited to providing information and assistance. It is unclear exactly how the Investment Centre will operate in the future as this is the topic of a study whose findings are still to be presented to the Centre. One option is that the Centre will become privatised. Despite the intention to make it a "one-stop-shop" the Investment Centre is unlikely to be able to take responsibility for all the areas mentioned above. Those areas that it will not be able to take responsibility for include: the registration of companies, registration with the Receiver of Revenue, granting of import and export licences, the granting of residence permits. However, if the Investment Centre is to play a streamlining role in the investment procedure it must be equipped to be able to process applications by investors, instead of simply providing information. The service that the Centre currently provides to investors with respect to work permits should therefore be extended to other regulations and procedures. It needs to be recognised, however, that apart from the residence permit procedures the process is relatively simple.

It is recommended that the Investment Centre provide a comprehensive package of information about the various procedures related to investing. This should include the provision of the relevant documentation (for example at present documents required for registering a company are only available at a private book store). In addition an «Investors Handbook», a guide to investing in Namibia, should be produced. This should include basic information on the investment climate, investment opportunities and the procedures and regulations for investing in Namibia.

The Centre should establish a database on all industrial and commercial land available to investors in the communal and urban areas. This should include information on the nature of the land available, the services provided and the rates charged.

The Investment Centre in cooperation with other relevant Ministries should investigate methods of ensuring that industrial land is available to investors in urban areas. How to ensure that municipalities, with whom the ultimate control rests, can be made more sensitive to the needs of investors needs to be established. This should include an investigation into how excessive land speculation could be prevented.

With respect to land in the communal areas, the government has already indicated in the white paper on industrial policy that it will, in cooperation with the Ministry of Local Government and Housing, «initiate government action to remove obstacles caused by the present lack of clarity over the position of freehold land tenure in communal areas». Exactly what measures will be implemented are unclear at this stage.

Recommendations with respect to work permit regulations are made below (section 2.8.2).

2.3. Investment from the Region in Namibia

Investment in Namibia from other countries in the region, excluding South Africa, is extremely limited. According to the Bank of Namibia there have been no investments by any of the PTA member countries in Namibia. Economic relations between Namibia and the region, again excluding South Africa, have mainly been restricted to trading ventures.

The Bank of Namibia has provided the following figures for total investment in Namibia by other countries (at market value at 31/12/1990 in US\$ million, R1=\$0.395):

	South Africa	Other	Total
Equity	686.115	1,376.575	2,062.690
Debt	647.405	200.660	848.065
Total	1,333.405	1,577.235	2,910.755

Investment from South Africa thus accounted for over half the total investment in Namibia by other countries. Mining is the major sector into which investments from South Africa are directed. Services (for example, financial services) are also probably an area of investment by South African firms.

This lack of investment from the sub-region in Namibia is due partly to the conditions in many African countries (for example, restrictive exchange control regulations). Another important reason is the lack of knowledge amongst the business community in the region about investment opportunities in Namibia.

It is recommended that there be increased promotion within the region of the investment opportunities in Namibia. This can take the form of participation in regional trade fairs, trade missions to neighbouring countries and the publication and dissemination of information on the investment opportunities and the climate in Namibia. The responsibility for this must be shared by the Chambers of Commerce, the Ministry of Trade and Industry and the Ministry of Foreign Affairs by means of the diplomatic missions in African countries. Systems for regular reporting on investment opportunities in Namibia by embassy staff should be established.

2.4. Investment from Namibia in the Region

Investment by Namibians in other countries in the region is also very limited. At 31/12/90 the total investment at market value in millions of US\$ from Namibia in other countries was (R1=US\$0.395):

	South Africa	other	Total
Equity	52.140	0.395	52.535
Claims	1,102.585	90.455	1,192.900
Total	1,154.585	90.850	1,245.435

Investment of equity capital from Namibia in other countries is therefore negligible. Furthermore the vast majority of outward investment flows are towards South Africa.

Exchange control regulations, generally prohibit investments outside the Common Monetary Area (CMA). Such investments are, however, possible with the permission of the Bank of Namibia and the Reserve Bank of South Africa. In general fully motivated investment proposals are favourably treated by the foreign exchange authorities. Another important reason is the unfamiliarity of the Namibian business community with both the opportunities for investment in the region and how to go about investing in the region. Political and economic instability in many countries in the region cannot be discounted as factors inhibiting investment from Namibia in the region.

It is recommended that the Ministry of Trade and Industry in conjunction with the Chambers of Commerce promote investment opportunities within the region. In order to do this the PTA could assist with providing information about opportunities in the region. SADC schemes to promote investment in the SADC should be promoted amongst the business community.

2.5. PTA Charter on Multinational Industrial Enterprises

The Charter on Multinational Industrial Enterprises accords certain benefits to approved Multinational Industrial Enterprises (MIE). Some are described below:

- O the ability to transfer capital funds, both inward and outward;
- granting of visas, residence permits and work permits to employees of MIEs as well as repatriation of salaries;
- ability to import capital equipment and intermediate goods from another member state duty free;
- five-year tax holidays on income taxes for the enterprise;
- equality of treatment with national enterprises in matters pertaining to taxation, government procurement and access to local credit; and
- compensation payments for nationalisation, expropriation or similar events in accordance with international law.

Some of the benefits granted to MIEs are already provided for in Namibian legislation (that is, equality of treatment is accorded to foreign and national investors, compensation in the event of nationalisation is guaranteed and is in accordance with international law). The clauses of the Charter which allow the free transfer of capital funds and the import of capital and intermediate goods from another member state are possibly in conflict with the CMA and SACU agreements respectively. These aspects of the Charter would require agreement within the CMA and SACU.

It is recommended that possible conflicts the Namibia's other multilateral trade and finance agreements be investigated with a view to Namibia's acceding to and implementing the Charter. The Ministry of Trade and Industry is responsible for this.

2.6. Guarantees Required by Investors

Investors in Namibia, be they local or foreign, are adequately covered by guarantees provided by the Constitution and the Foreign Investment Act. The foreign exchange control regulations in force within the CMA also allow foreign investors to repatriate after-tax profits and dividends at the commercial rand exchange rate and allow them to remove capital from the CMA at the financial rand exchange rate.

As a result there is no real need for additional guarantees for investors in Namibia. However, if foreign investors from another country feel the need for additional protection this can be secured by means of bilateral investment protection treaties negotiated between the two countries. Such a treaty is being finalised with Germany.

Lack of confidence on the part of Namibian business people in the political and economic stability and the safety of their assets is probably an important reason for the lack of investment by Namibians in countries within the region. As a result it may be advisable for the Namibian Government to negotiate bilateral investment protection agreements with those countries where investment opportunities are greatest (for example, Angola, Zambia, Zaire). Such treaties should attempt to provide safeguards for Namibian investments in the region. The Ministry of Trade and Industry and the Ministry of Finance are responsible for this.

2.7. Double Taxation Agreements

Double-taxation agreements (DTA) prevent the taxation of the same income by different countries. The present Income Tax Act only allows Namibia to enter into a double taxation agreement with South Africa. This aspect of the Act is, however, under revision to allow Namibia to enter into DTAs with any country. A DTA predating independence exists with South Africa. It is being revised. Draft DTAs with South Africa, the United Kingdom, the United States of America, Japan, France, Sweden, Germany and Rumania exist. These will be ratified once the Income Tax Act has been amended. At present no DTAs with African countries except South Africa have been negotiated.

The Ministry of Finance should consider entering into DTAs with neighbouring countries with which trade and investment potential are greatest. These include Botswana, Angola, Zimbabwe and Zambia.

2.8. Cross-Border Movement of People

2.8.1 PTA Protocol on Visa Requirements

At present Namibia has relaxed visa requirements with 24 countries including: Zimbabwe, Zambia, Botswana, Angola, Tanzania, Mozambique and South Africa. Citizens from these countries do not require a visa when entering Namibia for a period of up to 90 days for the purposes of tourism and business visits. Namibia has therefore already implemented the spirit of Article 2 of Protocol on the

Gradual Relaxation and Eventual Elimination of Visa Requirements within the PTA. It is quite possible to extend the existing relaxation of visa requirements and the Ministry of Foreign Affairs should do so.

Namibia should, however, consider becoming party to the PTA Protocol on Visa Requirements since not all the countries for which Namibia has relaxed visa requirements have reciprocated. Furthermore, accession to the Protocol would ensure uniformity in visa requirements throughout the region. However, as is discussed below (section 2.8.2), the real constraint to cross-border movement of people for business purposes is the requirement for residence permits (including work permits) rather than the visa requirements.

2.8.2 Residence Permits

The cross-border flow of people into Namibia is controlled by the Aliens Act. In terms of this Act no non-Namibian citizen is allowed to enter Namibia for the purpose of residence without a valid permit for that purpose. People wishing to work in Namibia must apply to the Ministry of Home Affairs for a temporary residence permit, allowing them to work in Namibia. All applications for such permits are considered by the Immigration Selection Board which is the only authority that can grant residence permits.

Applications for work permits must include a clean police record, copies of the applicant's highest education qualifications, a clean medical and radiological report and an offer of work. The Immigration Board considers each application for a temporary residence permit for the purposes of working in Namibia individually. This, together with delays in processing work permits accurately and efficiently, has resulted in the issuing of work permits' becoming a bottleneck and a contentious issue within the business community. The solution to this problem is not, however, to be found in increasing the frequency of the Board meetings, since this would simply increase the pressure on the Home Affairs Staff.

A more viable solution for this problem of work permits would be for the Board to delegate more of its authority to a departmental level within the Ministry of Home Affairs, thus reducing the number of applications it needs to consider.

At present the Immigration Board is guided by the principle that it shall not issue a permit if the applicant is likely to pursue an occupation or practise or trade or business in which, in the opinion of the board, a sufficient number of local citizens are available or already engaged to meet the requirements of the country». The Immigration Board should, in cooperation with the private sector, identify those categories of skilled and professional labour the demand for which Namibian citizens will not be able to meet in the foreseeable future. Applications falling in these categories should be handled departmentally. This would allow for more efficient processing of work permits.

At least one major mine in Namibia has negotiated that its requirements in terms of highly skilled technicians and engineers who are required at short notice for short periods of time do not need to be processed individually by the Immigration Board but can be handled at a departmental level. This arrangement could be extended to many branches of mining, industry and construction, which have similar needs. It is unlikely that these needs can be met locally. At present skilled personnel providing these services to Namibian enterprises requires work permits which have to be individually approved by the

Immigration Board. This can mean a two week delay in the approval of such permits. To expedite this process the Immigration Board should with specific guidelines delegate the responsibility for approving work permits in this category to a departmental level within the Ministry of Home Affairs.

Finally, traders who actually do business in Namibia (that is sell products or receive orders for their products as opposed to simply receiving payments which could be classified as a business visit for which a visa but not a work permit is required) need to have work permits. This aspect of the legislation should be relaxed since the trade is already sufficiently controlled by existing import and export regulations, customs legislation and municipal regulations. The problem could be overcome by extending the definition of a business visit to include traders.

2.9SADC

The SADC Comprehensive Export-Financing Scheme and Cross-Border Investment Facility have been agreed in principle by SADC member states, but have not yet been implemented. No other trade and investment schemes on the SADC Programme of Action have been implemented in Namibia. The 1990-91 SADCC Annual Report lists a number of schemes under the heading «Industry and Trade». However, only one of the studies mentioned has been completed for Namibia and none of the operational projects have been implemented.

Some difficulty was experienced in establishing the role that the Ministry of Trade and Industry is currently playing in the promotion of SADC programmes aimed at facilitating industrial development and trade. It is recommended that the Ministry of Trade and Industry take a more active role in establishing the status of the various SADC agreements and that those that have been agreed upon be implemented. The Ministry should do this by clearly establishing the status of the various schemes and identifying its role in implementing them. Furthermore, SADC schemes should be promoted by the Ministry of Trade and Industry and the Chambers of Commerce amongst the business community if they are to have any success.

3. TRADE

3.1 Intra-regional trade

Detailed import and export figures for Namibia are not yet available. Systems to gather trade statistics are, however, being implemented. The Ministry of Trade and Industry does not have accurate information on which Namibian firms import and export. Despite the lack of accurate data it is safe to conclude that trade with the sub-continent excluding South Africa is limited.

Namibia's principal trading partner is South Africa. Namibia is dependent upon South Africa for virtually all of its imports. According to Africa at a Glance published by the Africa Institute of South Africa, 94 % of Namibia's total import (fob value) came from South Africa annually between 1985-1988. The Bank of Namibia's initial balance of payments estimates for 1990 indicate that of a total (fob) value of

US\$ 1,201.195 million worth of imports, US\$ 1,071,24 million worth or 89 % were from South Africa. The actual proportion of Namibia's imports produced in South Africa is estimated at about 75 %, however many goods are imported via South Africa, or Walvis Bay. Namibia's major imports include manufactured (capital and consumer) goods, petroleum products and grain.

Namibia is also dependent upon South Africa as a market for its own goods. "Africa at a Glance" records that, between 1985 and 1989, 25 % of Namibia's annual total exports were destined for South Africa. The major export product to South Africa is beef.

Trade with the region will be facilitated by the completion of the Trans-Kalahari and Trans-Caprivi Highways. Bilateral trade agreements can also play a role in facilitating trade with neighbouring countries. A trade agreement with Zimbabwe was recently concluded and a similar agreement is being discussed with Zambia.

The Ministry should in cooperation with the Chambers of Commerce compile data on which Namibian companies import and export, profiles of products and businesses information on tariffs and other control measures. This could be included in the PTA Trade Information Network. The PTA Trade Information Network should be accessed for trade information from PTA member countries.

The Department of Customs should consider temporary measures to monitor cross-border trade to assist in the compilation of trade statistics. Such measures should attempt to gain information on exports as well as imports. This is necessary as ASYCUDA will only be operational in 1994 at the earliest.

The trade agreement with Zimbabwe should be used as a model for negotiating bilateral trade agreements with other countries in the region with which trade potential is greatest. Trade agreements with those non-SACU countries with which the potential for trade is greatest should be considered. These include Namibia's neighbours Angola and Zambia.

3.2. Macro-economic Constraints

High levels of interest and inflation rates are regarded as constraints to growth by the business community. In August 1992 the prime lending rate was 18.5 % (compared to 18.25 % in South Africa). Namibia's monetary policy is, however, determined unilaterally by the South African authorities. Consequently there is little that Namibia can do to influence interest rates.

The published consumer price index in Namibia is now well over 20 %. This is 5 % more than the figure in South Africa, whose rate of inflation one could expect to be similar to Namibia's. The validity of this figure is, however, questionable. The published consumer price index is clearly deficient in three respects:

- the index is only valid for the Windhoek area;
- the weights are out of date and probably unrepresentative;
- the basket of goods used to calculate the index is probably out of date.

The inflation rate is important in at least two respects: the determination of interest rates and the determination of wages and incomes. Inaccurate published inflation rates can give misleading information to both the private sector (particularly for example in the areas of price setting and wage bargaining) and policy-makers within the public sector. High published rates of inflation are also likely to inhibit foreign investment, particularly if the inflation rate is seen to be rising rapidly.

The problem of the Consumer Price Index (CPI) is largely, as in so many areas of government in Namibia, one that has been inherited from the pre-independence era. The Namibian Central Statistics Office recognises the problems with respect to the published CPI and is implementing measures to remedy the situation. A new Windhoek CPI is to be published from November 1992. This will use information processed in Namibia. In the longer run the solution will be provided by a National Household Income and Expenditure Survey. This will allow for the accurate calculation of a series of indices for different regions and income groups. However, the information will only be available in 1994, until which time policy makers will have to rely upon the existing CPI and, from November, the Windhoek CPI.

Until accurate inflation figures are available the government should give consideration to issuing a formal statement about the accuracy of the current CPI and give information about the new index and longer term proposals. Publications of the current CPI should also be accompanied by commentaries on the annual rate of inflation, the monthly rate of inflation and possibly some short term rates of inflation.

Furthermore, the Namibian Central Statistics Office should begin a series of annual comparisons of price levels in Namibia and South Africa. A team could visit selected urban areas in South Africa to price the Namibian urban basket in South Africa. This will provide a meaningful comparison of the cost of living in the two countries, allow for informed comparison of real wage levels and give a useful measure of relative competitiveness which can be included in exchange-rate-setting decisions of the monetary authorities.

While Namibia continues to use the Rand, the exchange rate applicable to exports outside the SACU area is largely beyond the control of Namibian monetary authorities. The introduction of an independent currency will give Namibia the option of introducing an independent exchange control policy, more in line with its needs than the present policy which is determined by South Africa.

The large public sector, which now occupies over 64,000 out of the 186,000 strong formal wage sector, is regarded by the private sector as a drain on Namibia's resources. The large size of the public sector is the result of both the policy of reconciliation, which has meant that civil servants employed at the time of independence were guaranteed their jobs, and the expansion of the government to accommodate new needs. A commission headed by the prime Minister is investigating ways of restructuring the public sector. The commission has yet to report. The government's ability to reduce the size of the public sector and curb government expenditure will be crucial to the maintenance of macroeconomic stability and the generation of growth.

3.3 Importing into Namibia

3.3.1 SACU

Namibia is a member of the Southern African Customs Union (SACU) which also includes South Africa, Lesotho, Swaziland and Botswana. Most goods and services can move freely within SACU. There is a common external tariff with the outside world. Despite the principle that SACU benefits all its members, its tariff structure is largely determined by South Africa and is thus aimed at protecting South African industry from outside competition. The SACU Agreement has tended to result in a one-sided trade flow towards South Africa, rather than between South Africa and the other members of SACU. Although tariffs are not as high as in many developing countries they do act as a considerable incentive for Namibia to buy from South Africa, when it could otherwise import from other countries. It is clear therefore that membership of SACU creates a strong bias towards trade with SACU and, in particular, South Africa, rather than with the rest of Africa. As such SACU is an obstacle to increased trade with the PTA. While trade with South Africa is uncomplicated and duty free, trade with the rest of Africa is subject to import duties and a far higher degree of bureaucratic control.

This raises the question of whether Namibia should withdraw from SACU. This becomes even more urgent given the fact that South Africa has stated that it can no longer afford the present structure of SACU and that it wishes to reconsider SACU in its entirety. Furthermore, South Africa is attempting to reorient its industry towards export. This will mean significant changes to SACU if it survives at all.

Membership of SACU does, however, have significant benefits; The principal benefit to Namibia from membership of SACU is the revenue it receives from the Common Revenue Pool of tariff receipts (this amounts to approximately 40 % of Namibia's total tax and excise revenue). Namibia also gains duty-free access to the largest market in Southern Africa.

Despite these benefits it may prove beneficial for Namibia to withdraw from SACU and opt for a more open trade regime. However, informed policy decisions on this matter can only be taken once the results from various studies on the costs and benefits of Namibia's membership of SACU are available. A study on Namibia's membership of SACU is currently being undertaken by the World Bank. In addition the issue of SACU membership will form part of a major trade-policy reform study to be funded by the African Development Bank. This study will begin in 1993 and the results thereof can be expected in late 1993. Until the results of these studies are available, Namibia should remain within SACU.

In the short-term, Namibia is attempting along with the BLS countries to renegotiate the existing SACU agreement on more favourable terms. The BLNS countries should consider the possibility of negotiating with South Africa that SACU adopt duty preference imports from the entire PTA. South Africa has, however, postponed all negotiations on the future of SACU until it has done a thorough reappraisal of the entire agreement. Until this has occurred it is unlikely that there will be any change to the present SACU Agreement.

3.3.2 Import Legislation

Within SACU, control over imports is exercised by means of tariffs rather than restriction or prohibition of imports. In general, therefore, importation of all goods is allowed. The Ministry of Trade and Industry is responsible for the issuing of import licences. These are used primarily for the purposes of monitoring rather than controlling imports. Importation of certain goods is controlled by other Ministries (for example, agricultural goods by the Ministry of Agriculture, minerals by the Ministry of Mines). Import procedures are relatively simple. There are, however, difficulties related to the calculation of duties due on imported goods. This is a result of the complexity of the tariff system used within SACU (section 3.9)

A number of recommendations can, however, be made with respect to import management in Namibia. Namibia has inherited an import management system from South Africa. This should be reviewed and brought into line with the needs of Namibia. A number of goods are restricted or prohibited from import into Namibia by virtue of the fact that these goods were prohibited or restricted from import into Namibia during the period of occupation by South Africa. This list of goods should be revised according to the needs of Namibia. It should be provided to business people involved in import and export.

Similarly, the import procedures and regulations should be reviewed, simplified and clearly set out in a revised Import Control Order to replace the present Import Control Order which dates back to 1987. Such a review should consider abolishing the need for import permits except in certain cases (for example, wild animals, etc.) ■

Legislation and regulations clearly out of date or which are in existence simply because of Namibia's previous occupation by South Africa should be scrapped or amended. For example, legislation requiring import permits for goods from Sweden and Zimbabwe is no longer applied in Namibia and should be scrapped.

A study on the import management system was recently conducted for the Ministry of Trade and Industry. The report makes a number of recommendations. These should be discussed by the Ministry and implemented if desirable.

3.4. Exporting from Namibia

Export permits are granted by the Ministry of Trade and Industry as a matter of course. As in the case of import permits their objective is primarily to monitor rather than control exports. The export of certain other goods is controlled by other Ministries (for example, minerals by the Ministry of Mines and Energy). Since exports permits are generally used only for monitoring purposes, the Ministry of Trade and Industry should consider abolishing the requirement for export permits altogether, except where this is deemed to be absolutely necessary. In terms of SACU Agreement (clause 11.3), SACU members can request that the exportation or unrestricted exportation of goods outside the SACU area be controlled or prevented. However, this requires the agreement of the two parties.

In terms of the foreign exchange control regulations, the export of goods outside the CMA is subject to approval by authorised dealers in that exporters are required to complete an export declaration

form which has to be attested by their bankers. The authorised dealer has to ensure that the proceeds of the sale are received in Namibia within six months of the date of shipment. Authorised dealers may approve credit up to twelve months if this is necessary in order to retain the foreign market. Further extensions must be granted by the Bank of Namibia. In practice, legitimate importers and exporters do not experience difficulties with regard to the foreign exchange regulations.

If a trade credit is granted to a purchaser outside the CMA the proceeds must be covered forward for the entire period. The necessary contract must be entered into within seven days of the date of shipment.

To encourage trade credit and capital flows to South Africa a differentiated forward exchange market was introduced in December 1988 by the Minister of Finance of South Africa. Exporters are encouraged to obtain foreign exchange in advance in lieu of their export proceeds. Subsidised forward cover is available for the period of finance if the following criteria are met: there must be a fixed and ascertained commitment; there must be documentary evidence confirming the use of the foreign finance; the preferential forward cover must match the maturity date of the underlying foreign finance and may not be cancelled before the maturity date. These regulations apply in Namibia.

The institutional environment, with the exception of SACU, does not create major obstacles to export. However, due to historical reasons and by virtue of institutional linkages with South Africa, Namibia has tended to rely primarily upon the South African and the developed world markets. A major obstacle to greater trade with Africa is therefore the lack of experience on the part of Namibian exporters about the possibilities for trade with the region.

It is therefore recommended that there be increased promotion of export potential within the region. Possible ways of achieving this are linking up with the PTA Trade Information Network, promotional brochures and workshops for the business community about trade opportunities and practical advice on doing business in the region; donor assistance will be required in this area. Furthermore, the government should implement the Export Promotion Programme proposed in the white paper on Industrial Policy. This requires both technical and financial assistance from donors. Prospects for joint overseas marketing by neighbouring countries should also be investigated. Assistance from the PTA and donors would be necessary in this area.

Incentives for exporters are being investigated by the Ministry of Trade and Industry. Legislation allowing for the establishment of export processing zones is being drafted and a package of incentives is in the final stages of preparation. Details of these initiatives are, however, still confidential. Long-term projections indicate that the contribution of diamonds and minerals in general will decline substantially. Finding alternative export products will thus be vital to Namibia's continued economic growth. As a result the promotion of non-traditional exports is important. The trade policy reform study and other initiatives to promote investments and industries need to take this into account.

3.5 PTA Trade Liberalisation Scheme

Namibia should investigate the possibility of reconciling the PTA tariff liberalisation with membership of SACU. This should be done in conjunction with other SACU members who are, or could

become, members of the PTA (that is Swaziland, Lesotho and Botswana). Even if this is not possible Namibia could, if it became a member of the PTA, obtain a derogation of its commitments with respects to tariff reductions. This would allow Namibia to benefit from access to markets within the PTA at reduced tariffs. Given Namibia's current trade orientation towards South Africa and the developed world the immediate benefits of this might not be that significant. There would not, however, be any negative consequences from gaining access to the PTA market at reduced tariff rates.

3.6 Trade Fairs

The Ministry of Trade and Industry attends trade fairs on behalf of businesses and also finances the transport of sample products to trade fairs. Although the assessment of the Ministry of Trade and Industry is that it is beneficial to participate in trade fairs, no formal assessment of the value of business concluded at trade fairs has been done. The government has established a committee including the chambers of commerce to assess participation in trade fairs. The government has not yet participated in any buyer/seller meetings, but should consider doing so. It should also continue to facilitate participation by the business community in trade fairs and buyer/seller meetings.

3.7, Possible Imports and Exports from and to the PTA

The government does not have accurate readily available information on which companies are involved in import and export, what they trade in and the price and volumes of trade.

The government should, in cooperation with the private sector, establish a database on possible exports to, and imports from, Namibia to the PTA. This should include the Namibian companies involved in import and export, the products they wish to import or export, product profiles and price information; In addition information on what goods are available for import to Namibia and information on prices and relevant duties and tariffs should be obtained from the PTA Trade Information Network. These databases should be made accessible to the local business sector. Donor assistance in establishing these data bases will be necessary.

Establishing trade missions in some of the PTA countries should be considered, especially in those countries for which trade potential is greatest (e.g. Angola, Zimbabwe, Zambia). According to the government, however, this is only likely to take place in the long term. At present the government only has the capacity to meet the demand for trade missions in Europe, the United States of America and the South-East Asian trading bloc which are seen as the priority areas. Diplomatic Missions to other countries are, however, meant to play a role in trade promotion.

The Chambers of Commerce also have a role to play in facilitating contact between Namibia and other African countries, for example, by hosting seminars on business opportunities in the region and linking up with other chambers of commerce in neighbouring countries and regional business organisations.

3.8. State Trading Organisations

No state trading organisations exist in Namibia. There is no perceived need for such an organisation in Namibia.

3.9. Customs Controls and Procedures

3.9.1. Harmonised Commodity Description and Codings System

The tariff system used within SACU corresponds with the Harmonised Commodity Description and Coding System (HS). Despite this, importing and exporting in SACU is complicated by the fact that the SACU tariff structures are built into the HS. This means that business people are obliged to refer to several schedules, some of which apply to only certain commodities and not to others, to establish the duty applicable on a particular good. The only way of establishing the duty rate applicable to any particular commodity is thus by looking through each schedule every time. For some of the schedules the value of the commodity must be increased by a certain percentage before the rate imposed under the schedule can be applied. The net result of this is that importing into and exporting to SACU is not easy since business people have difficulty in determining the rates applicable to their products. Furthermore, while freight agents and Customs Officials do provide this information to business people, the accuracy of their service is not always reliable.

The BLNS countries should propose that SACU harmonise the customs and tariff classifications used within SACU with those being introduced throughout the region.

3.9.2 ASYCUDA

At present the Ministry of Finance with the cooperation of the IMF is preparing for the introduction of the Automated System for Customs Data (ASYCUDA). It is intended that the system will become operational in 1994.

A Customs Act is being drafted to facilitate the modernisation of existing customs procedures applicable within Namibia. This will be based upon the International Convention on the Simplification and Harmonisation of Customs Procedure. While Namibia remains a member of SACU, however, changes in the customs procedures will not affect the tariffs applicable since these are determined in South Africa for the whole of SACU.

The new system will introduce a single customs form (the Namibian Single Administration Document). This will replace the present CCA1 form for goods from within the SACU area and the Bills of Entry for goods imported from outside the SACU area. There are at present different Bills of Entry for goods imported into SACU, goods in transit, goods imported temporarily for re-export and goods imported for trans-shipment. Introducing a single form will thus be a significant simplification of the present procedure. Furthermore, the Namibian Single Administration Document will conform to the customs procedures being implemented within the PTA. This will simplify trade within the entire region.

The new system once introduced will allow for centralised accounting (as opposed to having to pay customs duties at the border posts) for major importers and exporters. This will make the system more efficient and less open to corruption. Corruption is, however, not a major problem at present. More of a problem is the fact that the customs department is understaffed and not yet fully trained.

The BLNS countries should propose that SACU harmonise the customs and tariff classifications used within SACU with those being introduced throughout the region. Ongoing training of customs officials is required as Namibia is in the process of establishing its own customs facilities.

3.10 Transport

3.10.1 Infrastructure

The construction of the Trans-Kalahari and the Trans-Caprivi Highways will greatly increase the potential for trade with the region. This will be particularly useful in linking the North of Namibia with the markets of Zimbabwe and Zambia and will assist in establishing Namibia as an ideal springboard into the regional economy. Transport links with Angola should be improved. This is partly dependent upon the political situation in Angola.

3.10.2 Transport regulations

The transport sector has, in the past, been characterised by protectionist policies. The draft white paper on transport policy recommends that the principle of competition be introduced into the sector to ensure the efficient use of resources within the industry. In particular the road transport sector is targeted. At present road transportation is controlled by the Road Act No 74 of 1977. The spirit of this legislation is that it protects established operators. The draft white paper proposes the deregulation of the sector.⁴

International transport is also controlled by the Road Transportation Act. The present system is cumbersome, requiring that the operator obtain at least two permits: one from the country of origin, one from the country of destination and additional permits from any countries transited. Partly due to this only big companies are involved in transportation from Namibia to other countries.

The draft policy endorses a multilateral approach to international transport. It recommends that Namibia sign the Memorandum of Understanding (MOU) on Transport between SACU members, subject to resolving the question of transport to and from Walvis Bay. In terms of the MOU only one permit, from the country of origin, is required by the operator. The only control imposed by the MOU on transport is a quota system to ensure a 50/50 split in the traffic of carriers from the different countries.

The draft policy suggests various measures with respect to transportation into the PTA region. It suggests that Namibia include, as part of bilateral trade agreements with any PTA members, clauses to allow freedom of transit and to ensure non-discrimination in the treatment of carriers. The feasibility of incorporating the relevant aspects of the PTA Transit Regime should be investigated.

The draft policy recommends that the Transportation Commission of Namibia be vested with the power to grant permits to Namibian and foreign carriers in the absence of multilateral or bilateral agreements. The policy for granting permits it suggests aims to obtain a balance between the carriers of the two countries.

This report endorses the recommendation that Namibia incorporate the relevant aspects of the PTA Transit Regime into bilateral trade agreements. This should be a matter of priority with Namibia's immediate non-SACU neighbours (Angola, Zimbabwe and Zambia). Furthermore Namibia should accede to the MOU on transport between SACU members.

3.11 Standards with Respect to External Trade

Namibia is a member of the South African Bureau of Standards (SABS). The benefits of the SABS are considerable given the cost of establishing and maintaining an independent Bureau of Standards in economy as small as Namibia's. The SABS appears to provide competent service and ensures that its standards conform with those of the International Standards Organisation, in which it participates. A Namibian label has been introduced to replace the SABS label for Namibian products. The service is still, however, administered by the SABS.

It is recommended that Namibia continue to make use of the services of the SABS.

4. FINANCE AND PAYMENTS

4.1 PTA Clearing House

A major constraint to official intra-PTA trade is the inability of the business community to access foreign currency. In response to this, the PTA Clearing House was established in 1984 to facilitate trade between member countries in national currencies. Accessing foreign currency in Namibia is not a problem for the Namibian business community. Furthermore, after eight years of existence still only 50 % of intra-PTA trade is routed through the Clearing House. The PTA Clearing House has largely failed to facilitate any real improvement in intra-PTA trade flows. As a result it seems unlikely that access to the Clearing House will result in substantial benefits for Namibia. A possible advantage of being party to the Clearing House is that it will facilitate payments from PTA countries to Namibian business people.

4.2 Correspondent Banking Relations

There are five commercial banks in Namibia. Four of these have correspondent banking relations with countries in the region. The fifth has access to the correspondent relations network of its parent institution in South Africa. Correspondent relations exist with banks in Botswana, Zimbabwe, Angola, Zambia, Mauritius, Malawi and Mozambique.

According to the commercial banking sector existing correspondent relations are adequate. They will be expanded as demand for such services increases. Furthermore, banks do not have difficulties in establishing documentary credit with banks in other countries, even where correspondent relations do not exist. Since it is not difficult to establish banking relations on an ad hoc basis the lack of correspondent banking relations is not the real obstacle to trade with countries in the region. The major problem in trading with countries in the region is the risk attached to dealing with many of these countries.

4.3 Export Credit Schemes

The Ministry of Trade and Industry is considering the establishment of an export financing scheme. Discussions with a potential donor and the Bank of Namibia have been initiated. The donor in question, however, did not have finances available for this year. Donor assistance is required in this area. Under the foreign currency exchange control regulations subsidised forward cover is available to exporters under certain conditions (section 3.4 above).

4.4 Foreign Currency Accounts

The holding of foreign currency accounts is governed by the exchange control regulations within the Common Monetary Area. In general it is not permissible to hold a foreign currency account. Only in certain cases, at the discretion of the Bank of Namibia, are businesses which are both importers and exporters allowed to hold foreign currency accounts. These accounts are subject to scrutiny by the Bank of Namibia twice annually.

The Bank of Namibia and the Ministry of Finance should consider the desirability of allowing Namibians to hold foreign currency accounts. If this will increase intra-PTA trade and investment then attempts to allow Namibians to hold such accounts should be negotiated within the CMA. The existence of a dual exchange rate system in the CMA, however, creates difficulties in allowing people or companies to hold foreign currency accounts.

4.5 Insurance Instruments for Regional Trade

Namibia is a member of the Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group. MIGA's objective is to encourage investment in developing countries by providing:

- guarantees to foreign investors against the risk of currency transfer, expropriation, war, revolution or civil disturbance and breach of contract;
- advisory services to developing member countries on the means to improving their attractiveness for foreign investment.

4.6. PTA Bank Credit Facility

Namibia should consider gaining access to the PTA Bank Credit Facility. Credit is provided for both investments and trade operations. These need not be within the PTA region.

5. INSTITUTIONS

5.1. National Institutions

The existing First National Development Corporation and the Agricultural Bank, established during the pre-independence era, are to be replaced by an Industrial Development Corporation and an Agricultural Development Corporation respectively. Furthermore, a foreign finance window is to be established in the Bank of Namibia to provide access to foreign funding. If the bank is not currently set up in such a way as to fulfil this requirement the Ministry of Finance will take the initial steps towards establishing this facility. This facility will be established instead of a development bank for which it has been assessed that there is neither adequate demand nor the necessary managerial and technical expertise. These institutions will possibly require both technical and financial assistance for their establishment.

The Namibia National Chamber of Commerce and Industry (NNCCI) was established after independence to fulfil the need for a fully representative national chamber of commerce. It has developed a five year long range plan. It currently has the following projects: a training department, and economic development department, a regional development programme, a newsletter, a women's department, a communication and information department and a trade and marketing department. The NNCCI requires funding for the following projects: the trade and marketing department and the communications and information department. Funding and technical assistance may be required in other areas, however, a detailed breakdown of the NNCCI's needs was not available.

5.2. REGIONAL ORGANISATIONS

5.2.1 The Regional Context

The introduction of democratic rule in South Africa is likely to lead to major realignments in current regional organisations. South Africa is likely to become a member of one or both of the PTA and SADC. Given the much greater size of the South African economy compared to even the combined economy of the rest of the region this will have major implications for regional integration initiatives. The integration of South Africa into the regional economy will mean that it is unlikely that either SADC and the PTA or SACU and the CMA will continue in their present form.

Although a democratic government in South Africa is likely to show a greater commitment to equitable regional development, it will also face massive demands upon its resources from its domestic economy. Thus, although South Africa will undoubtedly seek a greater share of the African market, it is

unlikely to be able to commit significant resources to the development of the region. The future South African Government is also likely to encourage its business sector to invest in the South African economy rather than in the rest of the region. The relatively developed infrastructure of the South African economy will also provide strong competition for investment from outside Africa. The implication of this is that the region, and especially the smaller economies, cannot rely upon South Africa to act as the «engine for regional development» as is often the common perception. Indeed, democratic rule in South Africa is likely to result in more, not less, polarisation of resources, development aid and investment towards South Africa rather than the reverse.

5.2.2 Namibia in the Region

At present Namibia is a member of three regional organisations: the Southern African Development Community, the Southern African Customs Union and the Common Monetary Area. The latter two organisations tie Namibia to the trade and monetary policies of South Africa. They reflect Namibia's historic orientation towards South Africa. The specific advantages and disadvantages of these two organisations have been dealt with above. SADC on the other hand emerged from the Southern African Development Coordination conference which was established with one of its major aims being to reduce economic dependence upon South Africa. The treaty recently signed establishing SADC commits the member states towards the creation of an economic community. Namibia and Botswana are the only members of SADC that do not belong to the PTA. South Africa is not a member of the PTA. In addition to these multilateral agreements, Namibia has negotiated a bilateral trade agreement with Zimbabwe. A similar agreement is currently being discussed with Zambia. Namibia is therefore following both a multilateral and a bilateral approach towards economic cooperation with neighbouring countries.

Namibia's participation in the efforts towards regional economic integration need to be viewed within the context of its overall priorities with respect to external trade and investment. Namibia has been and remains extremely dependent upon South Africa, its primary trading partner. The present government's view is that economic links with South Africa should be maintained, but should be placed on a more balanced footing. To maintain economic links with South Africa Namibia has joined SACU and the CMA. In order to diversify its trade and investment links, an expansion of links with the rest of the region is important. However, it is clear that while Namibia is a part of the regional efforts towards integration, its current priority is to gain access to, and attract investment from, the economies of Europe, the United States of America, Japan and South East Asia. Trade and investment promotion efforts have, therefore targeted these markets.

5.2.3 Future Developments

Namibia is likely to remain a member of SACU and the CMA for the immediate future. This reflects the pragmatic approach of the current government of Namibia. In the long term Namibia's continued participation in these organisations will be determined by two factors. The first will be the development of independent Namibian monetary and trade policies along with the development of the current administrative capacity to manage such policies. The second development will be the nature of the regional realignments as South Africa reenters the regional and international community.

Any speculation on the future course of regional integration needs to take into account the reality of the context within which such developments occur. From the Namibian perspective it is necessary to recognise that Namibia is likely to remain significantly dependent upon South Africa, as a source of manufactured goods, as a market and as a source of human resources and investment capital. Regional integration projects should not therefore have as their major aim de-linking from the South African economy. Multilateral agreements such as SACU and the CMA do, however, if they are to survive, need reformulation to be able to take more adequately into account the interests of the smaller member states. The ability of South Africa to make membership of smaller countries worthwhile by means of generous transfers, as is the case in SACU, will be limited in the future. As a result it will be necessary for the countries grouped in SADC to position themselves so as to ensure that regional growth in a post-apartheid context is able to follow a more equitable path.

Regional integration efforts also need to take account of the vastly differing situations in which the various countries of the region find themselves. In the view of this report real progress in economic integration is only likely to be achieved once political stability is achieved throughout the region. SADC, for example includes countries whose political systems, economic conditions and even geographic features vary enormously. It needs to be questioned whether these countries can achieve economic integration in the short to medium term. The record of the PTA in this regard is not impressive. While the principles and protocols agreed to by PTA are commendable, the general failure of member states to implement these agreements questions the extent to which the PTA has been able to bring positive results to its members.

Despite the rather negative experience of economic integration the process should be carried forward. It is therefore the approach to integration not the concept itself that should be revised. Rather than attempting to build Rome in a day, smaller groupings of countries with real potential for economic cooperation should be identified. These could act as the building blocks for wider regional integration. From the Namibian perspective close economic relations with South Africa are likely to continue. The possible linking of Namibia, southern Angola, Zimbabwe and Zambia in some form of cooperation has potential. Such cooperation could be predicated upon the real potential for integration of their economies rather than the desire to integrate these countries. As such an approach might bring more immediate benefits to all parties concerned it is likely to be pursued more rigorously by the participating countries. The fact that Namibia has already signed a bilateral treaty with Zimbabwe and is negotiating a bilateral treaty with Zambia bears out the fact that there is potential for closer cooperation between these countries. In order to prevent such groupings from becoming isolated from other countries in the region, however, this approach should be pursued parallel to the wider regional integration efforts. Thus while efforts to achieve wider regional integration are not neglected, the smaller groupings of countries can move much faster given their natural potential for economic cooperation.

5.2.4 Namibia and the PTA

Namibia will need to consider joining the PTA. Membership of the PTA is possibly in conflict with membership of SACU, although Swaziland and Lesotho are currently members of both organisations. The main conflict is likely to be the fact that PTA membership implies tariff reductions, while SACU's external tariff is unilaterally determined by South Africa. It is conceivable that Namibia could be granted

a derogation of tariff reduction commitments, thus allowing it to join the PTA while remaining a member of SACU. This is the basis for Swaziland and Lesotho's membership of both organisations. In such a scenario Namibia would gain access to the PTA markets, some of them at reduced tariff rates (where PTA members have reduced their tariffs according to the proposed tariff reduction agreement). This would be beneficial to Namibia. Namibia would also benefit in other ways, some of which have been discussed above. Given Namibia's current trade and investment orientation and its reliance on minerals which are exported to world markets, the immediate benefits of PTA membership would not be that significant. The costs of joining the organisation would, however, be low. If Namibia does not join the PTA it should seek access to selected PTA institutions, facilities and agreements (these have been discussed above).

Whether Namibia does join the PTA or not, however, does not contradict the approach to regional integration suggested above. The transition to democracy in South Africa will in any case call for a review of all existing economic organisations in the region. Such a review will need to draw on the lessons of Africa's largely failed attempt at increased integration. It will also have to bear in mind that South Africa's reintegration into the regional economy will have both benefits and costs for the rest of the region. -

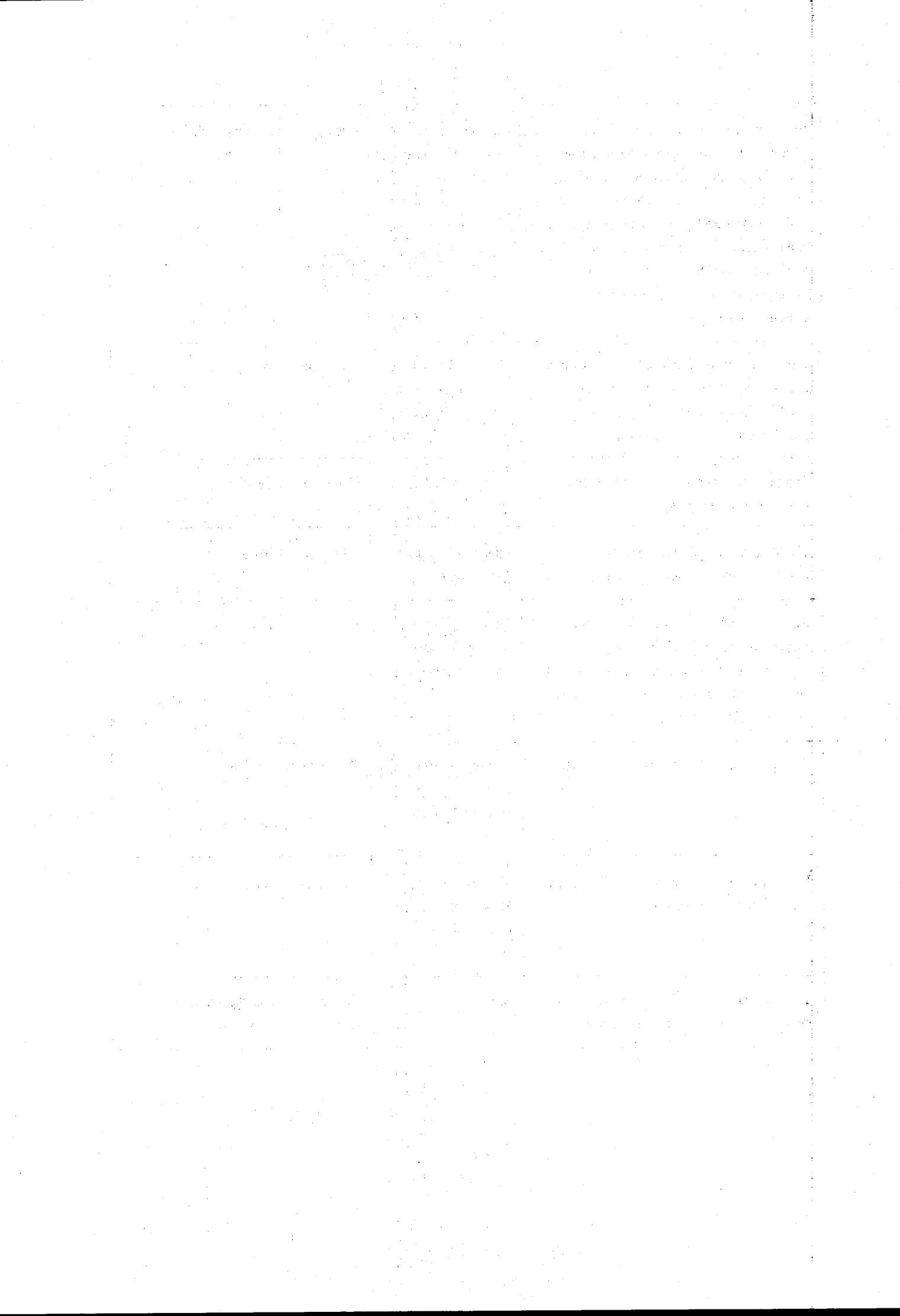
Namibia's Trade and Investment Climate

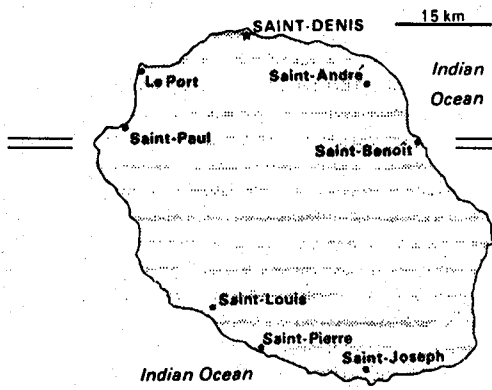
Summary of recommended actions

Recommended action Organisation	Responsible Frame	Time required ,	Assistance
A study into the costs and benefits of membership of the CMA including analysis of : the real effective exchange rate applicable in Namibia, an appropriate exchange control regime and the likely position with respect to foreign exchange reserves on the introduction of the dollar.	Ministry of Finance Bank of Namibia	Short term	Funding
Negotiation within the CMA for the acceptance of the foreign exchange provisions of the Foreign Investment Act.	Bank of Namibia, Ministry of Finance	Shortterm	None
Production of a guide to investing in Namibia	Investment Centre	Shortterm	Funding
Strengthening of the Investment Centre • including the provision of all relevant information and documentation required by investors.	Investment Centre	Medium term	Funding, technical assistance
A database on the available industrial land should be established in the Investment Centre.	Investment Centre	Shortterm	Funding, technical assistance
The possibility of acceding to the Charter on Multinational Industrial Enterprises should be investigated.	Ministry of Trade and Industry	Shortterm	None
Bilateral Investment Protection Treaties ; should be investigated with Zimbabwe, Angola and Zambia.	Investment Centre	Short term	None
Double taxation agreements should be negotiated with Angola, Zimbabwe, Zambia and Botswana.	Ministry of Finance	Short term	None

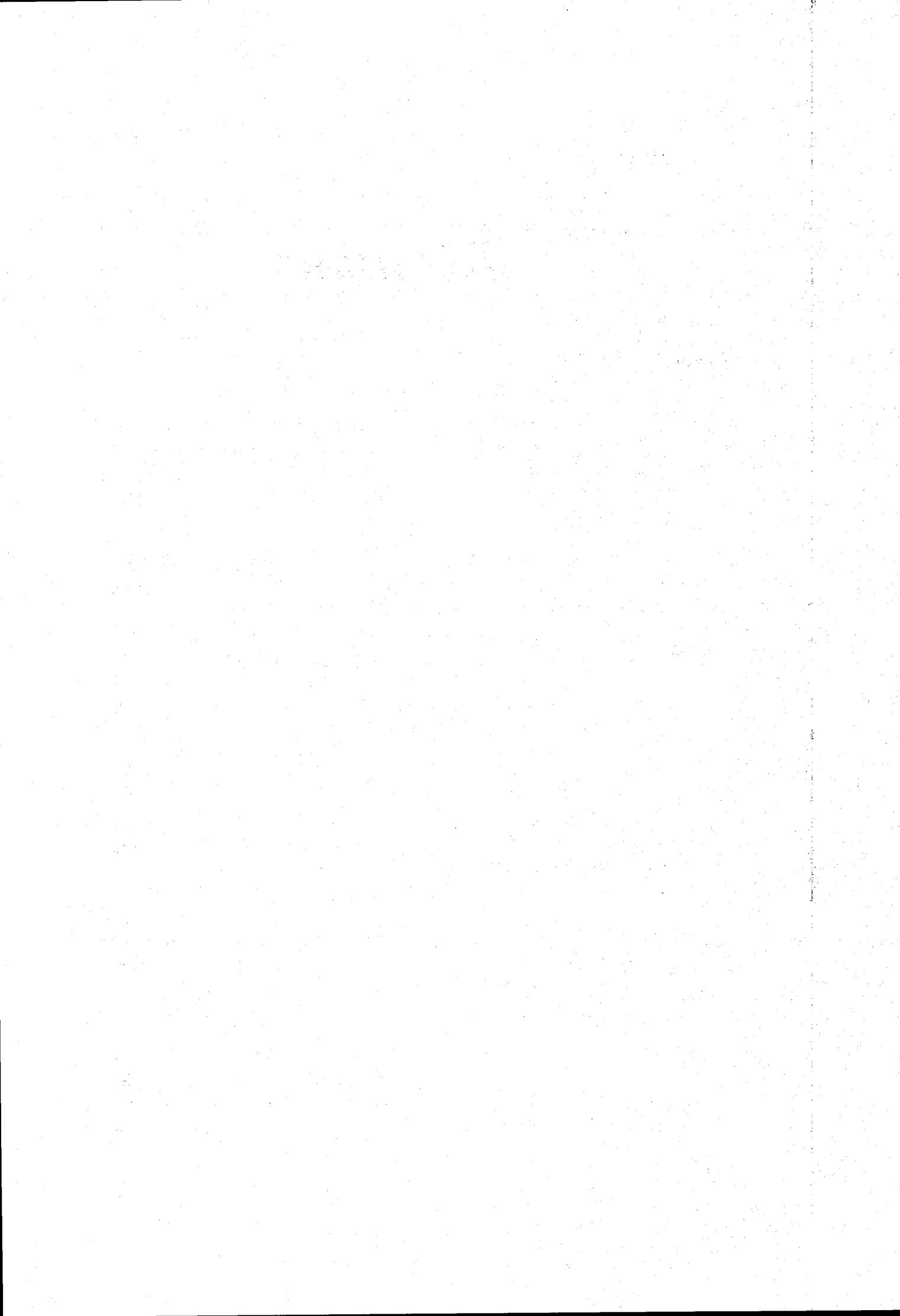
Namibia has relaxed visa requirements with a number of African countries. This should be extended to the other PTA members. Alternatively Namibia should accede to the PTA Protocol on the Relaxation of Visa Requirements.	Ministry of foreign Affairs	Short term	None
The Aliens Act needs to be amended to allow for the delegation of aspects of the Immigration Board's responsibility in granting work permits and to extend the definition of business visit to include traders.	Ministry of Home Affairs, Ministry of Justice	Short term	None
A companies database including information on product profiles, prices, desired imports and exports, etc. needs to be established. This should be linked up with the PTA Information Network. The private sector should have access to such information via the chambers of commerce.	Ministry of Trade and Industry, Directorate of Trade	Short term	Funding, technical assistance
Bilateral trade agreements Angola and Zambia should be concluded. In the future additional agreements can be concluded as trade with other African countries expands.	Ministry of Trade and Industry	Shortterm	None
Formal government commentary is required on the inflation figures currently published and on the measures to be implemented by the CSO in the future.	National Planning Commission, Ministry of Finance	Shortterm	None
The possibility of reconciling membership of the PTA (in particular the question of tariff reduction) with membership of SACU should be investigated	Ministry of Trade and Industry, Ministry of Finance, Ministry of Justice	Short term	None
The present import management system needs to be revised to suit Namibia's needs. This involves reviewing and replacing legislation and regulations pertaining to import, inherited from South Africa.	Ministry of Trade and Industry	Short term	None

Export promotion needs to be prioritised. Measures to promote export include: linking into the PTA Information Network; publishing brochures; providing information and advice to the business community on how to penetrate export markets, in particular the regional market and implementing the Namibian Export Promotion Programme envisaged in the Industrial Policy.	Ministry of Trade and Industry, Chambers of Commerce	Ongoing	Funding, technical assistance
It should be proposed to SACU that the customs and tariff classification systems used within SACU be harmonised with those being introduced in the rest of the region.	Ministry of Finance Department of Customs	Short term	None
Transport links with Angola, especially road links, should be improved.	Ministry of Works and Transport	Medium to Long Term	Funding
The MOU on transport between SACU members should be signed by Namibia.	Ministry of Works and Transport	Short term	None
Namibia should accede to the PTA Transit Regime. Alternatively bilateral trade agreements between Namibia and its non-SACU neighbours should incorporate relevant aspects of the PTA Transit Regime.	Ministry of Trade and Industry, Ministry of Works and Transport	Short term	None
An export credit scheme should be established.	Ministry of Trade and Industry, Bank of Namibia, Ministry of Finance	Shortterm	Funding
Namibia should seek access to the PTA Bank's Credit Facility for investment and trade.	Ministry of Finance, Ministry of Trade and Industry, the Bank of Namibia	Shortterm	None
The Namibia National Chamber of Commerce requires funding for certain of its projects.	NNCCI	Medium term	Funding, technical assistance





Réunion



1. INTRODUCTION

La volonté d'une meilleure insertion de la Réunion dans son ensemble géographique, d'une part, et l'adhésion de la France (Réunion) à la Commission de l'Océan Indien, d'autre part, sont autant de raisons majeures qui l'ont conduite à s'associer au présent exercice, étant toutefois souligné sa singularité au regard des autres acteurs, à savoir son statut de Région et de Département d'Outre Mer, qui l'intègre ainsi aux espaces français et communautaire.

C'est dire que le questionnaire auquel il est répondu ci-après n'est pas toujours adapté à la situation de la Réunion qui évolue dans un cadre institutionnel et réglementaire dépendant de sa métropole. Il s'agit donc d'un système économique de type libéral et d'un cadre juridique de type occidental où les activités commerciales participent exclusivement de l'initiative privée, dans un environnement, il est vrai, préparé par les Pouvoirs Publics (fiscalité, aides et initiatives, logistiques, implantations, etc...).

C'est ainsi que l'essentiel du négoce y est de type Nord-Sud, en raison de liens traditionnels avec la métropole française ainsi que ses partenaires européens, liens confortés par la qualité, la régularité et les coûts des approvisionnements correspondants, pour une consommation et un pouvoir d'achat se rapprochant du modèle européen, dans un contexte effectivement concurrentiel.

Les notions de proximité et de régionalité voire de coût paraissent souvent des arguments de faible poids lorsque l'entrepreneur réunionnais est confronté à des pratiques et des procédures qui dérogent aux règles habituelles du commerce international, et dans des zones où la notion de risque est par ailleurs mal maîtrisée.

Soulignons également que la stratégie de développement économique de l'île répond tout d'abord à la satisfaction des besoins intérieurs, pour lesquels il est très largement recouru à l'importation. C'est ainsi que l'exportation paraît réservée à des entreprises ayant réussi et confirmé leur implantation dans l'île, pour ne constituer qu'un prolongement de leur activité principale.

Il importe que les réponses figurant ci-après soient appréciées au regard de la situation ainsi décrite pour la Réunion, où ses acteurs du négoce ne sauraient réellement s'engager dans une promotion des échanges régionaux qu'à partir d'une réelle liberté de la circulation de l'information, des hommes, des marchandises et des capitaux, dans un contexte juridique effectif, cohérent et confirmant toutes ces garanties.

2. DANS LE DOMAINE DE L'INVESTISSEMENT

2.1. Analyse du Code des Investissements

Une récente étude fait état de 29 mesures d'aides dont 23 spécifiques à l'île, les autres étant nationales. 11 sont sur financement ou co-financement des collectivités locales, 10 sur co-financement européen et 11 sur financement ou co-financement national. Ce système est sans doute le plus performant de la zone Océan Indien en terme d'aides à l'investissement. Cependant, à l'analyse, certaines améliorations peuvent être apportées, principalement sur :

- la longueur de l'instruction, surtout lorsqu'interviennent des cofinancements pour lesquels, chaque organisme demeure le seul décideur pour sa participation (ex : aides aux conseils) et, par conséquent, doit le soumettre de manière interne;
- l'harmonisation des seuils et des "sites" de décision :
 - exonération d'impôt sur les sociétés : commission locale des investissements (seuil : 1 million de francs)
 - prime d'équipement : Préfecture (seuil : 15 millions de francs)
 - agrément dans le cadre de la défiscalisation (services fiscaux, seuil : 10 MF);
- la longueur du délai de décision lorsque les dossiers sont instruits au niveau de la Commission Centrale interministérielle à Paris.

Le système peut s'avérer complexe et manque d'incitativité :

- peu d'aides sont automatiques en fonction de critères clairement énoncés, ce qui implique une instruction lourde et administrative bien qu'elle soit garante d'objectivité et d'adaptabilité ;
- le montant des aides décidées localement est limité (réservées aux projets inférieurs à 30 MF d'investissement), d'autant que les enveloppes allouées le sont également. Les aides sont orientées vers la création ou le développement de petites structures indépendantes tournées vers la substitution à l'importation;
- la défiscalisation concerne par définition les investisseurs français ou les investisseurs étrangers établis en France et soumis à l'impôt sur les Sociétés. Cependant, aujourd'hui des montages de "crédit bail défiscalisé" permettent de proposer aux investisseurs de la zone des taux d'intérêt de l'ordre de 0 à 3%.

L'exonération d'impôts sur les sociétés est accordée pour une durée de 10 ans. Cependant la société ne fait en général du bénéfice qu'après 3 ans, elle peut réinvestir et donc défiscaliser par la suite et la distribution et la loi du précompte mobilier l'oblige à payer une partie des impôts.

Depuis le 1er janvier 1992, les distributions de dividendes des sociétés sont imposées sur le revenu du particulier qui en bénéficie.

2.2. Règlement et procédures applicables aux investissements étrangers

La réglementation sur les investissements français à l'étranger et étrangers en France figure en annexe 1. La législation actuelle est, comparativement aux pays de la zone 01, très favorable aux investissements étrangers, notamment depuis la levée du contrôle des changes le 1er janvier 1990. Tous paiements à destination de la France, ou à partir de la France vers l'étranger, sont désormais libres. Le rapatriement des profits n'est soumis à aucune autorisation préalable. Entre autre, il est possible de posséder l'ensemble du capital d'une société contrairement aux pays de la zone dans lesquels un investisseur local doit intervenir parfois pour plus de 51%.

La procédure d'investissement direct en France doit être distincte de celle de délivrance de la carte de commerçant. Il n'est en effet nul besoin de cette carte pour investir en France. Par contre, le délai pour obtenir une carte de commerçant et donc gérer une société, est assez long. Environ 6 mois de procédure (Consulat, Préfecture, Ministère des Affaires Etrangères) avec avis de différentes instances locales (Direction Départementale du Travail et de l'Emploi, Chambres Consulaires, Mairie du lieu d'implantation...).

2.3. Ampleur des investissements de la sous-région et potentiel futur

MADAGASCAR, COMORES, SEYCHELLES : quasiment nul.

MAURICE:

Il existe des opérations partenariales avec les entreprises de la Réunion et les entreprises de l'île Maurice, en particulier dans les secteurs de l'agro-alimentaire et du froid industriel.

Quelques investissements visent la Réunion pour développer leur savoir-faire sur un marché plus riche qu'à Maurice. Il s'agit toujours de produits pour le marché local et très rarement pour l'exportation. On peut citer Tébénisterie, le conditionnement d'épices, les services informatiques, le lombricompost, les armoires métalliques, le fer à béton et le textile en coopération avec Madagascar. Ils se heurtent en général au cadre juridique et administratif de type européen et à une exigence de qualité et de normes européennes auxquels ils ne sont pas habitués.

AFRIQUE DU SUD (RSA):

Courant d'intérêt de plus en plus important reposant sur :

- l'évolution de la situation politique
- l'ouverture sur la CE
- la découverte d'un micro-marché riche et solvable sur la zone
- la qualité des infrastructures de niveau équivalent à ce qu'ils connaissent.

Les facteurs limitant sont :

- la langue et l'absence d'écoles anglophones
- les contrôles et limitations des sorties de devises hors RSA
- l'absence de projet sud-africain opérationnel.

2.4. Investissements réunionnais dans la zone

Actuellement les projets d'investissement sont surtout tournés vers Madagascar, essentiellement pour un approvisionnement en matières premières à l'exemple de la provenderie. Quelques sociétés essaient de développer leur savoir-faire pour le marché local mais la situation politique a limité ces ambitions.

Sur Maurice, il existe également quelques investissements réunionnais, principalement dans les domaines de l'approvisionnement en bitume, de l'hôtellerie et des gaz industriels. Le potentiel futur se situe donc plutôt vers Madagascar mais évoluera surtout en fonction de la situation politique. Aucun ordre de grandeur sur l'importance de ces investissements ne peut aujourd'hui être avancé. De nombreux investisseurs potentiels demeurent dans l'attente de la validation d'un code des investissements clair et praticable de la Grande Ile.

2.5. Contrôle des changes sur les courants d'investissement

La France n'a plus de contrôle des changes depuis le 1/1/1990. Cependant un contrôle statistique est réalisé afin d'évaluer la balance des paiements au niveau national.

2.6. Convention en vigueur sur la double imposition

Les conventions fiscales internationales portant sur la double imposition sont les suivantes :

- Ile Maurice : Convention Générale du 11/12/1980
- Seychelles : Accords particuliers n° 280 et n° 540
- Comores : Convention Générale des 27 mars et 8 juin 1970
- Madagascar : Convention Générale du 22 juillet 1983
- Afrique du Sud : Néant.

L'incidence des conventions internationales peut aboutir à limiter les effets de la retenue à la source applicable en cas de distributions effectuées à l'étranger, afin d'éviter les doubles impositions.

2.7. Contraintes sur les mouvements trans-frontières de personnes

La réglementation applicable est la réglementation nationale, bien que quelques adaptations aient été prévues pour faciliter les échanges avec les pays de la zone mais uniquement dans le cadre de séjours de courte durée.

2.7.1. Réglementation relative aux séjours touristiques

Les ressortissants étrangers originaires des pays de la zone doivent, pour tout séjour touristique, être titulaire d'un visa dont la durée maximale est de trois mois, délivré par le consulat de France du pays d'origine après consultation préalable du Préfet. Pendant ce séjour, ils ne sont pas autorisés à travailler.

Les cas particuliers sont:

- Maurice, Seychelles : où il faut une consultation préalable uniquement pour des séjours supérieurs à 30 jours, possibilité de visa de 15 jours délivré à Gillot par la PAF (6 par an maximum, délai de 30 jours entre deux visas consécutifs).
- Madagascar : possibilité de délivrance de visa de 10 jours maximum sans consultation préalable.
- O Afrique du Sud : visa sans consultation préalable mais simplement information à posteriori de la Préfecture.

2.7.2. Réglementation relative aux séjours de longue durée

Les étrangers doivent solliciter un visa de long séjour qui ne pourra être délivré qu'après consultation préalable du Préfet. L'obtention de ce visa dépendra de la nature du séjour envisagé.

- Commerçants, artisans, industriels : la demande de visa s'accompagne d'une demande de carte de commerçant. Le projet d'installation doit être bien défini et ce dossier sera en général soumis à l'avis de la Chambre de Commerce et d'industrie, du Maire du lieu d'implantation et des services économiques de la Préfecture* En cas d'avis favorable, le visa délivré permettra aux demandeurs d'entrer dans le Département. Un titre de séjour d'un an renouvelable accompagné d'une carte de commerçant seront attribués sur place.
- Travailleur salarié : c'est l'employeur qui doit déposer une demande d'introduction d'un travailleur salarié auprès de l'ANPE. Cette demande est soumise à autorisation de la Direction Départementale du Travail et de l'Emploi. La situation de l'emploi étant opposable, cette autorisation sera en général difficile à obtenir et ne pourra concerner que des activités ou il n'existe pas de candidats compétents sur place. En cas d'avis favorable, le demandeur obtient un visa et une carte de travailleur salarié d'un an renouvelable lui sera attribuée sur place.

Cette réglementation étant nationale, aucune mesure légale d'assouplissement ne peut être envisagée localement. Seule une saisine des ministres concernés (Intérieur, Affaires Sociales et Intégration) pourrait, après une procédure sans doute longue, apporter des modifications mais à priori, l'opportunité de tels changements reste à démontrer, compte tenu du contexte, les pays les plus proches présentant une population ou le risque migratoire reste élevé.

La réglementation en vigueur, tant pour les courts séjours que pour l'attribution d'une carte de séjour et de travail, semble la mieux adaptée aux échanges actuels.

Une amélioration du fonctionnement de ces procédures pourrait toutefois être apportée si une réduction sensible du délai d'instruction des demandes pouvait être obtenue. Mais compte tenu du nombre d'intervenants (Consulat, Préfecture, Direction du Travail, autres administrations françaises, Office des Migrations Internationales), une meilleure coordination s'impose à tous les niveaux : par ailleurs, le délai d'acheminement du courrier entre les pays reste un handicap.

Enfin, pour ce qui concerne la réglementation opposable aux Français dans les pays de la zone, il conviendrait de consulter les services consulaires de ces pays dans le département ou, lorsque ceux-ci n'existent pas, directement les autorités compétentes dans ces pays.

3. DANS LE DOMAINE DES ECHANGES

3.1. Echanges avec les autres pays de la sous-région

Au sein de la COI, et ceci constitue une réalisation importante, le programme TRACE a consisté, non seulement à la collecte et à la diffusion des statistiques douanières d'importation et d'exportation, mais aussi à transcoder en Système Harmonisé (SH) les données de certains partenaires présentées en CTGI. Les travaux effectués dans le cadre du programme TRACE pourraient utilement servir à d'autres pays qui produisent des statistiques en système CTCI en vue de les exprimer en SH.

Les statistiques des échanges commerciaux de la Réunion avec les pays voisins, pour les années 88 à 91, sont présentées et commentées en annexe 2. Les échanges non déclarés à la Réunion ne devraient concerner qu'une proportion négligeable des échanges commerciaux. En effet, le seuil statistique est fixé chez nous à 2.500 F français par envoi.

3.2. Contraintes macro-économiques principales rencontrées par le secteur privé.

S'agissant du problème de la réglementation des investissements, la Caisse Centrale de Coopération Economique a établi la fiche technique déjà citée qui figure en annexe A 1.

Plus globalement, les acteurs économiques estiment que les tarifs douaniers des pays de la zone sont beaucoup trop élevés, et par ce fait freinent les échanges et par contre-coup les recettes fiscales. D'ailleurs

certain cas; même si, le taux tarifaire est faible ou nul, des prestations accessoires peuvent s'avérer prohibitives : c'est le cas de certains produits pour lesquels le taux du droit de douane est nul, mais assorti de frais de timbre d'un niveau considérable.

Enfin les taux de change et d'inflation n'ont que peu d'importance car les transactions commerciales ont rarement lieu dans la monnaie du pays, mais plutôt en devise forte et convertible.

3.3. Règlements et pratiques en matière de licences d'importation.

Etant rappelé que la Réunion obéit au cadre juridique français et communautaire, il convient de souligner que les restrictions quantitatives (licences) ont été supprimées pour les produits ACP introduits en Europe, et partant, à la Réunion. Le bénéfice de ce régime est subordonné à la présentation d'un certificat attestant de leur origine ACP, qui induit également une exonération du droit douane. Les contrôles effectués à l'importation sont essentiellement d'ordre sanitaire, phyto sanitaire et normatif, pour garantir la qualité et la conformité des produits importés, selon les normes exigibles.

3.4. Règlements applicables aux permis d'exportation et impact sur les restrictions aux exportations.

A la Réunion les seuls règlements concernant les permis d'exportation sont liés à la constitution et au maintien de stocks de sécurité des produits de première nécessité.

3.5. Réunions d'acheteurs et de vendeurs et aux foires commerciales et volume des opérations commerciales faisant l'objet de contrats.

La Chambre de Commerce de la Réunion dispose des informations concernant les diverses foires, sans pour autant en assurer le suivi. Les modalités de ce suivi pourraient être envisagées entre les assemblées consulaires (mission contractuelle à un expert par exemple).

Parmi les raisons qui ont empêché la réalisation de contrats figurent : le coût élevé du transport, l'absence de cabotage entre les pays concernés, les liaisons maritimes inexistantes ou le monopole du pavillon.

3.6. Les biens et services par secteur et/ou produits que les firmes souhaiteraient importer et exporter à l'intérieur de la sous-région.

Un manque d'information, est généralement signalé. En particulier, les appels d'offres devraient être privilégiés entre partenaires et ce par le canal, par exemple, des Chambres de Commerce. D'autres organismes sont susceptibles d'être des canaux d'information, et, en particulier, les organismes professionnels par branche, comme TADIR (Association pour le Développement Industriel de la Réunion).

3.7. Impact des corporations de commerce d'Etat sur la restriction des importations et des exportations.

Le commerce est libre à la Réunion où la notion d'office centralisateur est inconnue. Pour nos opérateurs, les organismes appelés "boards" dans certains pays sont des freins à l'expansion des relations économiques. D'autres systèmes constituent aussi des freins tels que les règles régissant les commandes publiques.

3.8. Système Harmonisé de Classification tarifaire (SH).

A la Réunion, et nous l'avons vu plus haut, dans le cadre de la COI, les statistiques sont exprimées en SH. Il est très important d'adopter le même standard avant le développement des échanges.

3.9. Impact des normes et critères existants sur le commerce extérieur.

S'agissant des normes en matières de statistiques ce problème a été évoqué sous les n° 1 et 9. Les normes appliquant aux produits sont d'une extrême importance même, et surtout, pour un PVD, car les échanges ne sont possibles à terme qu'à partir de normes de qualité élevées. Il est illusoire de vouloir exporter en Europe ou en Amérique du Nord des produits aux normes médiocres. L'histoire récente du développement du commerce entre le Sud-Est Asiatique et l'Occident est symptomatique à ce sujet. Il convient donc d'adopter très vite les normes les plus élevées, gages de hauts prix de vente.

3.10. Identifier les autres contraintes relatives au transport et aux communications.

Parmi les contraintes ont été signalées les mauvaises dessertes aériennes et maritimes, ainsi que leur coût élevé. A titre d'exemple, le fret est plus cher entre la Réunion et Madagascar (800 km), qu'entre la Réunion et la France Métropolitaine (10.000 km). Des dessertes cadencées et du cabotage régional deviennent nécessaires.

4. DANS LE DOMAINE DES FINANCES ET PAIEMENTS

4.1. La chambre de compensation

Déterminer dans quelle mesure la création d'une chambre de compensation régionale sur le modèle de celle existant dans la zone d'échanges préférentiels (ZEP) est-elle raisonnablement envisageable et évaluer, d'une façon générale, l'impact d'une telle structure sur le développement des échanges commerciaux. Cette question avait déjà été examinée en 1988 dans le même cadre de la COI. L'Institut d'Emission des Départements d'Outre-Mer (IEDOM) avait fait à cette occasion une étude technique et une proposition de règlement intérieur d'une telle institution. L'une des difficultés évidentes, et non résolue à ce jour, est d'avoir une garantie de bon dénouement des opérations.

Le consultant de la Banque Mondiale a d'ailleurs noté que la Chambre de compensation existante des pays de la ZEP ne traite qu'une partie des échanges entre pays de la zone et ne peut être considérée comme ayant développé ces échanges.

Ceci procède nettement des problèmes posés dans certains pays à monnaie faible aux opérateurs économiques de ces pays. Les exportateurs sont en effet, dans ces pays, peu enclins à se laisser déposséder aux cours officiels des devises qu'ils obtiennent. Le sous-groupe constate donc que la possibilité technique d'institution d'une chambre de compensation de la COI existe mais sous réserve de trouver une garantie de dénouement des opérations. Par ailleurs, la zone COI recelant des monnaies de stabilisés variables, il n'est pas certain que l'institution d'une telle chambre de compensation soit véritablement un facteur de développement des échanges.

4.2. Relations financières entre établissements de crédit

Les banques commerciales disposent d'un réseau complet de correspondants dans les pays de la zone COI. Ce réseau est en mesure d'effectuer toutes les opérations bancaires nécessaires au bon dénouement des échanges commerciaux.

Les relations qu'elles entretiennent avec leurs correspondants sont, à cet égard, suffisantes et peuvent être étendues pour répondre à des besoins identifiés entrant dans le cadre de leur compétence.

L'IEDOM, en tant que banque centrale a une compétence géographique limitée. Pour la zone, on notera cependant une présence étendue des diverses composantes du groupe de la Caisse Centrale de Coopération Economique (CCCE) : agences CCCE dans tous les pays, agences IEDOM et CCCE à Saint-Denis et agence IEDOM à Mayotte. Les relations entre ces composantes vont prochainement être développées.

Autre particularité, les billets de la zone franc remis par les établissements de crédit sont acceptés par les Instituts.

4.3. Efficacité des systèmes de crédit à l'exportation

Il existe une panoplie (voir annexe n°3) importante d'aides ou de concours bancaires dont peuvent bénéficier les entreprises qui exportent une partie de leur production. Le dispositif actuel paraît largement suffisant pour satisfaire l'ensemble des besoins actuellement identifiés.

Il apparaît, cependant à l'usage, que de nombreux opérateurs économiques n'ont qu'une connaissance partielle de ce dispositif et qu'il convient d'en assurer une plus grande information par le canal des organisations professionnelles.

4.4. Relations financières avec l'étranger

Le décret n°89-938 du 29 décembre 1989 modifié, complété par la circulaire du 14 mars 1991 a rétabli la liberté totale des relations financières avec l'étranger. Ainsi, les résidents et non résidents – personnes physiques ou morales – peuvent, sans avoir à fournir une justification quelconque, disposer de comptes en devises ouverts auprès de banques résidentes, transférer et, éventuellement, conserver des avoirs à l'étranger, en devises ou en francs, sans limite de montant. Les résidents et non résidents demeurent simplement assujettis à des déclarations statistiques aux fins d'établissement de la balance des paiements.

A noter cependant que l'encours total des comptes des non résidents dans les banques de la Réunion est très faible puisqu'il ne dépasse pas 3 millions de Francs au 30/06/1992. Par contre, il est très difficile pour un investisseur français d'obtenir le paiement en devises de ses prestations ou des dividendes lui revenant, (cf annexe n° 3 reprenant cette réglementation).

4.5. Efficacité des systèmes d'assurance

Les garanties accordées sont essentiellement le fait de la COFACE, et dans une moindre mesure des sociétés d'assurance crédit (SFAC). La COFACE étudie au cas par cas les demandes de garantie. Les produits proposés sont :

- l'assurance foire
- l'assurance prospection simplifiée (APS)
- l'assurance prospection normale (APN)
- la police globale, commerciale, politique (GCP).
- la police GCP super S
- la police globale biens d'équipement (BE)
- la police abonnement biens d'équipement (EA)
- la police globale crédit acheteur (BCA-G)
- la police risques politique, catastrophique et de non transfert
- la police individuelle crédit-fournisseur
- la police individuelle crédit-acheteur
- la garantie des cautions
- la garantie du matériel d'entreprise
- la garantie de l'escompte sans recours des crédits fournisseurs
- l'assurance change (courant d'affaires, négociation ...etc)
- la garantie des investissements.

4.6. Utilisation par les opérateurs économiques des facilités de crédit

Dans le cadre des facilités offertes par l'IEDOM, les traites export sur l'étranger ont représenté en moyenne, en 1992, 420.000 F par mois. On notera cependant que ceci abstrait les relations entre entreprises malgaches et réunionnaises appartenant à des mêmes groupes et qui procèdent entre elles par paiement à vue. Il n'en reste pas moins que les diverses facilités existantes sont globalement très peu utilisées.

5. DANS LE DOMAINE DES INSTITUTIONS

Identifier aux niveaux national et régional les institutions d'échanges ainsi que les institutions spécialisées de financement et d'investissement, et évaluer leur capacité à faciliter l'investissement trans-frontières et les courants d'échanges, et soumettre des propositions visant à renforcer ou créer des institutions.

5.1. Institutions spécialisées dans les échanges et le financement des investissements trans-frontières ■

5.1.1. Les institutions françaises présentes à la Réunion

L'Etat

Représentant de l'Etat en même temps que délégué du Gouvernement, le Préfet de la Réunion a sous son autorité divers services déconcentrés des administrations civiles de l'Etat, dont certaines attributions visent à faciliter le développement des échanges entre la Réunion et les pays de la zone notamment :

- la Direction Régionale des Douanes
- la Direction Régionale du Commerce Extérieur (DRCE)
- la Direction Régionale de l'industrie, de la Recherche et de l'Environnement (DRIRE)

Les collectivités locales

Conformément au partage de compétences opéré depuis 1982 par la réforme de la décentralisation entre l'Etat et les collectivités locales (régions, départements, communes), celles-ci exercent aujourd'hui de nombreuses responsabilités en matière de développement économique, social et culturel, y compris dans le domaine de l'action extérieure au titre de la "coopération décentralisée". C'est ainsi que la Réunion compte 24 communes, 1 Département et 1 Région (au côté de laquelle sont placés deux organismes consultatifs : le Conseil Economique et Social et le Conseil de la Culture, de l'Education et de l'Environnement).

Ce sont essentiellement la Région et le Département qui, dans le cadre de leur politique de coopération décentralisée, mènent diverses actions visant à développer les échanges régionaux.

Les institutions financières

La Banque Centrale des Départements d'Outre-Mer, (l'IEDOM) a notamment pour mission, dans le cadre de sa politique de crédit de :

- favoriser les investissements dans les secteurs jugés prioritaires (agriculture, pêche, aquaculture, industrie, agro-industrie, tourisme);
- maintenir des taux de crédit modérés par la pratique d'un taux de réescompte peu élevé pour alléger les charges financières des entreprises appartenant aux secteurs prioritaires (l'IEDOM émet la même monnaie que la Banque de France).

La Caisse Française du Développement (CFD) pour les entreprises réunionnaises qui souhaitent développer leurs activités dans les pays de la zone. La CFD dispose :

- d'agences dans tous les pays de la zone,
- de possibilités variées d'aides financières (Seychelles exceptées) et au Mozambique (participation au capital, prêts à long terme et bas taux d'intérêts, subventions à des projets gouvernementaux);
- de fonds d'études et de recherches : étude de faisabilité pour des projets privés (remboursables seulement en cas de succès);
- de possibilités d'assistance variée au démarrage de projets privés;
- de cahiers d'appel d'offre des projets financés par elle-même et la Communauté Européenne (FED, BEI).

Les banques commerciales

Ces banques peuvent offrir divers concours bancaires et la plupart d'entre elles disposent d'un réseau de correspondants dans certains pays de la zone.

Les autres institutions

La Réunion compte de nombreuses autres institutions ayant pour vocation de favoriser le développement des échanges extérieurs dans des domaines aussi variés que le tourisme, l'industrie, l'agriculture ... On peut ainsi citer :

- les assemblées consulaires (Chambre de Commerce et d'industrie, Chambre d'Agriculture, Chambre de Métiers) :
- le Comité de Pilotage de l'industrie (CPI)
- le Comité de Tourisme de la Réunion (CTR)

- le Comité Régional des Conseillers du Commerce Extérieur
- la Société d'Economie Mixte d'Exportation de Produits Agricoles (SEMEX)
- la Compagnie aérienne régionale AIR AUSTRAL
- les organismes de recherche (Université, Centre de Coopération Internationale en Recherche Agronomique pour le Développement-CIRAD-, Institut Français de Recherche pour l'Exploitation de la Mer -IFREMER-, Office pour la Recherche Scientifique et Technique de l'Outre-Mer -ORSTOM-...).

5.1.2. Les institutions françaises présentes dans les pays de la Zone

Dans le cadre de sa politique d'aide publique au développement, la France est présente dans tous les pays de la zone à travers diverses institutions qui peuvent également contribuer aux échanges entre ces pays et la Réunion (Ambassades, Missions de Coopération et d'Action Culturelle, Alliances françaises, Postes d'expansion économique, Agences de la Caisse Française de Développement).

5.1.3. Les institutions régionales auxquelles la Réunion participe

Soit dans un cadre gouvernemental, soit dans un cadre décentralisé, la Réunion participe aux travaux de diverses organisations de coopération régionale: la Commission de l'Océan Indien (COI), la Fédération des Chambres de Commerce et d'industrie de l'Océan Indien (FCCIOI), l'Association des Villes et Communes de l'Océan Indien (AVCOI), et le Comité de Collaboration Agricole (COCOLAG).

5.2. *Analyse de la capacité des institutions spécialisées à faciliter les investissements trans-frontières et les courants d'échanges*

5.2.1. Les aides financières

Les entreprises de la Réunion qui souhaitent, soit développer leurs activités à l'exportation, soit réaliser des investissements dans les pays de la zone peuvent bénéficier de multiples aides revêtant des formes diverses :

- subventions
- crédits à taux privilégiés
- bonifications de taux d'intérêt
- O prises de participation dans leur capital social
- O fonds d'études remboursables
- garantie de certains risques

La plupart de ces aides sont financées par des fonds prévus à cet effet par les Pouvoirs Publics (Communauté Européenne, Etat, Collectivités locales).

5.2.2. Les aides non financières

Il s'agit essentiellement des aides sous forme de conseils ou d'assistance technique apportées par divers organismes publics : Services de la Préfecture et des Collectivités locales; assemblées consulaires; et Direction Régionale du Commerce Extérieur.

5.2.3. Analyse critique

Bien que la panoplie des mesures d'incitation dont les entreprises de la Réunion peuvent bénéficier apparaît comme particulièrement avantageuse par rapport aux aides existant dans les autres pays de la zone, la complexité du système ainsi mis en place ne favorise guère le développement des échanges et des investissements régionaux.

1. Un système complexe

- nombreuses institutions
- multiplicité des aides
- insuffisance d'automatisme des aides
- difficulté de la coordination des divers intervenants
- difficultés dans la circulation de l'information
- lourdeur et lenteur des procédures

2. ... qui ne favorise guère le développement des échanges et des investissements régionaux

- échanges commerciaux entre la Réunion et les pays de la zone : les pays de la COI ne représentent que 2% des importations totales de la Réunion et 5,1% de ses exportations totales
- investissements réunionnais dans les pays de la zone : essentiellement limités à Madagascar et à Maurice
- investissements des pays de la zone à la Réunion : ces investissements sont quasi-nuls.

5.3. Propositions

Les propositions formulées sont de nature à la fois politique, administrative et financière.

Les mesures à caractère politique

- renforcer les pouvoirs du Préfet de la Réunion (mesures de déconcentration) :
- renforcer et adapter aux spécificités de la zone les pouvoirs des collectivités locales en matière d'action extérieure (mesures de décentralisation) :
- promouvoir une véritable politique de formation à l'international (enseignement de l'anglais, connaissance des pays de la zone...).

Les mesures à caractère administratif

- simplifier les procédures administratives
- améliorer la circulation de l'information (création d'un "guichet unique" de la coopération régionale, création d'une représentation de la CEE)
- renforcer la sélection des entreprises aidées

Les mesures à caractère financier

- défiscalisation et allègement des charges sociales des entreprises qui investissent à l'étranger ou réalisent une partie de leur chiffre d'affaires à l'exportation
- élargir la liste des entreprises (de services en particulier) éligibles aux aides publiques.

6. CONCLUSION

Les réponses et éléments apportés par le groupe de travail dans les divers domaines indiquent clairement que le dispositif mis en place à la Réunion en vue de faciliter les échanges commerciaux et les courants d'investissements est riche en possibilité mais finalement peu utilisé.

L'efficacité de ce dispositif auquel concourent tant l'Etat que l'ensemble des collectivités locales et de nombreux partenaires institutionnels -désormais techniquement, juridiquement et en volumes financiers satisfaisants- suppose au plan interne une meilleure circulation de l'information elle-même liée à une simplification et une harmonisation des procédures.

Au plan externe, cette efficacité ne pourra être prouvée que si les pays auxquels s'adressera présente étude, sont en mesure de réaliser des avancées significatives dans les domaines de la qualité liée aux exigences du négoce international et qui passe par le respect des normes de référence internationale, de la libre circulation des personnes, des biens et des capitaux, de la formation aux échanges internationaux et des dessertes maritimes et aériennes.

A raison de sa double appartenance au cadre français d'une part et européen d'autre part, la Réunion, qui possède des atouts significatifs dans les domaines des services, de la formation et de la technologie, est aussi en mesure d'apporter une contribution majeure au développement des échanges et des investissements au sein de la région qui nous concerne mais également à la promotion des échanges à partir de notre région vers l'Europe.

LA REGLEMENTATION SUR LES INVESTISSEMENTS
DIRECTS FRANÇAIS A L'ETRANGER ET ETRANGERS EN FRANCE

1. INVESTISSEMENTS FRANÇAIS A L'ETRANGER

La constitution ou la liquidation d'investissements directs français à l'étranger sont libres, qu'elles soient réalisés par des résidents ou par l'entremise de sociétés étrangères ou d'établissement à l'étranger sous leur contrôle.

Le compte-rendu d'investissement est obligatoire lorsque le montant dépasse 5MF.

2. INVESTISSEMENTS ETRANGERS EN FRANCE

La reconnaissance permanente par le ministère de l'économie et des finances du caractère communautaire de l'investisseur dispense celui-ci de l'obligation de déclaration ou d'autorisation préalable.

La déclaration préalable et l'autorisation préalable restent obligatoires pour les investissements étrangers d'un montant supérieur ou égal à 50 MF dans une entreprise existante, ou dont le chiffre d'affaires additionné à ceux d'entreprises déjà sous leur contrôle excède 500 MF.

Les investissements dans les activités participant en France, même à titre occasionnel, à l'autorité publique, ou mettant en cause l'ordre public ou la santé publique ou la sécurité publique, à la production ou commercialisation d'armes, munitions et matériels de guerre, ou faisant échec à l'application de réglementations et de lois françaises restent soumis à la déclaration et à l'autorisation préalable.

Toute opération doit donner lieu à compte-rendu.

3. REGLEMENTS ET COMPTE-RENDUS

Les règlements doivent être réalisés sous forme scripturale. Les comptes-rendus d'opération doivent être établis sur les formulaires en vigueur.

Lorsque la réalisation juridique et les règlements correspondants ne sont pas simultanés, un compte-rendu distinct doit être établi pour la réalisation juridique d'une part et les règlements d'autre part:

Lorsqu'une opération ayant fait l'objet de décision n'est pas réalisée ou est réalisée partiellement, il convient d'informer l'administration.

Les sociétés françaises sous contrôle étranger (détenues à plus de 20% par des étrangers), doivent déclarer :

- toute modification apportée à leur capital ou à sa répartition :
- toute modification importante concernant leur existence ou leur activité.

N.B.: La liste des aides et concours décrits ci-dessous est donnée à titre indicatif et ne prétend pas à l'exhaustivité.

1. CREDITS BANCAIRES REFINANCES PAR L'IEDOM

a) Traités "exportation" sur l'étranger

Les traités tirés par un exportateur ou réexportateur local sur un importateur étranger peuvent être refinancés dans la limite d'une usance de 180 jours, à partir de la date du connaissance.

b) Crédits de prospection à l'étranger

Les crédits de prospection à l'étranger sont refinançables à condition qu'ils fassent l'objet d'un contrat assurance prospection de la COFACE. L'accord de refinancement est limité à la quotité du crédit garantie par la COFACE. Sa durée est fonction de l'échéance retenue pour le crédit de prospection dans une limite de 24 mois.

c) Crédits de préfinancement :

- spécialisés, (cas d'une commande importante) : le montant du crédit est calculé sur la base de l'évaluation des stocks à constituer jusqu'à la date de la fourniture. Le dénouement du crédit est assuré, soit par règlement au comptant de l'acheteur étranger, soit par la mise en place d'un crédit de mobilisation court terme (maximum de 180 jours), moyen terme ou long terme.
- revolving, (cas d'un courant continu d'exportation) : crédit cependant moins utilisé car rapidement considéré par l'Institut comme un crédit de trésorerie de l'entreprise, par ailleurs, refinançable même sans référence à une activité exportatrice.

2. CONCOURS BANCAIRES A L'EXPORTATION

a) Crédits à moyen terme et long terme à l'exportation

Si les délais de paiement accordés aux partenaires étrangers s'étendent à moyen et long termes, les entreprises peuvent obtenir des banques :

- un crédit fournisseur qui est un escompte accordé au fournisseur français lui permettant d'encaisser sa créance, dès le moment de la livraison,
- un crédit acheteur qui est un crédit consenti par une banque française à un acheteur étranger afin de lui permettre de régler au comptant son fournisseur français.

Ces types de crédits ne sont pas, pour le moment, réescomptables à l'IEDOM qui limite son intervention à une durée de 180 jours. Toutefois, le besoin d'un tel refinancement ne s'est pour le moment pas fait sentir à la Réunion.

W h) Les prêts COFISE (2) pour le financement des stocks à l'étranger.

Les entreprises françaises exportatrices de biens d'équipement fongibles qui souhaitent constituer à l'étranger un stock: destiné à la vente peuvent s'adresser à la COFISE pour obtenir un financement du stock, à hauteur de 90 % de son prix et pour une durée de six mois. Les lots doivent être d'un montant unitaire d'au moins 100 000 francs.

c) Par ailleurs, les entreprises peuvent renforcer leurs fonds propres en vue de l'exportation par une participation ou un prêt participatif de la SOFININDEX (3).

La SOFININDEX intervient auprès des entreprises dont l'activité est essentiellement industrielle (CA > à 60 millions de francs), et dont le montant du chiffre d'affaires réalisé à l'export représente au moins 20 % du volume d'affaires total. Elle intervient par le biais de prise de participation temporaire et minoritaire, et assiste techniquement les industriels en matière de gestion, de marketing et de commerce extérieur.

d) Le fonds national de garantie pour le développement des investissements à l'étranger.

Ce fonds de garantie est géré par la SOFARIS. Le montant de la garantie est de 50 % du montant du prêt consenti à l'entreprise par un établissement de crédit. Cette garantie peut au maximum couvrir 10 millions de francs de concours sur une même entreprise ou un même groupe d'entreprises.

Par ailleurs, les entreprises exportatrices doivent posséder une structure financière solide, les besoins en fonds de roulement étant bien souvent accrus par le développement de courant d'affaires avec l'étranger.

3. AIDES DIVERSES A L'EXPORTATION

Les entreprises peuvent se faire financer les études préalables à l'exportation :

- au plan technique, où elles bénéficient normalement de l'une des aides de l'ANVAR (Association Nationale pour la Valorisation de la Recherche) si le degré d'innovation le justifie.
- au plan commercial, l'ensemble du réseau public Centre Français du Commerce Extérieur (CFCE), Direction Régionale du Commerce Extérieur (DRCE), Postes d'Expansion Economique (PEE) est à la disposition des opérateurs.

(2) Compagnie pour le financement des stocks à l'étranger

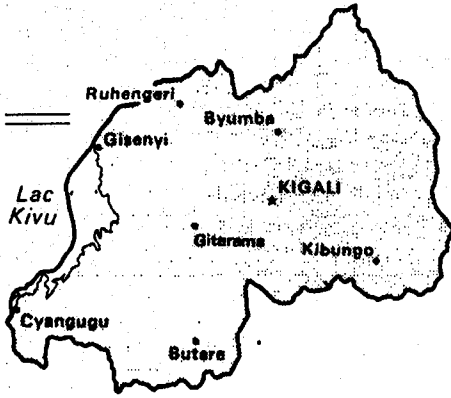
(3) Société pour le financement des industries à l'exportation.

La prospection commerciale, peut en outre, bénéficier de la procédure d'assurance-prospection et assurance-foire de la COFACE.

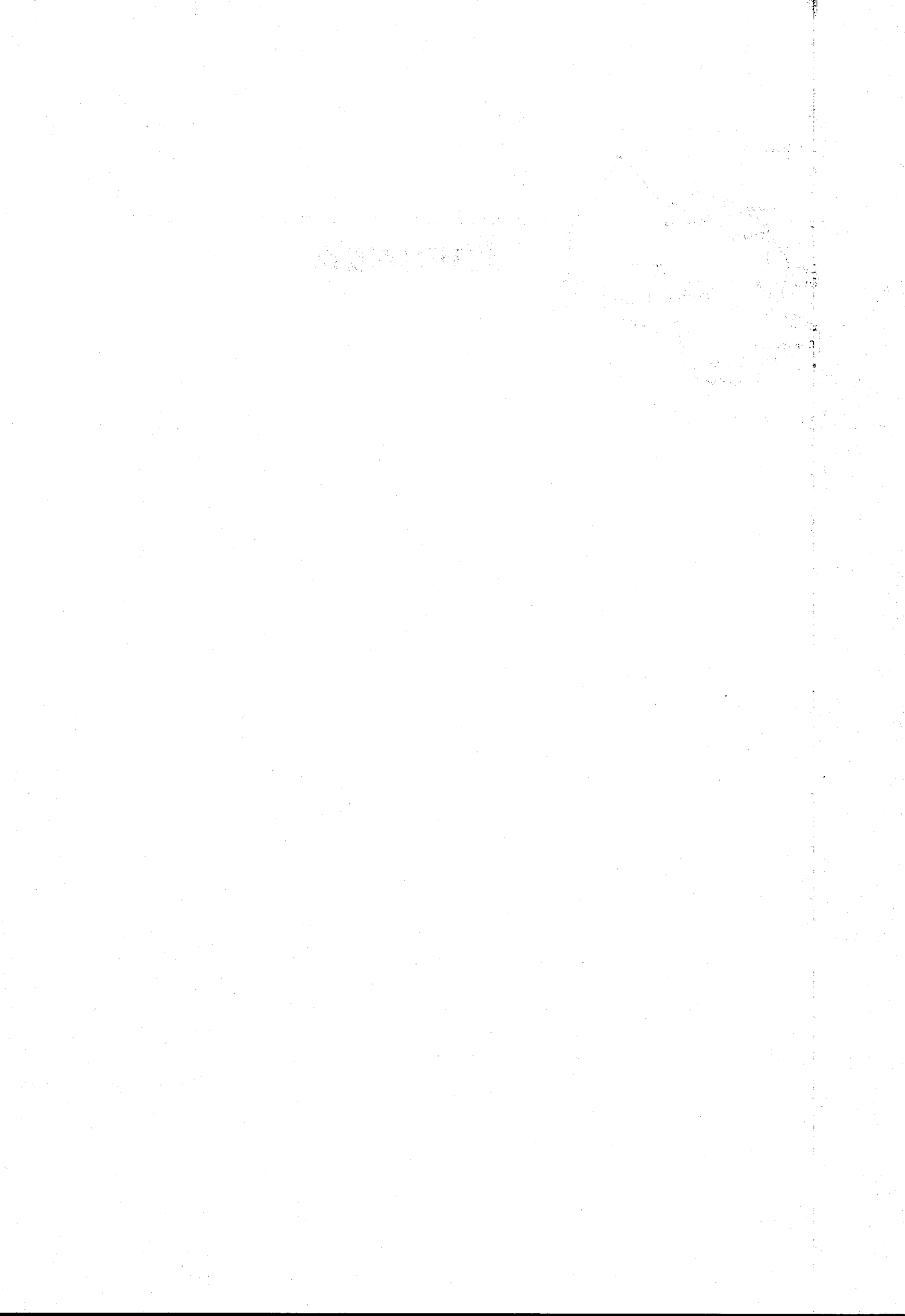
Une participation aux frais de mission engagés par des investisseurs locaux pour la prospection de marchés extérieurs (frais de voyage, de séjour, de publicité, honoraires de conseil etc....) peut être envisagée.



50 km



Rwanda



I. INTRODUCTION

Le Gouvernement Rwandais et les responsables nationaux, tant du secteur public que du secteur privé, sont conscients du fait qu'aujourd'hui il n'y a pas un seul pays au monde qui puisse vivre en autarcie, c-à-d. en dressant des barrières à l'entrée et la sortie des biens, des services et des personnes de ses frontières nationales. Ils sont, au contraire, convaincus que, non seulement le progrès économique des nations passe par l'ouverture de l'économie nationale sur le monde grâce à l'intensification des échanges commerciaux mais surtout que l'élargissement par l'intégration des espaces économiques est, de nos jours, une nécessité et une voie incontournable pour tous les pays du monde et, particulièrement, pour les pays en développement.

En conformité avec cette conviction, le Rwanda est déjà engagé dans un processus de coopération et d'intégration économiques, et il participe aux organisations sous-régionales suivantes:

- Communauté Economique des Pays des Grands Lacs.
- Organisation du bassin de la rivière Kagera.
- Communauté Economique des Etats de l'Afrique Centrale.
- Zone d'échanges Préférentiels des Etats de l'Afrique de l'Est et Australe.

Enfin, le Rwanda en sa qualité de membre fondateur et actif de l'Organisation de l'Unité Africaine, soutient la création de la Communauté Economique Africaine et à ce titre, il est partie prenante au traité d'Abuja.

De façon spécifique, le Rwanda suit avec intérêt l'évolution qui s'opère actuellement en Afrique Australe et considère comme un phénomène très important la normalisation prochaine des relations économiques et commerciales entre la République Sud-Africaine et le reste du continent Africain. Dans ce cadre, le Rwanda salue l'initiative de la Banque Africaine de Développement, de la Banque Mondiale, de la Commission de Communautés Européennes et du Secrétariat de la ZEP, consistant à relancer la réflexion sur la problématique de l'intégration régionale en Afrique Orientale et Australe non seulement en y conviant les pays qui sont en passe d'adhérer à la ZEP (Botswana, Madagascar, Namibie, Seychelles) mais également tous les pays membres de la SADCC, de la SACU et, de façon particulière, la République Sud-Africaine.

Le présent rapport comporte trois parties, la deuxième partie traite de l'environnement général de l'entreprise privée du Rwanda. La troisième partie tente de situer le Rwanda dans le processus d'intégration économique dans la sous-région de l'Afrique Orientale et Australe. La quatrième partie développe les propositions d'actions à entreprendre.

2. ENVIRONNEMENT GÉNÉRAL DE L'ENTREPRISE PRIVÉE AU RWANDA

2.1. Dispositions administratives, réglementaires et légales influençant le climat d'investissement.

Diverses dispositions administratives, réglementaires et légales ont été prévues en vue de créer un climat favorable à l'investissement au Rwanda.

En premier lieu, il convient de mentionner la loi fondamentale de la République Rwandaise dont la dernière version est la constitution du 10 juin 1991. Parmi les dispositions pertinentes de cette loi, il y a lieu de mentionner la reconnaissance du droit à la propriété privée, du droit au libre choix du travail, du droit d'association, du droit de grève et du devoir de l'Etat d'assurer la protection des personnes et des biens sans distinction de nationalités.

Le deuxième texte est le code des investissements qui en est à sa quatrième révision. Sa principale caractéristique demeure la non discrimination envers les investisseurs étrangers.

La troisième référence est le registre de commerce qui constitue désormais, la seule condition exigée pour le lancement d'une activité à caractère industriel ou commercial.

En quatrième lieu, il y a lieu de mentionner le permis d'exploitation, exigé de toute entreprise industrielle avant le démarrage de l'exploitation afin de vérifier que ses activités ne présentent pas de danger sur l'environnement.

La cinquième disposition concerne le recrutement du personnel qui, depuis juillet 1992, n'est plus soumis à l'approbation préalable du Ministère ayant l'emploi dans ses attributions.

En sixième position vient le droit d'établissement pour les étrangers dont le caractère restrictif doit être souligné car l'obtention du visa est réservée aux seules personnes exerçant une activité industrielle et ayant versé une caution.

La septième formalité concerne la réglementation du change qui demeure également contraignante mais dont le projet de révision va dans le sens d'une large libéralisation.

Les lois et règlements sur le commerce extérieur constituent le huitième cadre à tenir en considération. Les procédures en matière d'importations ont été fortement libéralisées depuis l'adoption du Programme d'Ajustement Structurel (PAS), en octobre 1990. Avant cela, en effet, prévalaient à tort

de rôle ou simultanément un système très restrictif de programmation et de pré-affectation des importations, en plus du système classique d'octroi de licences d'importations.

Actuellement, seul persiste le système d'octroi de licences d'importations qui vient par ailleurs d'être libéralisé. Cependant des progrès peuvent encore être réalisés en déplaçant la responsabilité du visa de la Banque Centrale aux Banques Commerciales. De même, le monopole dont jouit la Société Générale de Surveillance en matière de contrôle des importations doit évoluer vers une concurrence ouverte grâce à un appel d'offres international.

Dans le domaine des exportations, un système souple d'autorisation préalable consiste dans le remplissage d'un formulaire intitulé «Déclaration d'encaissement de change modèle E». Les exportations réalisées sous-couvert d'une telle déclaration impliquent pour l'exportateur l'obligation de recevoir le paiement dans la monnaie et selon les modalités stipulées sur la déclaration. Les devises reçues en paiement de marchandises exportées doivent être cédées à une banque agréée dans un délai de huit jours après réception. Cependant, des améliorations importantes sont en cours de finalisation.

En neuvième lieu figure la Réglementation du crédit et des taux d'intérêt. Les plafonds de crédit sont le premier moyen qu'utilise la Banque Centrale pour obtenir des allocations de crédits en faveur des sous-secteurs économiques. A côté du plafonnement du crédit, l'âP.N.R. garde un droit de regard sur le niveau et l'orientation des crédits dépassant 25 % des fonds propres de l'institution concernée. En matière de taux d'intérêts, depuis juin 1992, les taux créditeurs, débiteurs et de refinancement sont respectivement de 9 %, 15 % et 11 % par an tandis qu'un régime de taux d'intérêts flexibles entrera en vigueur au courant de l'année 1993. Enfin, une facilité de crédit est accordée aux exportateurs avant et/ou après l'expédition des marchandises.

L'ouverture de comptes en devises est une initiative récemment prise en vue d'endiguer et de réduire les mouvements clandestins des transactions sur les devises. Cette facilité a été ouverte au moment où le Rwanda faisait face à une pénurie aiguë de devises et où le rationnement et les contingents ne pouvaient pas assurer un approvisionnement minimal en biens de première nécessité. Il fallait alors tenir compte des possibilités pratiques qu'avaient certains opérateurs économiques d'avoir des devises en dehors du système bancaire et sans chercher à en connaître la source, les orienter vers lui en autorisant l'ouverture des comptes en devises.

Une autre disposition en vigueur depuis la mise en place du Programme d'Ajustement Structurel a été la déréglementation des prix grâce à la suppression de tout contrôle en matière de prix qui, désormais, se forment selon les forces du marché à l'exception de certains produits à caractère stratégique (carburant).

La fiscalité rwandaise, outre sa vétusté, est caractérisée par une lourdeur dans les prélèvements et par une multitude de taxes qui frappent l'entreprise dans l'exercice de ses activités. Cependant une réforme en profondeur a été entreprise avec l'assistance du Fonds Monétaire International.

Enfin, le tarif douanier offrait, avant l'adoption du PAS, des disparités très prononcées de protection effective aux différentes activités économiques, particulièrement au secteur manufacturier. Actuellement, le tarif a davantage un caractère éducateur que protecteur, sauf en cas de dumping où une surtaxe temporaire a été instituée.

2.2 Autres contraintes

D'autres contraintes influent sur le climat d'investissement au Rwanda.

Il y a, en premier lieu, l'enclavement du pays qui contribue au renchérissement des coûts de transport/occasionne des retards et des difficultés multiples dans l'acheminement des marchandises et augmente le prix des produits et des matières intermédiaires. De plus, il y a, en second lieu, l'insuffisance et l'inélasticité de l'offre de produits, consécutives d'une part, à la pauvreté du sous-sol Rwandais, et à l'absence de surplus commercialisables ou transformables du fait de la forte densité démographique et de l'exiguïté du territoire, d'autre part. Par ailleurs, la faiblesse du revenu par tête d'habitant (300 dollars américains en 1990) fait que la demande solvable est très restreinte. En quatrième lieu, le manque de qualification de la main-d'oeuvre influe sur la faible productivité des entreprises.

Enfin, le rwandais se caractérise par une mentalité peu entrepreneuriale et davantage par un esprit fortement dépendant; ce qui freine évidemment l'éclosion d'une classe d'entrepreneurs et, par conséquent, l'émergence d'un secteur privé dynamique.

2.3 Structures et mécanismes de promotion et de financement des investissements /

Plusieurs structures et mécanismes contribuent à la promotion et au financement des investissements privés. En premier lieu, les Ministères à caractère économique ou social élaborent des textes de lois et règlements régissant les investissements privés au Rwanda et certains d'entre eux gèrent des projets d'encadrement et de promotion des investissements. Ces projets assistent les promoteurs dans la formulation et la réalisation des projets, financent les études, organisent des séminaires, des voyages d'études et des cycles de formation.

Les organismes non gouvernementaux jouent également un rôle important dans la promotion et le financement des investissements. Au Rwanda, les ONG n'ayant pas un caractère confessionnel sont organisées en deux structures à savoir : le conseil de concertation des organisations d'appui aux initiatives de base (CCAIB) et l'association pour la concertation des ONG d'animation rurale (ACOR). De même, plusieurs associations professionnelles participent à la promotion et à l'encadrement des opérateurs économiques. Les principaux sont : la Chambre de Commerce et d'industrie du Rwanda, l'Association des Industriels du Rwanda, l'Association des femmes DUTERIMBERE et l'Association des agriculteurs-éleveurs du Rwanda (IMBARAGA).

Naturellement, les institutions de crédit occupent une place de choix en matière de promotion et/ou de financement des investissements. Le Rwanda dispose de :

- trois banques commerciales : BCR, BK, BACAR
- l'union des banques populaires du Rwanda
- la caisse d'épargne du Rwanda
- la Banque Rwandaise de Développement
- la caisse hypothécaire du Rwanda

Enfin, plusieurs fonds de garantie soutiennent les promoteurs ne disposant pas de garanties propres. Les principaux sont : le fonds de garantie PRD/PME, le fonds spécial de garantie, le fonds de garantie des projets agricoles, le fonds de garantie pour les coopératives, le fonds de garantie pour l'artisanat et les petites entreprises. Il existe, en outre, un projet de création d'une société populaire de cautionnement.

3. LE RWANDA DANS LE PROCESSUS D'INTÉGRATION ÉCONOMIQUE

3.1 La problématique de l'intégration économique et les contraintes de développement de l'économie Rwandaise.

Il ressort des différentes analyses et observations que des entreprises opérant dans des économies de petite dimension, faute de bénéficier des avantages d'économies d'échelles sont obligées soit d'éviter des secteurs de production fortement capitalistiques qui requièrent des unités atteignant des dimensions très importantes, soit de se heurter à un problème d'amortissement des équipements dont l'évolution de la technique commande un rythme accéléré de renouvellement pour échapper à l'obsolescence.

Au total, les stratégies et les politiques que peuvent adopter les économies de petite dimension pour surmonter les contraintes liées à leur exigüité sont généralement contenues dans des limites très étroites, de sorte que l'étroitesse des marchés domestiques de ces nations empêche les unités qui y sont installées d'atteindre la dimension et le débit de production leur permettant de fonctionner dans des conditions optimales d'efficacité. Dans ce contexte, la question fondamentale qui se pose à ce type d'économies n'est pas de justifier leur appartenance à un système d'intégration économique, mais de se demander si une forme de coopération économique serait plus bénéfique qu'une autre. En effet si toutes les modalités de coopération ou d'intégration économique régionale impliquent une libéralisation des échanges, elles n'offrent pas toutes les perspectives équivalentes aux économies de petite dimension.

En termes statiques, la libéralisation des échanges peut se traduire, soit uniquement par l'abaissement ou la suppression des barrières tarifaires au sein de l'espace économique concerné, soit par l'établissement d'un tarif extérieur commun en plus du désarmement tarifaire interne. Or, ces deux formes de libéralisation correspondent respectivement à une zone de libre échange et à une union économique et douanière.

S'agissant des effets de l'abaissement ou de la disparition des barrières tarifaires internes, le raisonnement théorique et les résultats des recherches inductives concordent à dire qu'ils ne sont nullement favorables aux économies de petite dimension, que l'on soit dans une zone de libre échange ou dans une union économique et douanière. Cependant, une zone de libre échange présente moins d'inconvénients pour une économie de petite dimension, car elle lui laisse la liberté de contrôle de sa politique tarifaire à l'égard des pays tiers. Or, cette liberté lui est enlevée dans le cadre d'une union économique et douanière qui est forcément régie par un tarif extérieur commun. Pour être bénéfique, une union économique et douanière postule en effet, qu'elle existe entre des économies ayant des structures complémentaires et, par conséquent, des échanges intenses avant l'établissement du tarif extérieur commun. Dans ce cas, le protectionnisme à l'égard des tiers est principalement «éducateur».

En conclusion, l'analyse statique des perspectives de coopération régionale (zone de libre échange, union économique et douanière) aboutit à une impasse pour une économie de petite dimension et qui, de surcroît, est un pays enclavé comme le Rwanda, si des mesures de sauvegarde et d'exception ne lui sont pas appliquées.

Si l'on situe l'analyse dans une approche dynamique, l'adhésion d'une économie de petite dimension à un ensemble économique implique une spécialisation dans des productions de pointe. En d'autres termes, il s'agit de promouvoir des activités à vocation exportatrice et susceptibles de rétablir l'équilibre des balances des échanges et des paiements. Le développement de ses activités peut, cependant, se heurter à une inélasticité de l'offre des facteurs de production; ce qui est malheureusement, la caractéristique principale d'une économie de petite dimension.

Comme les pôles de développement qui attirent les facteurs de production sont situés en général dans des économies de grande dimension, les économies de petite dimension, dont les structures industrielles sont moins puissantes, risquent de demeurer des parents pauvres. Cependant, le principal avantage d'une approche dynamique de l'intégration économique est qu'elle postule des politiques d'incitation qui peuvent conduire à une restructuration de l'espace économique intégré et à un redéploiement conséquent des activités à l'intérieur de la zone. Ainsi les capitaux peuvent s'orienter vers des pays disposant d'une main-d'oeuvre à bon marché à condition que des politiques d'accompagnement existent dans ces pays : formation professionnelle, avantages sociaux, fiscalité légère, sécurité de l'emploi et des capitaux, liberté en matière de change, stabilité monétaire et politique, etc...

De telles politiques d'accompagnement et d'incitation peuvent contrebalancer les inconvénients liés à l'exportation de la main-d'oeuvre qui entraîne souvent des frictions avec la population autochtone, car, comme le disait A. Smith «l'homme est de toutes les espèces de bagages le plus difficile à transporter».

De même, l'intégration économique peut faciliter la libre circulation des matières premières et permettre ainsi le redéploiement de certaines activités dans des nations à faible dimension géographique.

En définitive, les chances ouvertes à une nation de petite dimension de tirer profit de son appartenance à un ensemble économique sous-régional existent dès lors que l'on se place dans une perspective dynamique. Trois conditions doivent cependant être réunies : l'esprit de solidarité entre Etats membres, la prise en compte des contextes spécifiques à chaque pays et la non application d'un tarif extérieur commun au niveau des organisations sous régionales.

3.2 Le Rwanda et la ZEP

Balance commerciale

Sur la période 1987-1990, le Rwanda a importé de la ZEP des marchandises d'une valeur de 5 milliards de Francs Rwandais par an, soit environ 19 % en moyenne du total des importations du Rwanda. Quant aux exportations, elles ont oscillé entre 125 et 171 millions de FR par an. Le taux de couverture des importations par les exportations est donc inférieur à 4 % par an.

Le Kenya est le principal fournisseur du Rwanda (plus de 80 % des importations intra ZEP) tandis que l'Ouganda est son principal client (plus de 50 % des exportations intra ZEP).

Il n'existe aucun courant d'échanges entre le Rwanda, l'Angola, les Comores et le Lesotho.

Etat d'exécution du programme de la **ZEP** sur la libéralisation des échanges

L'application simultanée du tarif ZEP et du tarif conforme aux exigences du Programme d'Ajustement Structurel (PAS) a occasionné des difficultés considérables pour les entreprises industrielles Rwandaises. En effet, le tarif ZEP prévoit un nombre impressionnant d'exonérations ou d'impositions inférieures au tarif normal qui prévoit des droits d'entrée d'au moins 10 % sur les matières premières, conformément aux exigences du PAS.

Quant aux barrières non tarifaires (BNT), le Rwanda vit sous un régime de change libéralisé depuis août 1992. En effet, l'octroi des licences d'importations est désormais régi par un système ouvert.

Foires commerciales de la ZEP et autres contacts d'affaires

Des hommes d'affaires rwandais ont participé aux quatre (4) foires commerciales organisées en 1986 à Nairobi (Kenya), en 1988 à Lusaka (Zambie), en 1990 à Curepipe (Ile Maurice) et en 1992, à Dar-es-Salaam (Tanzanie). Ils s'appêtent à participer à la foire commerciale de Bulawayo (Zimbabwe).

Système harmonisé de classification tarifaire (S.H.)

Le Rwanda continue à appliquer la nomenclature du conseil de coopération douanière (NCCD) en attendant la signature des instruments juridiques autorisant l'adoption du S.H. Il est prévu que ce dernier entrera en vigueur avant la fin de l'année 1992.

Système automatisé des données douanières (SYDONIA)

L'introduction du système est très avancé. En effet les applications informatiques ont déjà été testées, le personnel a été formé et le matériel réceptionné. Il est prévu que le système SYDONIA démarre avant la fin de l'année 1992.

Système d'assurances aux tiers des automobiles de la ZEP

L'accord de la ZEP en matière d'assurance-responsabilité civile-automobile reste en vigueur. Toutefois sa mise en application soulève des problèmes liés aux indemnités compensatoires contre les sinistres survenus dans un pays autre que le pays émetteur.

Déclaration de transit douanier par route (RCTD) et redevances harmonisées de transit routier de la ZEP

Malgré ses avantages liés à la fluidité des transports, la RCTD est source de manoeuvres frauduleuses dues à l'insuffisance des moyens de communications et des agents de contrôle.

Quant aux redevances harmonisées de transit routier de la ZEP, elles ne sont pas appliquées au Rwanda.

Formalités administratives entravant les procédures de transit et de frontières

Le Rwanda continue à recourir à l'autorisation et au certificat d'enregistrement pour le transport international (ITAR).

Autres contraintes relatives au transport et aux communications

Le domaine des transports et des communications au Rwanda rencontre plusieurs problèmes conjoncturels et structurels. Les plus importants sont liés aux frais en devises à payer aux postes douaniers, à la dépendance envers les compagnies de transport internationales, aux moyens de communications, aux barrières administratives et au manque de marchandises à l'aller ou au retour (selon le cas).

Flux d'investissements avec les pays de la ZEP

L'économie Rwandaise a longtemps été régie par un système de contrôle et de taxes qui ont provoqué un climat de méfiance entre les opérateurs économiques et l'Administration et dont le résultat a été la tendance des hommes d'affaires à entourer leurs investissements à l'étranger de la plus grande discrétion. Cependant, on peut affirmer que le flux d'investissement avec les pays de la ZEP est très peu développé.

Chambre de compensation de la ZEP

Le problème principal de la Chambre de compensation de la ZEP est sa faible utilisation par les différentes autorités monétaires et par la préférence des opérateurs économiques pour les devises fortes.

Banque de la ZEP

Les hommes d'affaires rwandais n'ont pas encore recouru aux facilités de crédit de la Banque de la ZEP

Charte sur les entreprises industrielles multinationales de la ZEP

La procédure de ratification est très avancée, car elle est entre les mains du Conseil National de Développement (Assemblée Nationale)

Protocole de la ZEP relatif aux visas

Le Rwanda a déjà signé et ratifié le protocole relatif aux visas

Correspondants du système bancaire au sein de la ZEP

La Banque Centrale n'a pas beaucoup de correspondants dans la sous-région et les relations entré

les banques commerciales Rwandaises et les banques de la sous-région ne sont pas développées pour justifier l'existence de correspondants.

4. PROPOSITIONS D'ACTION À ENTREPRENDRE

Afin d'assurer la mise en oeuvre du processus d'intégration économique en Afrique Orientale et Australe plusieurs actions doivent être entreprises par chaque Etat membre pris individuellement, par l'ensemble des partenaires en tant que communauté et par les bailleurs de fonds qui sont ou seront appelés à soutenir les efforts d'intégration économique de la sous-région.

4.1 Actions à entreprendre par le Rwanda

En vue de se préparer à bénéficier des avantages de l'intégration économique et de minimiser les inconvénients qui sont inévitables pour une économie enclavée de petite dimension, le Rwanda devra engager des actions à trois composantes : améliorer le climat d'investissement en général, prendre des mesures internes visant l'assainissement et l'amélioration de la compétitivité de l'appareil productif et, particulièrement, du tissu industriel et, enfin, négocier un échéancier conséquent d'adaptation du tissu économique rwandais au rythme adopté pour la mise en oeuvre du processus d'intégration économique.

4.2 Amélioration du climat d'investissement au Rwanda

Malgré des rigidités et lourdeurs d'ordre administratif, légal et réglementaire qui ont pu gêner les investisseurs potentiels, le Rwanda bénéficie depuis toujours d'une bonne réputation à cause du climat d'accueil, de sécurité et de confiance dont jouissaient les personnes, les biens et les capitaux tant étrangers que nationaux jusqu' à l'éclatement de la guerre d'octobre 1990. Cependant, des améliorations importantes ont déjà été introduites au niveau des lois et règlements comme au niveau des habitudes administratives, particulièrement avec l'adoption du Programme d'Ajustement Structurel. Elles ont fait l'objet d'une description dans le premier chapitre. D'autres progrès peuvent cependant être envisagés.

4.2.1. Code des Investissements

Le Code des Investissements est devenu, dans les pays en voie de développement, un des instruments privilégiés pour la promotion des investissements. Pourtant les pays développés qui n' utilisent pas cet instrument connaissent un taux d'investissement très élevé. De plus, ce ne sont pas toujours les pays qui offrent le plus de facilités et procurent les encouragements les plus importants qui reçoivent le plus grand flux de capitaux.

La course vers l'adoption de codes des investissements les plus favorables au capital, sans la caractériser de course vers un mirage, aboutit souvent à des résultats disproportionnés avec les sacrifices consentis. L'on constate en effet que les avantages accordés par ces codes, non seulement, faussent souvent

les mécanismes institutionnels normaux, mais également risquent d'aboutir à un gaspillage des facteurs de production du fait de leur mauvais usage alors que les pays concernés en disposent déjà en quantités limitées.

Malgré ces critiques, les codes des investissements gardent leur utilité dans la promotion du développement. Aussi convient-il de se servir de cet instrument avec pertinence. Dans cet ordre d'idées, la loi du 5 août 1987 avait déjà connu une révision partielle en décembre 1990, par la suppression des exonérations accordées aux matières premières et équipements importés pour les entreprises déjà bénéficiaires.

Parmi les nouvelles modifications envisagées ou recommandées les plus pertinentes sont les suivantes :

- L'extension du champ d'application du Code aux entreprises de services.

Compte tenu de la situation géographique du Rwanda, le secteur des services est encouragé en vue de faire de ce pays une plaque tournante dans la sous-région de l'Afrique centre-orientale. Ainsi toute entreprise permettant une rentrée de devises et la création d'emplois bénéficiera des avantages du code. Dans le même ordre d'idées, le Rwanda s'emploie à exploiter tous les avantages liés à un pays de transit.

- Abandon du principe de limitation du droit de distribuer des dividendes pendant la période de faveur.

La limitation de ce droit constitue une ingérence manifeste de l'Etat dans les affaires relevant du seul investisseur. Cependant, les dividendes resteront assujettis à l'impôt mobilier.

- Réinstauration de l'exonération des droits d'entrée sur les matières premières et les équipements.

S'il est normal d'exonérer le premier équipement, il n'est pas non plus concevable de continuer à imposer les matières premières d'un droit d'entrée au moment où dans le cadre de la ZEP, les produits finis concurrents sont frappés d'un droit parfois insignifiant à l'entrée du territoire rwandais.

- Faveurs particulières aux entreprises exportatrices.

En plus des exonérations de l'impôt sur les bénéfices du droit de patente et des impôts personnels pour une période de cinq (5) ans, reconnues à toutes les entreprises bénéficiaires des avantages du code, les entreprises exportatrices bénéficieront d'un délai supplémentaire de deux (2) ans en ce qui concerne l'impôt sur les revenus provenant de l'exportation.

4.2.2 Réglementation du change

La philosophie du rationnement selon laquelle toutes les devises en circulation appartiennent à la Banque Centrale a beaucoup de conséquences sur le comportement des agents économiques. La réglementation est conçue de sorte que les devises enregistrées dans les comptes du système bancaire n'en sortent que dans les circonstances restreintes et après autorisation de la banque centrale. Or, il n'est pas indifférent de ne plus considérer les devises comme appartenant à la Banque Centrale (et donc de ne plus chercher à les soumettre à son autorité et sa planification, au risque d'obliger les opérateurs économiques à le soustraire à la vigilance), mais comme appartenant à l'économie. Dans ce cadre, le marché parallèle

doit être considéré comme un défaut d'équilibre du marché des devises (offre et demande) et non comme un mal absolu qui doit inspirer une réglementation rigide.

Il est donc indiqué de penser, dès à présent, à une gestion des devises par les prix et non par les quantités. En d'autres termes, tous les mécanismes pouvant permettre d'équilibrer le marché par les voies ordinaires de l'offre et de la demande doivent être explorées.

Dans le même ordre d'idées, il importe d'augmenter le pourcentage du produit des exportations à détenir sur les comptes en devises des particuliers; Cette mesure qui peut assurément constituer une incitation puissante à l'émergence d'exportations non traditionnelles et, par conséquent, d'augmenter les sources d'approvisionnement et de renouvellement des comptes en devises, est envisagée au courant de l'année 1992.

4.2.3 Procédures en matière d'importations

Il convient de saluer la décision que viennent de prendre les autorités compétentes d'adopter un système ouvert d'octroi des licences d'importations.

Dans ce cadre, il reste à transférer aux banques commerciales le pouvoir de délivrer les licences d'importations.

4.2.4 Politique du taux de change et du crédit

Une bonne politique du taux de change est basée sur la logique suivante : un excès de la dépense globale qui ne trouve pas à se financer par des aides ou des emprunts extérieurs et qui n'est pas contrarié par une politique monétaire restrictive, conduit à une baisse dangereuse des réserves de change ; ce qui appelle tôt ou tard une dévaluation. Sinon l'économie a un système de prix relatifs qui ne reflète plus sa position réelle dans les échanges internationaux c'est-à-dire ses avantages comparatifs à long terme et cette économie se marginalise progressivement vis-à-vis du reste du monde.

Préconiser la fixité du change, appliquer uniquement des mesures de déflation intérieure ou imposer des restrictions aux échanges et aux paiements sont des formules qui reviendraient donc, à se priver, selon les termes du rapport sur le développement dans le monde (Banque Mondiale, 1981, p. 35) d'un «puissant outil de restructuration des prix relatifs et de réforme des incitations». Une bonne politique du taux de change est donc celle qui établit ce taux au niveau d'équilibre du marché. Quant au problème des devises, sa solution réside à le traiter dans le cadre de la mobilité des facteurs de production et à les accorder au plus offrant, moyennant certaines précautions à prendre en faveur des secteurs prioritaires ou stratégiques. Le problème de l'octroi des licences d'importation trouve donc également sa solution dans l'adoption d'un taux de change approprié et dans l'attribution des devises en fonction des signaux du marché.

Au niveau du crédit intérieur, il est apparu que le rationnement du crédit en faveur des secteurs prioritaires et à l'encontre des secteurs spéculatifs et inefficaces ne constitue pas une bonne politique, car

l'incitation à investir dans les secteurs productifs, ne trouve pas sa seule motivation dans le système de crédit, mais dans un ensemble de facteurs liés à l'environnement politique et social et à la disponibilité des autres facteurs de production. Il faut donc libéraliser l'octroi du crédit intérieur.

Au niveau du crédit international, il est apparu que les grandes banques commerciales internationales hésitent de plus en plus à ouvrir des lignes de crédits renouvelables pour couvrir les paiements contre des lettres de crédits par crainte que les banques centrales refusent de débloquer les devises nécessaires au remboursement des tirages sur ces lignes. Or le manque de couverture des lignes de crédits réduit le volume des transactions puisqu'il implique que les opérations sont réglées préalablement en espèces.

Malheureusement, il apparaît qu'une politique appropriée du taux de change ne suffit pas à régler ce problème qui tient d'avantage du peu de confiance que les banques commerciales étrangères manifestent à l'égard des gouvernements africains. Cela pose donc le problème de la couverture du risque souverain et des risques commerciaux. La solution consiste dans ce cas, à demander aux institutions internationales comme la Banque Mondiale ou la BAD d'assurer le risque souverain tandis que les banques commerciales s'engageraient à prendre en charge les risques commerciaux.

4.2.5 Politique fiscale

- un impôt global sur les revenus des sociétés et des personnes physiques et, dans ce cadre, à opérer une défiscalisation des provisions pour créances douteuses et litigieuses constituées par les institutions financières;
- un impôt forfaitaire pour les petits contribuables;
- une séparation de la fiscalité centrale et de la fiscalité locale;
- un rabais des taux de la taxe professionnelle dans le souci d'alléger la charge fiscale sur les hauts salaires.

4.2.6 Politique de promotion du secteur privé

Tout en se félicitant des efforts remarquables que le Gouvernement rwandais a déployé en vue de réduire, sinon de supprimer toutes les entraves au développement et à l'éclosion d'un secteur privé dynamique, force est de reconnaître que l'Etat doit accepter d'abandonner une habitude solidement implantée dans la mentalité de ses fonctionnaires et qui consistait à prendre des initiatives qui concurrencent et découragent les initiatives privées. Ainsi, il n'est plus concevable que l'Etat continue à gérer des secteurs comme le thé, le café, les hôtels, le transport, les bureaux d'études et de conseils ni qu'il maintienne des participations dans des sociétés à caractère industriel et commercial. Il importe donc de définir une politique plus dynamique de promotion du secteur privé, basée sur les orientations suivantes :

Permettre aux opérateurs privés de maîtriser l'information et la technologie

A cette fin, il s'agira de continuer à soutenir l'organisation des voyages d'études, des ateliers de travail spécialisés et des cours de formation d'une part, et, d'autre part, de créer Un service d'information

industrielle et commerciale et une banque de données à caractère économique. De façon particulière, il faudra mettre l'accent sur le problème de la maintenance, car il joue un rôle de premier plan dans les unités de production en permettant d'optimiser la fiabilité et la productivité des équipements, en minimisant l'usure de l'usine. En conséquence, pour que la fonction de maintenance au sein de l'entreprise joue efficacement son rôle, elle doit être présente de façon active à tous les stades de développement d'une unité industrielle. Le Gouvernement devra donc recourir à l'assistance extérieure en vue de l'aider prioritairement à :

- disposer d'un support documentaire et d'une banque de données informatisées;
- utiliser des services spécialisés de courtage en information économique;
- élaborer un plan national de maintenance et un cadre juridique approprié;
- organiser un séminaire national sur la maintenance.

Organiser la promotion de l'entrepreneuriat privé

Il ne s'agit pas de créer des emplois salariés mais de susciter la création d'entreprises. Les principales catégories-cibles sont :

- le personnel qui perdra son emploi à la suite de la privatisation ou de la réorganisation des sociétés d'Etat;
- les départs volontaires de la fonction publique;
- les départs à la retraite avec volonté de reconversion;
- les jeunes diplômés sans emplois ou désirant créer leurs propres entreprises;
- la jeunesse rurale sans occupation;
- les entreprises existantes en réhabilitation, extension ou diversification.

Les actions à entreprendre en leur faveur sont, entre autres :

- parrainage des opérateurs potentiels dans la création d'entreprises;
- information sur les opportunités d'affaires particulièrement dans les PME/PMI;
- organisation d'un fonds de garantie privé auto-renouvelable;
- assistance dans la réalisation des études de faisabilité techno-économique;
- assistance dans le montage financier, le choix de technologies, le choix de partenaires, le démarrage du projet, etc...

A cette fin, une consultation devrait être rapidement lancée pour confectionner une étude préliminaire devant conduire à l'organisation d'une table ronde de bailleurs de fonds pour mobiliser les financements nécessaires de l'opération.

Organiser un cadre de dialogue et de concertation entre l'Administration et le secteur privé

Il s'agit d'aller au-delà de ce qui se fait dans le cadre de la Chambre de Commerce et d'industrie du Rwanda, l'Association des Industriels du Rwanda ou de l'Association encore naissante des Agriculteurs-Eleveurs du Rwanda.

Il s'agit de faire participer le secteur privé aux grands débats nationaux et aux grandes décisions en matière économique et social et non pas seulement de requérir les avis du secteur privé à travers leurs

associations professionnelles. Sans doute ces dernières garderont-elles leurs responsabilités et exerceront-elles le mandat que les membres leur ont confié.

La proposition consiste, au mieux, à mettre en place un Conseil Economique et Social à composition paritaire (secteur public, secteur privé), et, au minimum, à organiser au moins une fois par an un forum économique et social à caractère paritaire et sous la direction personnelle du Chef; du Gouvernement afin de faire participer les forces vives à la gestion économique du Pays.

4.2. Assainissement et amélioration de la compétitivité des entreprises

Jusqu'à présent les analyses faites se limitent à démontrer que la plupart de nos entreprises de production ne sont pas compétitives mais elles n'abordent guère les aspects techniques et technologiques du problème. Il importe donc de dépasser le cadre restreint des analyses économico-financières pour appréhender le problème sous l'angle technique et technologique.

A cette fin, le travail doit concerner chaque entreprise individuellement afin de dégager des solutions spécifiques.

Etant donné que l'expertise nécessaire peut être extrêmement coûteuse et dépasser les possibilités financières de chaque entreprise, mais également dans le souci d'aborder le problème dans sa globalité, il s'avère nécessaire d'approcher les bailleurs de fonds pour le financement d'un projet de réhabilitation des entreprises privées à l'instar du projet de restructuration des entreprises publiques.

4.3 Négociations d'un échéancier de mise en oeuvre du désarmement tarifaire

Le Rwanda a eu la malchance de disposer d'un tarif douanier relativement bas avant la mise en place du tarif ZEP. De la sorte, la mise en application de ce tarif lui cause énormément de difficultés car souvent le tarif ZEP est inférieur au tarif normal.

Par ailleurs, il importe de préparer le tissu productif national à s'insérer dans le nouvel espace économique où il sera en compétition avec des entreprises géantes et disposant déjà d'un marché intérieur considérable.

Pour ces deux raisons, il est indispensable que le Rwanda négocie et obtienne un échéancier spécifique pour la mise en oeuvre du désarmement tarifaire.

4.4 Actions à entreprendre au niveau sous-régional

Si, au niveau individuel, chaque Etat doit démontrer sa volonté de contribuer à la réalisation du processus d'intégration économique en mettant en pratique les décisions prises par les instances communautaires, d'autres actions doivent être entreprises au niveau sous-régional pour concrétiser la volonté de solidarité entre les Etats membres.

La reconnaissance du principe de solidarité est un préalable à tout processus de coopération économique, en général, et d'intégration économique en particulier. Il postule que les partenaires acceptent et s'engagent à procéder ensemble à l'aménagement du nouvel espace économique, de façon à assurer à chacun d'entre eux une part équitable du développement collectif. Le principe de réciprocité apparaît, dès lors, comme un corollaire du principe de solidarité si l'on ne veut pas bloquer le processus d'intégration économique.

Du reste, ces deux principes sont proclamés explicitement ou implicitement dans tous les traités établissant une coopération économique étroite. Si, chemin faisant, ils sont relégués dans les tiroirs des administrations des différents partenaires, la cause principale réside dans l'absence d'un pilotage planifié du développement des économies de la sous-région et de l'harmonisation des politiques économiques des Etats membres.

4.4.1 Planification concertée du développement et de l'aménagement de l'espace économique communautaire.

Cette planification peut être articulée autour de quatre axes principaux : le désarmement tarifaire, les mécanismes de compensation et d'indemnisation, les accords de complémentarité et la copropriété de certaines unités de production.

4.4.2. Les procédures de désarmement tarifaire

Deux procédures de libéralisation des échanges intrazonaux peuvent être envisagées. La première consiste en l'abaissement progressif des tarifs. La seconde prévoit des négociations annuelles pour chaque rubrique douanière. La première procédure comporte trois avantages principaux. En premier lieu, le fait qu'elle englobe tous les produits objets de l'échange, réduit les pressions que les industries nationales exercent sur leurs gouvernements, car les différentes fourchettes sont fixées d'avance par les organes compétents de la communauté. Le deuxième avantage est que les entreprises peuvent mieux programmer et ajuster leurs plans de production et d'investissement dans un contexte stable et connu à moyen terme. Enfin, cette procédure, par son caractère d'automatisme, évite les difficultés liées à des négociations répétées.

Le grand inconvénient de cette procédure est qu'elle ne tient pas compte des différences de niveaux des tarifs douaniers en vigueur avant la mise en oeuvre du processus de libéralisation. De là sorte, les pays disposant ex ante de tarifs relativement bas sont fortement désavantagés par rapport aux partenaires ayant des tarifs très élevés et parfois théoriques. En effet, ces derniers peuvent abaisser leurs tarifs sans réduire nécessairement la protection effective de leurs unités de production. Comme les nations de petite dimension ont intérêt à avoir des barrières tarifaires peu élevées en raison du caractère peu diversifié de leurs économies et de l'ampleur des besoins non satisfaits par la production domestique, elles sont les plus désavantagées par cette procédure.

Par contre, ces nations ont tout à gagner avec la deuxième procédure. Non seulement, elle est souple, mais elle présente également l'avantage d'un plus grand réalisme pour des nations qui n'ont pas

encore trouvé une structure économique stable. De plus, elle apparaît comme la seule possible entre les nations dont les niveaux de tarifs respectifs accusent des différences importantes ex ante.

Enfin, des négociations périodiques pour chaque produit permettraient d'adapter les mesures de libéralisation aux contraintes économiques de chaque partenaire et de veiller à assurer un partage équitable des gains entre eux alors que la première procédure, par son caractère automatique et indifférencié reviendrait, en dernière analyse, à faire reposer grandement le processus d'intégration sur les seules forces du marché.

Cette procédure présente, cependant, le désavantage de permettre à des groupes de pression d'organiser, parfois involontairement, une résistance, de facto, contre l'ouverture dans des domaines offrant un grand potentiel d'échanges intrarégionaux, voire internationaux.

Concilier les avantages et les inconvénients liés aux deux procédures avec les impératifs de promouvoir les échanges commerciaux dans la sous-région et avec le reste du monde représente donc une difficulté de taille. Etant donnée l'importance de la question, il est nécessaire qu'une action concertée soit engagée de manière à tenir compte des difficultés découlant du désarmement tarifaire pour certains partenaires et à leur consentir des dispositions dérogatoires pour une durée limitée. Ces mesures temporaires doivent être guidées par des analyses appropriées des conditions particulières et des solutions pertinentes relevant de chaque cas.

4.4.4. La problématique des mécanismes de compensation et d'indemnisation

D'un côté, il s'agit de ne pas se départir de la raison d'être du processus d'intégration économique qui est, finalement, de permettre à l'Afrique d'augmenter sa capacité de participer aux courants d'échanges internationaux en commençant par la promotion et l'expansion des échanges intrarégionaux et, par conséquent, d'assurer un mieux être aux populations africaines.

En vertu de ce principe, le choix qui s'impose est celui d'une libéralisation conséquente des échanges et, par conséquent, un désarmement général des barrières commerciales. En effet la logique économique la plus élémentaire enseigne que, si les barrières commerciales sont plus élevées dans les pays africains que dans les pays industrialisés, les coûts marginaux des produits africains seront également plus élevés que ceux des produits européens, par exemple et que, par conséquent, une plus large participation de l'Afrique aux courants d'échanges internationaux passe nécessairement par une réduction sensible des barrières commerciales. D'un autre côté, il faut bien comprendre qu'aussi longtemps qu'il s'agit d'une intégration économique et non d'une intégration politique, il est difficile, sinon impossible, de balayer du simple revers de la main tous les problèmes liés à la sauvegarde des intérêts nationaux, y compris la question de la souveraineté des Etats.

Ce qui est fondamental à comprendre c'est qu'il ne s'agit pas de prétendre que l'intégration économique doit égaliser les avantages entre tous les partenaires. Il s'agit simplement de réduire les effets de domination et les risques de vassalisation des nations à petite dimension ou économiquement faibles. C'est pourquoi la question des mécanismes de compensation et d'indemnisation doit occuper une position centrale dans le processus d'intégration économique. Les modalités pratiques de solution à ce problème

représentent une priorité dans les actions à mener au niveau sous-régional et, de toute évidence, les bailleurs de fonds extérieurs devront être sollicités même si, a priori, ils semblent réticents à intervenir dans la solution de tels problèmes.

4.4.5 Les accords de complémentarité

Les accords de complémentarité correspondent à une approche industrie par industrie et peuvent constituer un instrument d'intégration régionale non négligeable. Leur efficacité suppose évidemment l'adoption d'un plan régional d'industrialisation, reposant sur la complémentarité des partenaires. Les accords de complémentarité industrielle impliquent la levée des restrictions en ce qui concerne le commerce de certains produits fabriqués dans la région ainsi que pour les matières servant à leur fabrication. L'entente sera d'autant plus aisée qu'elle porte sur des produits et des points précis. L'intégration étant progressive, les ajustements nécessaires s'effectueront lentement.

Cependant, les inconvénients de ce mécanisme ne sont pas négligeables. D'une part, cette forme de coopération repose largement sur les potentialités de chaque partenaire et rend malaisé un partage équitable des gains; d'autre part, en l'absence d'un plan d'industrialisation régional, aucun partenaire n'a intérêt à se lier par un accord dont il n'est assuré d'aucune réciprocité dans le futur.

Enfin, ces avantages peuvent surtout profiter aux entreprises étrangères multinationales si l'on ne fixe pas une valeur ajoutée minimale assez élevée pour que le produit puisse être considéré comme appartenant à une industrie intégrée. Mais une telle condition est défavorable aux pays de petite dimension qui trouvent dans des opérations d'assemblage et d'utilisation de produits de récupération le meilleur moyen d'entamer leur industrialisation. L'action principale à entreprendre consiste donc à élaborer un plan régional d'industrialisation qui permettra non seulement de dégager les potentialités propres à chaque partenaire mais également de prendre en compte les impératifs d'une politique de répartition équitable des unités de production sur l'ensemble de la sous-région. Cette action conditionne aussi bien les accords de complémentarité que les accords de coproduction.

4.4.6 Les accords de coproduction

La coproduction consiste à mettre en commun les moyens de production et à assumer ensemble les risques de l'entreprise commune. Au contraire des accords de complémentarité, cette forme de coopération est compatible avec l'association de partenaires extérieurs à la région et elle y trouve même un avantage à constituer un front commun pour accroître le pouvoir de négociation et mieux sauvegarder les intérêts des pays membres vis-à-vis des partenaires extérieurs.

Le corollaire d'une telle politique-action est la libre circulation des facteurs de production. En définitive, il est clair qu'une coopération régionale et a fortiori, une intégration régionale ne peuvent pas reposer sur les seules forces du marché et qu'une planification concertée du développement intégré s'avère indispensable si l'on veut sortir de l'ornière du sous-développement et s'engager sur la voie d'un développement solidaire.

4.4.7 Nécessité d'harmonisation des politiques économiques

En politique comme en sport, il faut respecter la principale règle du jeu, c'est-à-dire la discipline de l'équipe. Si chaque joueur en fait à sa tête, l'équipe échoue à coup sûr. En matière de coopération ou d'intégration économique, la discipline de base est l'harmonisation des politiques économiques.

Dans une allocution prononcée le 28 janvier 1988, au S.A.D.C.C., Monsieur JAYCOX a dit: «la réussite de l'intégration économique dépendra de la mise en oeuvre de politiques qui obtiennent des marchés la réaction attendue et activent la production et la demande régionales. Pour renforcer cette réaction, il faut mettre en place des cadres institutionnels et des politiques qui facilitent la libre circulation des biens et des facteurs de production au sein de l'Afrique Subsaharienne... Pour les gouvernements de la région, il s'agit en premier lieu d'ajuster leurs cadres de politique, de remettre leurs économies en piste, de les rendre plus efficaces et aussi productrices que possible, et de libérer le vaste potentiel d'entreprises de leurs peuples... Des changements de politique, par exemple, l'encouragement de taux de changes réalistes, la libéralisation du commerce, la mise en place de prix qui incitent à exporter, l'amélioration des stratégies et institutions d'investissements du secteur privé doivent aller de pair avec des investissements dans l'infrastructure physique et dans la valorisation des ressources humaines... On n'a pas fait assez d'efforts pour amener les négociants, les fabricants, les agriculteurs et les hommes d'affaires à participer au mouvement de coopération et à établir entre eux des liens commerciaux. Le résultat de tout cela ? Pas assez de commerce intra-africain, des marchés trop petits; des échanges transnationaux officieux et peu efficaces; dans de nombreux pays, un coûteux excédent de capacité industrielle- la dépendance grandissante à l'égard de sources non africaine de produits alimentaires; et l'intensification du chômage et de la pauvreté».

Le développement endogène et auto-entretenu, postulé par le plan d'action de Lagos et réaffirmé par le Traité d'Abuja, portant création de la Communauté Economique Africaine suppose, non seulement, la mise en pratique des principes de solidarité et de réciprocité, mais il implique, également, une harmonisation des politiques économiques entre partenaires au processus d'intégration économique.

L'action à entreprendre consiste en une étude comparative des différentes politiques économiques menées dans les Etats membres de la sous-région et à faire des propositions pour leur harmonisation.

4.5 Actions à entreprendre par les bailleurs de fonds

Les bailleurs de fonds extérieurs ont un rôle important à jouer dans le soutien au processus d'intégration économique en Afrique. A cet égard, cinq domaines d'intervention devraient être privilégiés par eux à la demande des Gouvernements africains, pris individuellement dans le cadre des institutions communautaires ou à la requête du monde des affaires.

4.5.1 Assistance à la formulation des politiques

Le premier domaine concerne l'assistance à la formulation des politiques. Sans doute, revient-il aux gouvernements et aux peuples africains de réfléchir sur l'avenir de l'Afrique et de ses habitants.

Cependant, des conseils extérieurs peuvent représenter des contributions fort appréciables et il s'agit de conseiller et non d'imposer. Par ailleurs, il n'est que normal que, si des contributions financières doivent être demandées aux bailleurs de fonds, ces derniers ne financent pas des dossiers dont ils n'approuvent pas les orientations de base.

A cet égard, il convient de relever le fait que toute la phase d'édification du processus d'intégration économique est dominée par la formulation des politiques et stratégies qui requièrent des compétences et des expertises que les Etats africains ne peuvent pas mobiliser sans des concours extérieurs en ressources tant humaines que financières. Aussi n'est-il pas étonnant que les bailleurs de fonds seront ainsi impliqués dans la plupart des actions à entreprendre au niveau de chaque Etat pris individuellement et par l'ensemble des Etats de la sous-région.

Soutien à la formulation des politiques envisagées par le Rwanda.

Les politiques envisagées par le Rwanda dans le cadre du processus d'intégration économique se recoupent pratiquement avec celles du Programme d'Ajustement Structurel que le Rwanda a signé, en novembre 1990, avec les institutions de Bretton-Woods. Dans les deux cas, en effet, le souci est de remettre l'économie nationale sur le chemin de la croissance et du développement et de prendre des mesures susceptibles de permettre aux entreprises rwandaises d'être compétitives face à la concurrence extérieure.

Cela rejoint les préoccupations développées au titre des actions à entreprendre par le Rwanda et dont la mise en oeuvre nécessitera le concours des bailleurs de fonds.

Concrètement, il s'agira de compléter les assistances spécifiques aux différents domaines identifiés par le financement d'un projet d'appui institutionnel au Gouvernement rwandais pour le suivi et l'évaluation des mesures prises ou à prendre afin de mieux adapter l'économie rwandaise aux exigences découlant de l'intégration de la sous-région. La première étape d'une telle assistance consistera en la formulation dudit projet.

Soutien à la formulation des politiques envisagées au niveau de la sous-région.

C'est au niveau sous-régional que les concours des bailleurs de fonds extérieurs seront les plus déterminants, car il s'agira d'appuyer l'émergence d'une nouvelle éthique et d'une nouvelle prise de conscience de la problématique d'un développement solidaire entre des pays habitués depuis trois décennies à penser au développement en termes de solidarité verticale (entre pays en développement et pays développés) et à réduire la solidarité horizontale (entre pays en développement eux-mêmes) au domaine des seules bonnes intentions.

A cet égard, les bailleurs de fonds devraient être sollicités dans le financement des actions ayant trait à la conception et la mise en oeuvre des stratégies et politiques dont les décisions requièrent le consensus de tous les Etats partenaires pris collectivement. Une telle assistance dont les requêtes seraient formulées par les institutions communautaires devrait porter prioritairement sur l'harmonisation des politiques économiques, sur les mécanismes de compensation et d'indemnisation et sur les accords devant régir les relations entre les Etats de la sous-région.

4.5.2 Assistance à la planification et la programmation des projets

Cette action revêt une importance capitale pour la réussite du processus d'intégration économique de la sous-région. Elle suppose en effet une planification concertée de l'aménagement et d'un développement harmonieux de l'espace économique de la sous-région.

Dans cet ordre d'idées, tous les Etats de la sous-région doivent accepter d'ouvrir un accès libre aux sources d'informations nationales par les experts chargés de cette opération complexe de planifier, de programmer et de localiser les grands projets de développement de la sous-région. Il s'agit donc d'un projet d'assistance très complexe; car sa réussite requiert le financement d'antennes au niveau de chaque Etat de la sous-région et d'une cellule étoffée de coordination au niveau du Secrétariat Général des institutions communautaires.

4.5.3 Assistance à la formation des ressources humaines

Cette action visé à permettre aux Etats membres de disposer de compétences humaines à tous les niveaux (conception, coordination, appui, exécution) afin qu'ils soient en mesure de prendre en mains la conduite du développement économique et sociale de leurs pays respectifs et de la sous-région. L'assistance peut consister en l'octroi de bourses d'études, la fourniture de moyens logistiques, le financement d'instituts de formation et l'appui aux Institutions existantes.

4.5.4 Assistance à la formation et à l'information des opérateurs privés.

Certes, la mise en place des institutions communautaires est indispensable à l'édification de l'intégration économique de la sous-région. Cependant, le principal artisan de l'intégration sera et demeurera l'entrepreneur privé. C'est donc sur lui que doit porter toute l'attention.

A cette fin, toutes les opportunités doivent être recherchées et exploitées afin de mettre les opérateurs de la sous-région au diapason de l'aventure communautaire. Le rôle des bailleurs de fonds consistera principalement à mettre à disposition les moyens nécessaires pour contribuer à la formation et à l'information des opérateurs privés à travers le financement de systèmes centralisés d'informations, de recyclages, foires et expositions, voyages d'études, contacts et réunions d'affaires, etc..

4.5.5 Ouverture de lignes de crédit et promotion des investissements.

Quelques soient la pertinence des politiques et les performances des structures institutionnelles pour accompagner le processus d'intégration économique de la sous-région, la mise en oeuvre des projets et l'aménagement de l'espace communautaire nécessiteront des apports en capitaux frais de la part de la Communauté internationale, des organismes de financement et des investisseurs étrangers.

En outre, un accent particulier doit être accordé aux organismes de promotion et d'assistance aux entrepreneurs privés. Dans ce cadre, il importe d'apporter un appui à l'augmentation des capacités et des

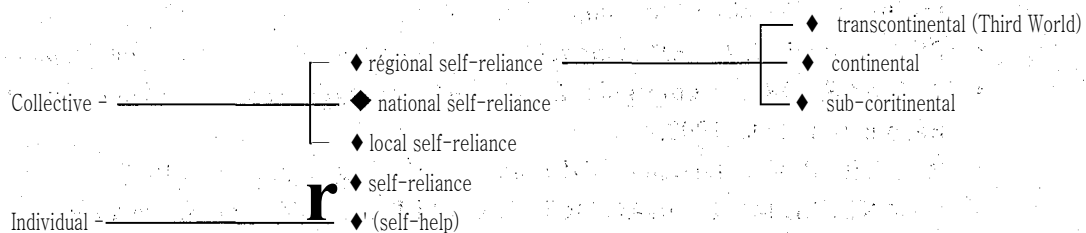
expertises propres à la sous-région. Trois actions spécifiques sont attendues de la part des bailleurs de fonds; à savoir : un recours plus important aux bureaux d'études et d'ingénieurs-conseils de la sous-région, la constitution d'un fichier de ces bureaux et l'assistance à la mise en place d'une association de consultant et bureaux de la sous-région.

Enfin, les bailleurs de fonds devraient ouvrir des lignes de Crédit pour couvrir les risques souverains relatifs aux investissements transnationaux afin de promouvoir le développement de l'investissement étranger.

Au moment où les pays africains accédaient à l'indépendance, les pays d'Asie se faisaient la stricte renommée des guerres meurtrières et des spectres de famine et de malnutrition. Qui eût cru qu' à peine trois décennies d'indépendance écoulées, l'Afrique prendrait le relais de l'Asie au moment où cette dernière a réussi sa «révolution Verte» et s'oriente résolument Sur la voie du progrès et d'un développement accéléré.

Dans l'une des conclusions d'un cycle de conférences et de symposiums organisés en 1975-1976 par l'institut Universitaire d'Etude du Développement à Genève avec le concours de la CNUCED et rassemblées dans un recueil intitulé «self Reliance - A Strategy for development», on relève le passage suivant : «When World negotiators bargain for more intensive relations with industrialized countries in the fields mentioned, ranging from aid to trade, the result is inevitably a more complete penetration of all communities in their countries by exogeneous forces. Third world collective self-reliance may thus become detrimental to local collective self-reliance. It is the local level, however, that deserves most serious attention. If local efforts are not seriously encouraged and promoted, or at least tolerated; self-reliance is not possible at other levels. The same is true at the individual level. No community can function in self-reliant way if its members refuse to do so. Individual self-reliant behaviour with a self-reliant collective of course, is not what we have designed as individual self-help».

Cette conclusion est résumée dans le schéma suivant qui exprime de façon éclatante les fondements d'une véritable stratégie d'auto-développement ou self-reliance :



On est d'accord pour le développement endogène et auto-entretenu de l'Afrique. On est d'accord pour l'auto-développement par l'intégration économique. Mais sommes-nous également d'accord que tout cela est illusoire si l'arbre «Afrique» a des racines qui sont en train de se dessécher ? Est-ce qu'en d'autres termes, les artisans de l'unité africaine et de l'intégration économique n'ont pas mis la charrue devant les boeufs? Il importe donc de replacer les fondements de l'intégration économique sur des bases solides et probablement nouvelles.

En d'autres termes il est fondamental de réaffirmer, en première conclusion, l'importance du principe de solidarité dans le processus d'intégration économique. La deuxième conclusion consiste à faire

observer que tout en s'engageant dans les différentes formes de coopération la formule de zone de libre échange présente moins d'inconvénients que l'union douanière avec son tarif extérieur commun pour des pays à faible dimension comme Rwanda. Cependant, il semble que les dés soient déjà jetés puisque la formule de communauté économique est désormais décidée. Néanmoins, un pays comme le Rwanda qui se trouve à cheval entre l'Afrique Centrale et l'Afrique Orientale a des particularités dont il faut tenir compte. Aussi importe-t-il que les mesures de libéralisation dans le cadre des organisations des deux sous-régions évitent des clauses d'exclusivité à l'égard des partenaires africains extérieurs. La meilleure formule qui puisse être préconisée serait d'ailleurs une structure qui soit ouverte à tous les pays subsahariens.

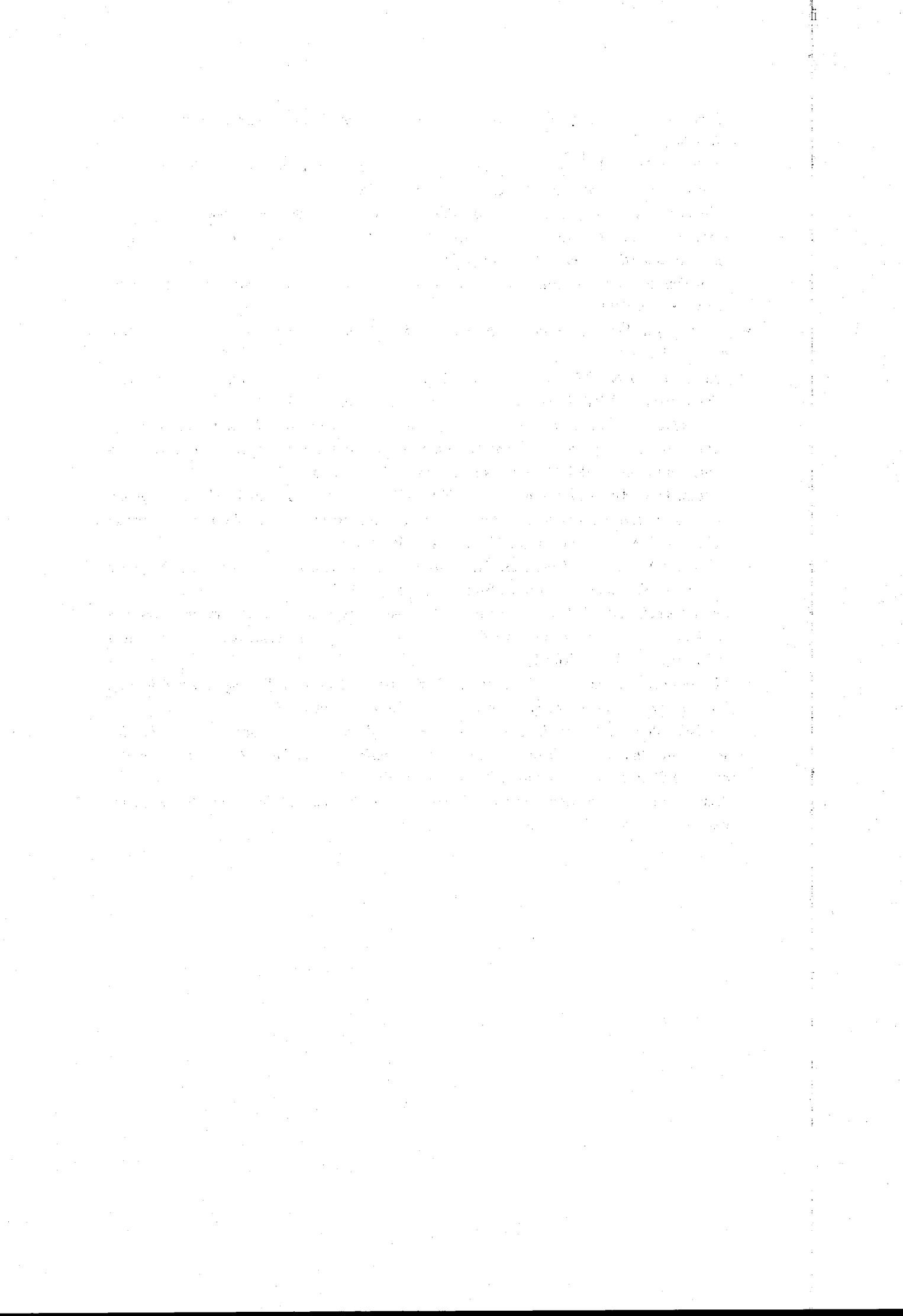
La troisième conclusion est qu'il est indispensable d'accepter que le rythme de libéralisation soit fonction des possibilités d'adaptation de chaque pays aux exigences de la libéralisation des échanges et que des accords spécifiques entre pays puissent coexister avec ce mouvement généralisé de libéralisation.

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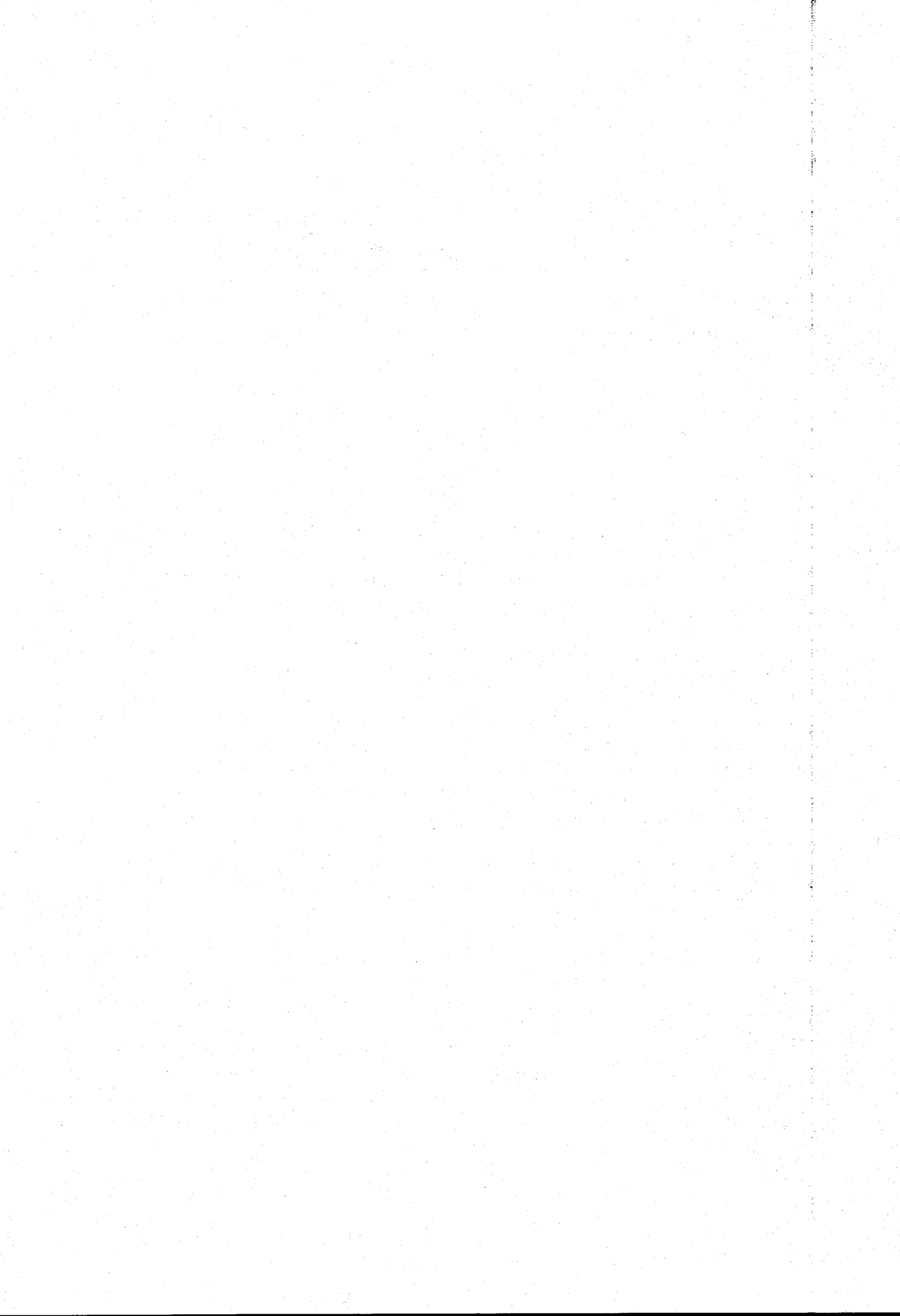
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1. BACKGROUND

Seychelles is an archipelago of about 115 islands with an aggregate land area of about 445 square kilometers spread over an Exclusive Economic Zone (EEZ) of about 1.3 million square kilometers. Mahe, the main island, is granitic and lies some 1590 km from Mombasa (Kenya) and 903 km from Madagascar. Some forty other granitic islands form a relatively compact group, with none of the islands farther than 50 km from Mahe. These islands typically have a narrow coastal fringe and a central range of hills rising as high as 903 meters on Mahe. The rest of the islands, essentially coralline, are spread over a considerably wider area of the ocean with the farthest at about 1000 km from Mahe. The largest and perhaps best known of these islands is Aldabra, which is the last refuge of the giant land tortoise of Seychelles. The most common type of Seychelles soil contains only 1 percent of organic matter. It has low retention capacity for water and is constantly washed down to the sea. Seychelles' population at mid-1990 was estimated at 70,000 and growing at 0.8 percent per annum. The population is highly concentrated, with 98 percent on the main islands (88 percent on Mahe and 10 percent in Praslin and La Digue, two nearby islands). The rest is sparsely distributed over more than a hundred islands.

Seychelles is an open economy and exports and imports of goods and non-factor services averaged 65 percent and 80 percent of GDP, respectively, for the 1983-89 period. Its narrow resource base and geographic remoteness have forced heavy specialization in tourism and fishing.

Tourism accounts directly for nearly 27 percent of GDP and 42 percent of exports of goods and services and significantly affects government revenues, the balance of payments and growth. The heavy reliance on tourism renders the economy very sensitive to economic developments in the rest of the world, particularly in the European Community which provides the bulk of its tourism income. This sensitivity was most recently witnessed in the early 1980s when rising air fares caused by oil price hikes priced the country out of the market. It was also felt in 1986 when the number of tourist arrivals fell by 40 percent, partly because of the cancellation by one carrier of its weekly flight. These exogenous shocks caused real GDP to decline by a cumulative 10 percent between 1980 and 1983, and the overall fiscal deficit to rise from 11 percent of GDP in 1983 to 15 percent in 1986.

Since the start-up of tuna canning in 1987, fisheries have become an important source of foreign exchange. They account for 75 percent of exports of goods, but only 8 percent of GDP. This low contribution to GDP stems from: (i) the unattractiveness of the incentive structure for the entry of young fishermen into traditional fisheries; and (ii) the lack of progress in maximizing the value-added of industrial fisheries. Industrial activities, representing about 10 percent of GDP, are considerably limited by Seychelles' geographic isolation from the main sources of supply of inputs, the small size of its markets, and the shortage of skilled manpower. The activities are confined to a few import-substitution industries, some private, others in the form of public joint ventures with parastals or foreign investors and very few under Government majority ownership. Although some activities are viable, many would not survive without protection.

2. DEVELOPMENT STRATEGY, RECENT ECONOMIC DEVELOPMENT AND SHORT-TERM PROSPECTS

2.1 Development strategy

Seychelles' Government has managed the economy through successive five-year National Development Plans (NDP). During the first NDP (1978-83) the Government placed particular emphasis on social development by investing heavily in the social sector, notably education, health and housing, and infrastructure. The 1985-89 NDP put more emphasis on investment in the productive sectors. This shift in development strategy is clearly seen in the sectoral allocation of the NDP, 40 percent to the productive sector, compared to 12 percent under the preceding plan and 15 percent for social investments, down from 22 percent (Table 1). The rate of project implementation, though increasing from 20 percent in 1983 to nearly 53 percent in 1989, has averaged only 30 percent, largely because of over-programming.

Table
Planned Sectoral Investments Under UNDPS, 1980-89
(in millions of Seychelles rupees)

	1987-83		1985-89 ¹	
	SR millions	Percent	SR millions	Percent
Productive sectors	190	12.0-1	930	39.8
Infrastructure	470	29.8	397	17.0
Utilities	318	20.1	434	18.6
Social Services	355	22.5	339	14.5
Housing	166	10.5	205	8.7
Public Administration	80	5.1	34	1.4
TOTAL	1,579	100.0	2,826	100.0

1/Expressed in 1980 prices.

2/ Agriculture, Forestry, Tourism, Printing.

3/Transport, Land Development, Roads.

4/Water, Sewerage, Electricity.

5/ Education, Health, Social services, Information, Youth & Community Development.

Source : Ministry of Environment Economic Planning and External Relations.

Despite the low rate of project implementation, Seychelles has been successful in meeting its main socio-economic objectives over the 1979-89 period. The socially-oriented 1978-83 Plan achieved universal education and improved the country's standards of nutrition health and housing. The 1985-89 NDP recognised tourism as the key sector of Seychelles economy by improving tourism infrastructure and services, and launching Air Seychelles to secure a reliable air link. Fisheries grew considerably, with the start-up of a tuna cannery and the establishment of the port of Victoria as the main tuna transshipment port of the Indian Ocean. In keeping with the objective of diversifying the economic base, the country's industrial base was broadened to include import-substituting activities, especially in agro-processing. Seychelles' present standards of living (a life expectancy at birth of 69.8 years, an infant mortality of 18.4 per thousand and a literacy rate of nearly 100 percent) are comparable to those of industrialized countries and its per capita income of nearly US \$4,200 places it in the ranks of upper-middle income developing countries.

The public sector dominates the economy. Public consumption absorbs over one third of the GDP. The Government and state-owned enterprises (SOEs) account for over two thirds of formal employment. SOEs control most economic activities: utilities, domestic trade, travel agencies, air transportation and hotels. Domestic distribution and prices for most important food staples are controlled by the Seychelles Marketing Board (SMB). Imports of other commodities are open to the private sector, but subject to an import permit that is freely granted. The Seychelles Industrial Development Corporation is slowly gearing itself towards promoting small-scale private enterprises. The private sector is increasingly active in the key tourism sector, and, now accounts for 49 percent of the bed capacity.

The Seychelles rupee was pegged to the SDR at the rate of SR7.2345 = SDR 1 in March 1981. The real effective exchange rate has appreciated by about 14 percent between 1981 and 1985 and has remained at about that level.

2.2 Recent economic development

Seychelles economic growth (averaging 4.9 percent a year over the 1986-89 period) is driven by tourism and fishing. The arrivals of tourists grew by 9 percent a year over the 1986-89 period to reach 86,000 in 1989 and 100,000 in 1990; receipts from tourism grew even faster, by 14.4 percent a year over the same period. Much of this growth is attributable to: (i) the high quality product offered by the country; (ii) the upgrading of the infrastructure; (iii) easy access, with Air Seychelles providing regular services to 6 destinations in Europe and Asia; and (iv) the increasing involvement of the private sector which now participates actively in the design of the sector's strategy.

As regards the external sector, the current account deficit (including current transfers) declined from 15.9 percent of GDP in 1986 to 11 percent in 1989, largely on account of the good performance of the tourism sector. Net long-term capital inflows declined from SR187 million in 1986 to SR 128 million in 1989, as net public long-term capital declined from SR 135 million to SR 51 million. The overall balance of payments recorded a surplus of SR 16 million over the 1986-89 period. Gross international reserves amounted to about 4 weeks of imports over the same period.

Contractionary fiscal policies reduced the budget deficit from 15 percent of GDP in 1986 to 3.7 percent in 1988. In 1989 the deficit rose to 7.3 percent, in order to finance SOE deficits, which increased

from SR 93.5 million (6.7 percent of GDP) in 1987 to SR 215 million (13 percent of GDP). Government current transfers and loans to SOE's had high opportunity costs and contributed to high levels of consumption, discouraging domestic savings and forcing greater reliance on external capital inflows, i

Inflation (as measured by the consumer price index) has been low, 1.5 percent in 1989, 1.8 percent in 1988 and 2.5 percent in 1987. Seychelles' success in containing inflation is attributable to (i) favorable terms of trade; (ii) the exchange rate policy which allowed the appreciation of the rupee vis-à-vis the major currencies; and (iii) the introduction of new monetary instruments which shifted the burden of financing the budget deficit away from the Central Bank to Commercial Banks, in the process depriving the private sector of credit.

2.3 Short-term outlook and constraints

The GDP is expected to increase by 5.3 percent in 1990. However, the balance of payments current account is expected to deteriorate in 1991 as tourism and oil imports are sensitive to developments in the Persian Gulf. Seychelles also lost the favorable financing terms from its traditional supplier, Kuwait. Moreover, it is no longer certain whether petroleum re-exports (two-thirds of imports) can be maintained⁵ and kept profitable enough to pay for domestic oil consumption as in the past. The Government is aware of the need for tightened fiscal policies and has programmed a reduction of the overall budget deficit to about 4 percent of GDP. This target might be too ambitious because: (i) the implementation of additional revenue measures envisaged in the 1990 budget, namely higher trade taxes on certain imported goods, and full taxation of Government's imports, has been delayed; and (ii) the subsidies and net lending to Air Seychelles and other oil-dependent parastatals are likely to increase with the rise in oil prices, unless the full effect of the latter is passed on to the consumers.

The Seychelles economy is facing serious environmental and labor-related constraints which may affect its ability to sustain growth. The increasing number of tourists has strained the fragile ecology of the archipelago and has put excessive pressure on water supply. With the economics approaching full employment, the supply of labor has become increasingly inelastic. The hotel industry, for example, faces a growing shortage of trained staff in middle management positions. The Hotel Training School is attached to the Ministry of Education which dictates its curriculum, a curriculum at variance with the requirements of the buoyant, competitive and dynamic tourism market.

2.4 External debt situation

Seychelles' medium and long-term public and publicly-guaranteed external debt outstanding and disbursed (DOD) increased sharply over the last six years, from 35 percent of GDP to 58 percent in 1989 (Table 2). The structure of the debt deteriorated during this period. The share of commercial debt more than doubled while the share owed to bilateral creditors (two-thirds to France and UK) fell from 57 percent in 1984 to 35 percent in 1989. Multilateral loans remained at about 25 percent of the total. Increased commercial borrowing and maturity bunching led to a substantial increase in the debt service. The debt-service ratio increased from 5.2 percent in 1984 to 15 percent of exports of goods and services in 1989. The share of budget expenditure for interest payments increased from 5.5 percent in 1984 to 13.3 percent

in 1989. Together with amortization, they used up 23.3 percent of budgetary revenue in 1989, up from 10.8 percent in 1984. The ratio of the Seychelles' DOD to GNP is broadly comparable to that of other islands developing economies, but its debt service ratio is higher (Annex Table 1).

Table 2
Seychelles: External Debt and Debt Service, 1984-89
(In millions of US\$)

	1984	1985	1986	1987	1988	1989
Debt Outstanding						
Disbursed	51.4	74.0	108.1	138.7	162.1	174.9
Bilateral	29.5	38.5	48.3	63.8	62.5	61.4
Multilateral	12.6	19.2	29.7	39.0	39.0	41.5
Commercial	9.3	16.3	30.1	35.9	60.7	71.9
Debt Service	5.2	17.2	15.1	18.3	20.7	31.0
Of which commercial	1.9	3.1	4.4	5.8	10.2	21.0
Principal	2.5	14.3	11.2	13.4	13.2	22.0
Interest	2.7	3.0	3.9	5.0	7.4	9.0
<i>(in percent)</i>						
Share in total DOD	100.0	100.0	100.0	100.0	100.0	100.0
Bilateral	57.4	52.1	44.7	46.0	38.5	35.1
Multilateral	24.4	25.9	27.4	28.1	24.0	23.8
Commercial	18.1	22.1	27.9	25.9	37.4	41.1
Ratios						
DOD/GDP	35.4	40.6	49.9	51.5	57.4	58.0
Debt service/exports	5.2	13.4	11.2	10.8	11.2	14.9
Debt service/ Government revenues	10.8	17.5	11.7	24.4	19.5	23.3
Debt service/ Gov. expenditures	8.8	14.3	8.9	23.6	13.2	20.8
Interest/GDP	1.9	1.6	1.8	1.9	2.6	2.9
Memo items :						
GDP current prices	145.2	182.5	216.6	269.5	282.4	301.6
Exports of G & S	98.5	128.3	135.3	169.3	184.2	208.3

Sources : Ministry of Finance and IBRD Debt Reporting system.

Seychelles' present debt solution reflects the Government's decision to address the adverse world economic situation of the early 1980s by relying more on foreign savings in order to protect domestic consumption. With limited access to official development assistance (ODA), Seychelles resorted to more

commercial borrowing. In addition, Seychelles' good growth performance led to reduced access to concessional resources and increased the reliance on commercial borrowing at a time when interest rates and repayment terms were hardening. As a result, Seychelles' average cost of borrowing rose from about 4.6 percent in 1981-83 to 7-8 percent in the 1984-89 period. The cost of borrowing was further increased by the Seychelles' shift to variable interest rates.

Seychelles' domestic savings rate averaged 6.2 percent of GDP over 1986-89, compared to 12 percent on the average for sub-Saharan Africa. The savings-investment gap (over 20 percent of GDP over the 1983-89 period), led to the almost exclusive reliance on external borrowing to finance investments (Table 3). Increasing government transfers and subsidies to SOBs have also contributed to maintaining high levels of consumption at the expense of savings.

Table 3
Savings Investment Gap and External Debt Commitments

	1983	1984	1985	1986	1987	1988	1989
Savings Investment Gap (As a percent of GDP)							
Foreign Savings	27.4	19.0	19.5	23.9	17.8	20.3	21.8
Total Investment	22.2	21.7	22.7	22.8	18.6	20.0	19.8
National Savings	-6.2	2.7	3.2	-1.1	0.8	-0.3	-2.0
Savings Investment Gap	-27.4	-19.0	-19.5	-23.9	-17.8	-20.3	-21.8
<i>External Debt Commitments</i> (As percent of total commitments)							
Total Commitments	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Bilateral	28.1	6.3	31.9	40.6	17.4	12.3	25.6
Multilateral	42.8	37.3	42.1	14.0	0.0	0.0	37.1
Private	29.1	56.4	25.9	45.4	82.6	87.7	37.3

Despite the economic difficulties caused by the drop in tourism in 1986 and unsustainably low reserves in 1986 and 1987, Seychelles continued to service the interest due on its debt in a timely manner. With the agreement of its creditors, it rescheduled part of the principal due while continuing to service debts owed to some creditors who declined to agree on rescheduling. This allowed Seychelles to remain creditworthy for commercial borrowing at all times. In 1990, the debt service ratio was estimated at 18 percent of exports of goods and services and at about 30 percent of the Government's revenue. External debt is managed by the Ministry of Finance. The inadequate flow of information between the Ministry and the SOEs hampers a close monitoring of public sector borrowing.

2.5 Medium-term prospects

The 1990–94 National Development Plan has three objectives :

- improving the standards and the quality of life of all Seychellois;
- achieving sustainable development; and
- fostering self-sufficiency and self-reliance. An associated Environmental Management Plan (EMPS) presents inter-sectoral linkages and addresses immediate socioeconomic and environmental concerns and long-term issues crucial to Seychelles' developing strategy.^{3/}

The pursuit of these objectives is hampered by the constraints faced by the Seychelles' economy. Export earnings from tourism and fishing could be affected by slumping demand in Europe, by the deterioration of Seychelles' competitive position as a tourist destination because of higher air fares (fares sensitive to oil prices), and by the tight labor market; exports of petroleum products and other economic activities are affected by the Gulf crisis; and environmental constraints are becoming critical.

Notwithstanding these constraints, Seychelles appears well placed to achieve the NDP objectives. In recent years, the Government has proven its ability to face economic challenges and external shocks. The authorities are well aware of the constraints facing the economy and as illustrated by the latest budget debate, appear determined to address them.

A sensitivity test indicates that, even under the most conservative assumptions, i.e. with a growth and exports performance well below past results, Seychelles should be able to maintain its debt-servicing capacity. However, the balance of payments could be tight, and the fiscal outlook will remain difficult. Seychelles would need about US\$ 37 million per year to finance its investment program, and more of it than in recent years should come as grants and concessional borrowing. Even if external reserves were kept at the present level of four weeks of imports (a level which is not necessarily consistent with the objective of self-sustained development) the financing gap would average US\$ 17 million per year. The budget deficit could decline from 6 percent of GDP through 1995 to 3 percent by 2000, provided the government takes decisive steps to : i) reduce subsidies and transfers to SOEs; ii) improve SOE performance, and increase their dividends and royalties; and iii) reduce the recourse to commercial borrowing.

Seychelles' growth prospects and debt servicing capacity could be enhanced through certain policy actions:

- Debt management could be improved by converting floating-rate liabilities into fixed-rate debt; by strengthening the control of SOEs borrowing; by reviewing debt buy-back or conversion opportunities; by improving the consonance of new loans with the currency composition of projected foreign exchange earning.
- Fiscal discipline would benefit from the disengagement of the State from the economy, by divesting, liquidating non-viable SOEs, and seeking to improve the performance of the remaining ones. Also, it is important to review the possibility of implementing cost-recovery schemes for projects in housing, water supply and sanitation. Which are socially desirable, but have considerable recurrent expenditure implication.

The EMPS, totalling about SR 265 million (US \$ 53 million), defines twelve areas of intervention, but the bulk of the investments (about four-fifths) are concentrated in waste management and water management, both of which have a direct bearing on the health of the population and the quality of tourist facilities. The EMPS which was prepared with the assistance of the United Nations Environment Program (UNEP), the UNDP and the World Bank, was discussed by technical experts and the international community at a Technical Seminar in September 1990 and presented at a Donors' Conference in February 1991 where positive indications of assistance obtained at the meeting amounted to 40 % of the total EMPS investment programme.

- O Public investment management has been strengthened by the preparation of a 1993-95 three-year «rolling» investment programme and by tightening project screening and selection to ensure that borrowed resources are channelled into priority projects. The main selection criteria are economic and financial returns and the sustainability of recurrent expenditure, rather than the availability of external financing. The Government is also identifying a «core» investment program whose execution should be protected in the case of lower-than -expected resources;
- The government is pursuing a liberal economic system, particularly by fostering private sector development and maintaining a liberal exchange system; and
- Q Management of the environment has been strengthened by implementing the Environmental Management Plan of Seychelles.

3. RATIONALE FOR REGIONAL ECONOMIC INTEGRATION

The purpose of a regional trade grouping is to enhance accelerated development. There are three main theoretical advantages that typically justify trading blocs:

- The expansion of production in existing industries by exploiting the economies of scale arising from a larger market.
- Specialization based on the principle of comparative advantage increases production efficiency with the region.
- Payments and clearing arrangements among member states and increased intra-regional trade enhances efficiency in use of scarce currencies.

However, there are certain difficulties in implementing a successful regional trading bloc. The difficulties are namely:

- The non-complementarity of production structures among member countries which means all member economies are directed to the production of primary products and the import of manufactures. Thus the requirements of one member economy cannot be met by another. This is especially true for the Seychelles which relies heavily on imports from South Africa and it seems that the possibilities for substitution for this trade in the region are limited.
- The potential negative impact on the fiscal operations of the member states, that is the loss of considerable revenue from tariff reduction (elimination) and the uncertainty whether this

loss can be recouped by enhanced regional integration. Seychelles is a typical example of this situation. In 1990 the government receipts from trades tax accounted for almost 50 % of the total budget receipts. Since Seychelles exports very little, it is almost certain that any trade agreement calling for a tariff reduction on imports would result in a substantial loss of government revenues.

- The difficulty to determine what kind of goods can be imported or exported at preferential rates.

The aforementioned views about the advantages and difficulties of regional trading blocs, strongly suggest that before any action is taken to implement the regional integration initiative, additional studies should be undertaken. The aims of these studies would be to :

- arrive at a full understanding of trade in the region both official and unofficial.
- prepare a regional inventory of resources and production capacity so as to identify areas of comparative advantage.
- examine the role of the private sector and their needs and aspirations.
- establish the feasibility of a fund as a source of fiscal compensation arising from tariff reduction.
- establish whether increased interregional trade would be either trade diverting or trade creating.
- identify those non-tariff issues which might serve as a point of departure for regional economic integration.

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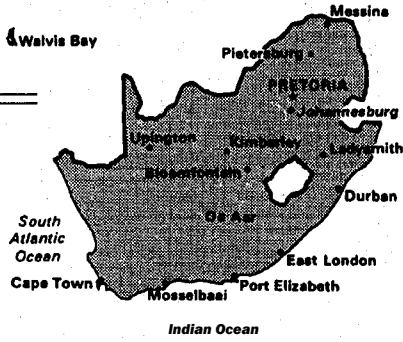
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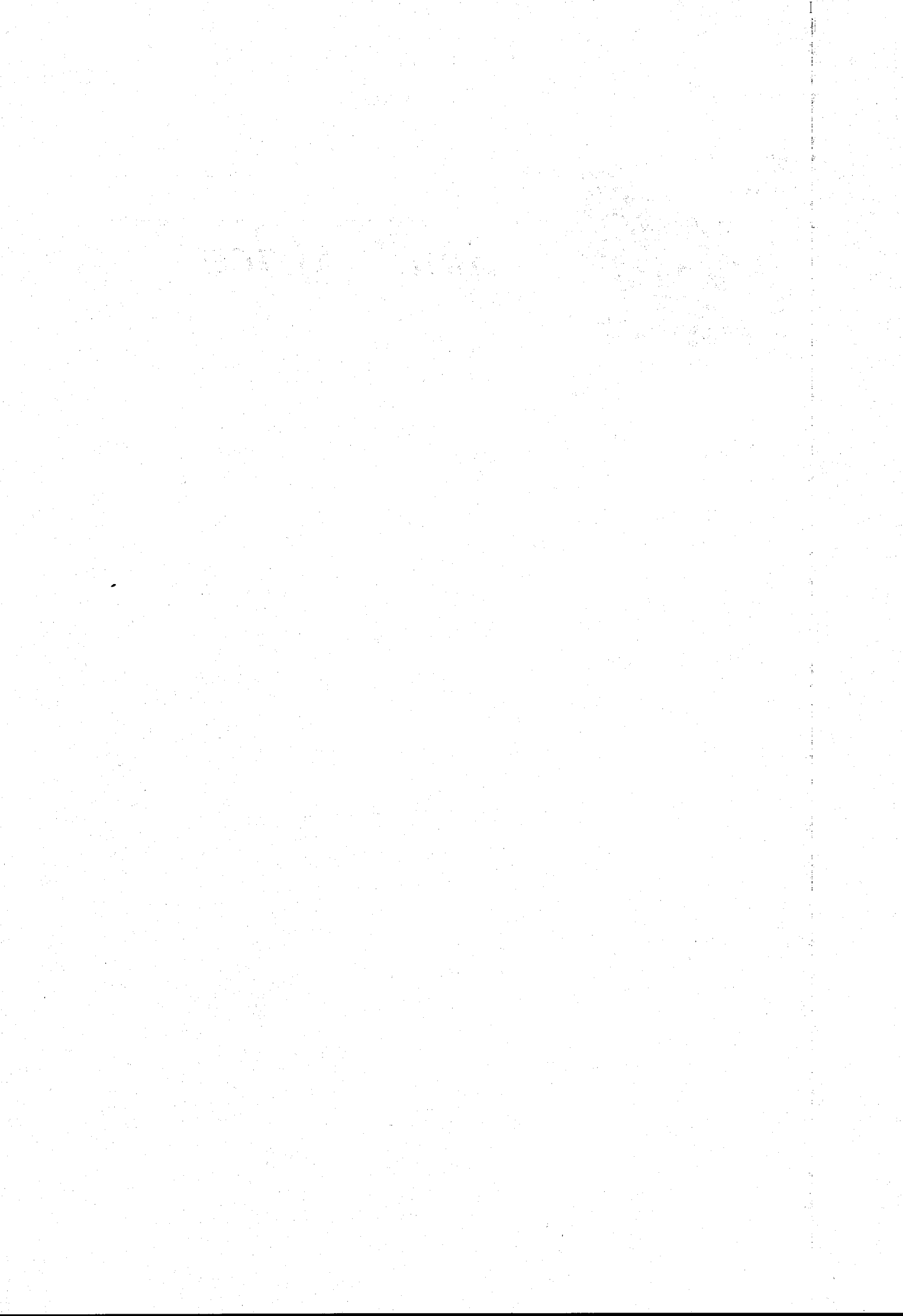
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1. INTRODUCTION

Trading and production integration blocs are being formed internationally; Sub-Saharan Africa is, by its geographical location, not suitable for inclusion in any of the blocs in the emerging triangle (North American Free Trade Area, European Community, Pacific Rim). This is a threatening situation as these trading blocs work towards becoming more self-sufficient and increasingly inward-looking. The uncertainty surrounding the successful conclusion of the Uruguay Round of the GATT and the looming global trade war is especially worrying. The negotiating power that the triangle wields is enormous and priorities are focussed on immediate internal needs before assisting those outside of "the fortress". Sub-Saharan Africa is rapidly reaching the point where it is no longer a priority in the eyes of the global development assistance community and any development and growth must therefore primarily come from within the continent.

The continent is so vast, that it makes sense to divide it into natural or viable trading regions which, by their location and resources, could complement one another. Already the Lagos Plan of Action (LPA) has resulted in the signing of the Pan-African Economic Community Treaty (PAEC). (It should be noted that many signatories have yet to ratify the Treaty). This is an attempt to strengthen existing regional economic communities such as SADC, PTA and IOC and make them fundamental "building blocs" in order to achieve an African Economic Community (AEC) by 2025 in successive stages. With the synergism of unity which might develop in each of these, the process of gradual continental integration is designed to be based on the principles of achieving mutual advantages for all participating partners. Comparative advantages in each country would be supported and utilized to the advantage of all. Even if achieving an AEC by 2025 is a pipedream, such "building blocs" would at least increase certain African countries' bargaining positions vis-à-vis each of these blocs. Each country would retain its unique identity and real comparative advantage within the group, but in order to succeed, each should be prepared to simplify, if not overcome, those fairly standardized obstacles which act to the detriment of the group. No participant would need to feel threatened by another, but all would see the advantage of the strengths which each offers. Those operational systems which have proved themselves effective in any of the countries would be used throughout the region. This would prevent the clash of systems and inefficient methods being introduced and utilized.

Eastern and Southern Africa, including the East Coast islands, is an area which, by its locality and development resource endowments, could make this vision a reality. It could be driven through existing multilateral structures, like the PTA, SADC or IOC, and would require the support of as wide a regional and global constituency as possible. The commitment by all participants is essential in their working toward the practicalities of adopting multi-speed, "variable geometry" types of cross-border interaction that are grounded in the concept of subsidiarity and equitable sharing of costs and benefits. The degree of dedication by each participant would determine the success or failure of the whole project.

Once a democratic government has been elected into power in South Africa, both South Africa and its neighbouring state governments will need to decide on how and when to reintegrate South Africa into the region. Any future South African government will have to consider the benefits to be reaped from healthy growing neighbours who offer their strengths and consumers, in return for the advantages South Africa can contribute to the region.

With that in mind, this Report has been compiled by Nora Hill of Export Marketing & Management Consultants, a private consultant, in consultation with a number of South African interest groups, who contributed by answering sets of specific questions covering areas of investment, trade, finance and payments, and institutions. Some of the information which would have been useful is lacking because of South Africa's past political difficulties; as a result the consultant has had to work from a poor information base, and with considerable time constraints. However, this does not necessarily affect the overall result. If need be, further information can be obtained under a more specific brief and sourced through different means.

2. INVESTMENT

2.1 Investment codes & investment incentive schemes

South Africa has no investment code, while the only direct investment incentive offered is that under the Regional Industrial Development Programme (RIDP). This is available both to domestic and foreign investors.

The RIDP idea dates back to 1960 when the government introduced its policy of industrial decentralization, mainly for ideological reasons. The policy went through several phases, and in 1982 it was remodeled as the RIDP, the aim being to attract manufacturing industry to locations outside the major metropolitan regions. In 1991 the RIDP was again revised, this time to form part of a broader regional development policy which would focus not only on industry, but also on the comparative advantages of different regions in the terms of all economic sectors. The present RIDP came into force in May 1991, and provides for three financial incentives:

- A tax-free establishment grant payable in cash in quarterly instalments over two years and equal to 10,5% of the investment in each year. The value of operational assets has a ceiling of R15 million, so that the maximum grant is R1 .575 million per annum. The operational equity of the firm must exceed 35% of total assets to qualify.
- A tax-free profit/output incentive payable in cash once a year over the following three years. This may not exceed the annual amount of the establishment grant for each firm in any year.
- A tax-free reimbursement of relocation costs to approved foreign firms with a maximum of R1 million per project.

The first two incentives are not applied uniformly among regions, but are spatially differentiated as follows:

- Pretoria–Witwatersrand–Vaal triangle (PWV) and the Durban core area – nil.
- Cape Peninsula, Durban–Pinetown, Pietermaritzburg (excluding the Durban core area) and the area immediately surrounding the PWV region – 60% – of the establishment grant over the first two years, and 100% of the profit incentive over the next three years
- Rest of South Africa –100%

In contrast, however, the relocation grant is available to foreign industrialists wishing to invest in South Africa, irrespective of where they intend to establish their plant, and consists of compensation for relocation costs to foreign industrialists subject to:

- local incorporation as a company or close corporation;
- the maintenance of a minimum equity of 35%;
- the nature of the industry;
- the technology and viability of the project;
- the potential economic effect of the enterprise on the economy;
- and the financial and economic evaluation of business plans.

An incentive recently announced by the Minister of Trade and Industry is that interest earned on investment by companies not managed or controlled in South Africa will be tax-exempt. Essentially this means that investors can bring money in as loan capital and will not have to pay tax on the interest. With judicious structuring of the loans through tax havens, they may avoid tax on interest. In addition, expansion operations on existing or new companies are also eligible for the same incentives, subject to certain criteria, which include viability of the project, equity of not less than 35%, incremental investment in fixed assets, audit certification, etc. Expansion of an established undertaking can only be considered after one financial year has elapsed since the previous approval of incentives given.

2.2. Foreign investment regulations & procedures

When investing in South Africa, unlike most African countries, investors do not have to go through bureaucratic procedures in order to obtain permission. However, certain procedures do need to be followed by the foreign investor.

2.2.1. Legal

There are few restrictions on establishing a foreign company, a subsidiary company or branch, or on taking over a local company in South Africa. Local borrowing, tax concessions and exchange control regulations applied will, however, depend on the format of the company established.

Amongst the restrictions against foreign companies which are an impediment to investment, are those which state that they may not enter certain strategic industries and have to obtain clearance before establishing banks or financial institutions. Where non-resident control exceeds 25%, restrictions are placed on companies designated as "affected persons".

The Monopolistic Conditions Act gives the government the power to prevent undesirable trade practices. The Maintenance and Promotion of Competition Act is intended to promote competition and prevent and control restrictive practices through a Competition Board.

2.2.2. Financial

South Africa has exchange controls put in place by the Exchange Control Act and administered by the Reserve Bank. There is an extensive network of commercial banks which have considerable authority and are able to assist foreign investors. Investment may be made through the medium of the financial Rand which trades at a discount (between 30% to 40%) compared with the commercial Rand, and which may be regarded as the investment/disinvestment currency. The commercial Rand must be used for working capital, purchase of residential or farming property and for loan capital. The Reserve Bank is responsible for approving foreign loans. In cases where 25% or more of capital, voting power or earnings is controlled by non-residents, the company is designated an «affected person» and restrictions are placed on obtaining finance from local institutions. The formula used is based on a percentage of total effective capital employed and is:

$$50\% \frac{1. \% \text{ South African interest} \times 50\%}{\% \text{ non-resident interest}}$$

This condition may be waived when industries are established in decentralization zones, or when they will result in considerable export earnings, or where temporary financial assistance is required. There are no restrictions on the repatriation of capital investment, provided it is done through the financial Rand. Dividends and profits may be transferred through the commercial Rand without restriction, as may reasonable interest, royalty and service fees.

2.2.3. The business climate

Although there are no restrictions on foreign ownership, business operations are subject to government rules. Acquisition of existing companies will be subject to the regulation code of the Securities Regulation Panel. Once a company has been established, the business must be registered with:

- The Regional Services Council (Joint Services Board in Natal) as USC levies have to be paid.
- The Workmen's Compensation Commissioner.
- The Department of Manpower - which operates the government unemployment benefit scheme.

O Industrial Council- the appropriate industry in which the business operates.

The Department of Trade and Industry with regard to imports (which are subject to a permit) and to exports (where few restrictions exist).

O The Receiver of Revenue for all tax matters.

All businesses must comply with the relevant reporting requirements as set out in the Companies Act. All companies are required to keep accounting records and are audited annually. Should a company seek public status and listing on the Johannesburg Stock Exchange, then additional reporting will be required. South Africa's accounting standards comply with the International Accounting Standards Committee.

2.2.4. Support services

Although there are few major bureaucratic impediments to foreign investment in South Africa, there are also highly qualified professionals available to assist the potential foreign investor. The major commercial banks all have departments able to assist the investor with exchange control regulations. The accounting firms are able to provide support to investors and guide them through the procedures involved in setting up a company.

2.3. Investment regulations & procedures

There is relatively little that is generally readily available or published on investment into and out of South Africa from or to the rest of Southern Africa. This information can be obtained through a thorough investigation into the investment portfolios and registration of foreign companies. The Reserve Bank has done a census on inward and outward investment which will only be published next year. The time allocated does not allow for the inclusion of this investigation's results in this brief, but the matter could be pursued if required.

The Cresta Group have taken over the Jacaranda Hotel in Pretoria and one of the largest Zimbabwe textile producers has recently established an operation in South Africa. This involved the investment of some R60M (US\$21,4M), but it is believed in either case there was movement of capital across the border. It is believed that management contracts or finance raised on the local capital market were used.

Until the South African government has an investment package comparable with other countries, only those products which can sustain themselves within the South African climate are likely to be considered by outside investors.

On 8th October 1992, Dr Stef Naude, Director General of the Department of Trade & Industry, introduced the "Blueprint for Prosperity" document which is a proposal for economic restructuring and growth. This included a chapter on trade policy, investment and suitable legislation to allow the establishment of Free Trade Zones.

Once the measures envisaged are put into action, investment is expected to increase and to flow into the country from those countries which have opened up their economies thus allowing free movement of capital. If this were the case in the PTA, clandestine dealings would cease and the integration of the region would naturally evolve on the lines of the comparative advantage theory. •

2.4. South African investment in the region

Historically, investment by South African companies in the region has been dominated by copper mining in Zambia, starting in the 1930s and, more recently, copper-nickel, diamonds and soda ash mining in Botswana. However, there are also many subsidiaries of large South African companies in other sectors, especially manufacturing, agricultural industry and commerce in the region. A large proportion of these investments are in Botswana, Zimbabwe and Namibia, which was in effect a fifth province of South Africa until recently.

Within the last year there appears to be increased economic activity in the region. There has been some investment in services, minerals, hotels, fishing and tourism in the region, while interest is being shown by South African engineering & construction companies wanting to expand into Southern Africa in order to take advantage of the fact that they are now eligible to tender for bi- and multilateral-development assistance projects. South African firms are still unable to tender for projects financed by many of these agencies, but this is expected to change as South Africa establishes a democratic government.

Standard Bank Investment Corporation has recently acquired the African operations of ANZ Grindlays Bank (1992) assuming equity control in Zimbabwe, Zambia, Kenya, Botswana, Uganda and Zaire with minority interests in banks in Nigeria and Ghana. This type of involvement will play a significant role in the integration and development of the region.

2.4.1. Future investment

There is a growing interest by South African business groups in investing in the region. Substantial companies are financing strategic teams to investigate tripartite joint venture deals with support from abroad. A few South African companies are finding real comparative advantages in consumer and durable goods in the region where cost advantages can be seen in labour, surplus capacity, transport, etc. Agricultural and fishing ventures are already in place and as the region develops a variety of services and industries they will no doubt be extending their operations especially if they can see potential returns from their investments and if the supporting services and infrastructure are adequate to make the venture viable.

It is believed that South African companies are moving into the region to position themselves and take on management contracts and provide management skills and technology rather than to invest in manufacturing. The view of South African businessmen as potential large-scale investors in the region is unrealistic. The South African productive sector requires massive investment and part of this will have to come from abroad as foreign direct investment. It is unlikely that South Africa will compete with the region for foreign direct investment.

Obstacles to investors in the African region are political uncertainty, economic mismanagement, world recession, corruption and the drought.

2.4.2. Job creation

There is very little job creation in current projects in the region which involve South African investment. Construction projects are managed from South Africa, and capital equipment is transferred from South Africa. This last practice is encouraged by exchange control regulations, which allow capital equipment sent abroad to be treated as goods for which there is no foreign exchange transaction. However, as joint ventures are set up, rehabilitating plants, or setting up new industries, there is no doubt that new jobs and skills will be developed and created.

Movement of finance between the SACU members (Swaziland, Lesotho, Namibia and South Africa) is governed by the Common Monetary Area Agreement, which allows free flow of money in the area. It is therefore almost impossible to accurately identify investment in and out of these countries; The table below shows that South Africa was an important source of investment only in the BSLN countries since 1991, but with the lifting of sanctions against South Africa there are indications that some of the sanction-busting companies in these countries will be moving back to South Africa.

TABLE 1:
INTERNATIONAL PROJECT ON TRADE & INVESTMENT IN SOUTHERN AFRICA
INVESTMENT: COUNTRY CROSS-SECTION RESULTS

Sources of investment in Southern Africa: percentage

Source of Investment	Location of Investment					
	Malawi	Zimbabwe	Botswana	Lesotho	Swaziland	Namibia
Local	46.7	69.7	55.6	21.1	48.1	71.9
Local/foreign	6.7	6.7	11.1	47.4	14.8	10.9
Foreign	46.7	22.5	33.3	31.6	37.0	17.2
of which:						
SA		6.7	18.5	42.1	25.9	14.1 r
UK						
Germany		3.7	5.3	11.1	1.6	
Other EC		10.0		3.7		
USA		6.7	3.4			
Taiwan		15.8				
Zimbabwe		3.7				
Other	20.0	5.6	13.0	21.1	18.5	7.8

Dates firms were established: percentage

Date	Lesotho	Swaziland	Namibia
-> 1960	0.0	18.5	23.4
1961-1970	5.3	14.8	18.8
1971-1980	36.8	22.2	29.7
1981-1990	47.	40.7	21.9
1991+	10.	3.7	1.6
No response	0	0	4.7

Note figures may not add up due to rounding or non-response

SOURCE: ERU survey 1992.

Produced with permission of ERU & SAFER. Not to be quoted

2.5. Outward investment

Outward investment may be allowed under the exchange control rules. Each proposal has to be considered separately by the Exchange Control Department of the South African Reserve Bank (SARB). The main criteria are that the project should either contribute to South African exports, or protect or substitute for existing strategic imports. Permission to invest abroad is also dependent on the state of the balance of payments and the foreign exchange reserves. The latter stand currently at the equivalent of about two months' imports, which is only barely adequate.

De facto, it appears that the big mining companies carry sufficient weight to get SARB permission for mining investments (whose direct financial benefits are dividends, which are both uncertain and require a relatively long gestation period).

South African companies borrowing abroad to invest abroad also require Exchange Control approval. New debts may be paid from profits before they are repatriated, but existing debt must be paid from funds generated within South Africa through the financial Rand.

All outward investment has in principle to be undertaken using the financial Rand. The additional cost varies; at present it is over 30%. However, Exchange Control permission for some part of an investment to be undertaken using the commercial Rand is possible if part of the investment is financed by a loan (which must be repaid out of profits generated by the project within 18 months). If part of the investment consists of capital goods physically exported for use on the project, there is of course no need to finance it by using financial Rands.

2.5.1. Repatriation of profits

Any profits generated abroad must be repatriated, as must all proceeds of disinvestment abroad. Repatriation occurs via the commercial Rand. Exchange controls do not apply to investments made in the Common Monetary Union (CMA). If however the CMA is extended, or if some regional unit of account is introduced, e.g. UAPTA or ECU, there may be some relaxation of exchange control on a regional basis. The main component in the CMA is the Rand which makes this a long term possibility. The strongest regional currency is the Pula.

2.5.2. Dual exchange rate

The SARB expressed the desire to abolish the dual exchange rate system as soon as possible, although present instability precludes this.

The dual exchange rate system is under continual review by the South African monetary authorities and the IMF. However due to the socioeconomic and political circumstances in South Africa, abolishment of this mechanism over the short term could result in massive capital flight. In order to protect the balance of payments and the economy, the IMF is sympathetic to its maintenance for the time being, although it would like to see the abolishment of this mechanism as soon as circumstances permit.

2.5.3. Exchange control

The removal of exchange controls will not be possible until confidence is restored. Similarly, expectations of high returns on investment depend on a change of government, on the policies of the new government being favourable to private investment, and on those policies being sustained for long enough for investors to believe that they will not be changed significantly against investor interests. It was generally agreed by those interviewed, therefore, that the exchange controls on capital account transactions should remain for the foreseeable future.

2.6. Investment Guarantees

South Africa does not offer any guarantees to investors. These were not needed as the track record of investors gave the country enough credibility. The new democratic South Africa government should seek to provide guarantees as the prospect of nationalization in the future has been mentioned. South Africa is not a member of MIGA or OPIC.

2.7. Double-taxation agreements

South Africa holds double-taxation agreements with several countries in the PTA. A brief summary of the status and structure of double-taxation agreements between South Africa and other countries in the PTA is listed below (Appendix A1). Income arising outside South Africa is not taxed unless it is caught by one of the deemed-source provisions (income from overseas which is taxed there, but is derived from business sourced in South Africa, e.g. royalties). In such cases credit for the foreign tax, not exceeding the South African tax may be claimed. This general credit may be claimed as an alternative to any relief provided in the tax treaty but not in addition to it. In almost all treaties, provision is made for the elimination of double taxation in the taxpayer's country of residence, either by the imposition of no tax on the affected income or granting of credit for the foreign tax. South Africa's tax treaties are divided into those that are comprehensive (dealing with all taxes on income) and those limited to income derived from business of sea and air transport.

2.7.1. Comprehensive treaties

These can be divided into three categories:

- Those inherited by countries which were British Colonies, e.g. Mauritius, Seychelles, Uganda
- Those with Western European countries
- Those with Southern African countries with close economic links, e.g. Zimbabwe, Botswana, Lesotho, Swaziland, Zambia, Malawi and Namibia.

Treaties are incorporated into the Income Tax Act and are interpreted as far as possible so as to be consistent therewith. Where there are inconsistencies the provisions of the treaty take precedence, but a treaty may not authorize any additional tax; it may only provide relief from South African tax.

2.7.2. Withholding taxes

Withholding taxes are levied on dividend and royalties. Remuneration paid to foreign residents is subject to withholding of employees' tax (PAYE) unless other arrangements are made with Revenue. In the absence of a treaty rate, dividends are subject to withholding tax of 15 % and royalties at the company tax rate applied to 30% of gross royalties (currently 15%) See appendix A2 on Dividends and Royalties. Any remittance of funds abroad must have prior Exchange Control approval covering royalties, dividends etc.

2.7.3. Comprehensive treaties in effect

See table attached at the end of this section. (Appendix A3)

2.8. Elimination of visa requirements within the FTA

Although this issue is not necessarily relevant to South Africa, it is a very serious obstacle for businessmen who are often in the position of having to delay schedules because of not being in immediate possession of a visa. This will obviously involve changes or amendments to the Aliens Control Act

2.9. Documentary requirements for aliens

Any person wishing to enter and work in South Africa, other than on a tourist visa, requires special documentation which is stipulated by the Government under the Aliens Control Act, 1991 (Act 96 of 1991); Aliens, unless exempted from control, are subject to permit control whilst temporarily in the Republic of South Africa. The permit will determine the duration of stay and the purpose of the visit. Temporary permits may be issued for the following purposes: holidays, business, study, work. The overriding consideration, when permits of the above nature are considered, is the interest of the local population, i.e. factors such as:

- unemployment in a particular field;
- whether the employment of an alien will create additional job opportunities and,
- skills in a particular field.

If an alien applies to conduct his own business, additional factors such as capital investment, job creation and export possibilities are considered. Every application is considered on its own merits and is very much dependent upon the state of the local economy at the time of application.

Prior to their entering the Republic of South Africa (RS A), aliens must be in possession of a valid visa unless there is a bilateral agreement exempting them from visa requirements. British subjects for example are exempt from visa requirements. In the present changing political situation, progressively more countries enter into such agreements, and movement between countries is becoming increasingly easier.

On arrival in RSA, an alien must produce an approved visa and valid passport to immigration at the point of entry. In addition, the visitor must be in possession of a valid return ticket to his/her country of origin, together with sufficient funds to cover expenses during the intended stay in the RSA.

Permits for permanent residence are similar to those for a temporary permit. The primary considerations are the perceived benefit that the RSA may derive from the applicant. Apart from meeting the above requirement, the applicant must be in good health and not have a criminal record; Humanitarian factors, such as family re-unification or marriage to a South African citizen may also be taken into account.

Visas are not required for a stay of a max of 15 days for nationals of the following countries in Africa: Ivory Coast, Kenya, Madagascar, Malawi, Mauritius, Zaire.

2.10. Conclusion

Once countries in the region are able to open up their economies, a free flow of capital can be expected. Liberalization of exchange controls in the area could facilitate investment within the region. The free flow of goods within the region would highlight the in viability of the current protectionist policies in South Africa. Products like cotton could be freely traded within the region at a cheaper price. The savings from expenditure and from the rationalization of production could in turn be invested in technology and expertise. This would make the final products competitive and acceptable internationally and regionally. A study on the potential benefits from such regional policies could provide some incentives to adopt appropriate measures to in other countries of the region.

Investment will not flow into the country until a certain amount of confidence in the economy is achieved and the violence is brought under control. The policy of nationalization must be clarified as few so-called democratic countries will invest unless there is a spirit of free enterprise in the region.

An investment package comparable with those of other countries would make the choice of investors an easy one as many see Africa as a relatively untapped market. An additional benefit is the method of bypassing quotas imposed on Far-Eastern countries by manufacturing in Southern Africa. Capital goods should be allowed into the country duty and surcharge free. In addition a Free Trade Zone would diminish import expenses and introduce outside expertise.

Visa requirements should be lifted for easier movement of within the region.

A plan to abolish the dual exchange rate system should be implemented.

A Regional Currency Zone tied to a strong currency should be established.

3. TRADE

3.1. Trade with countries in the sub-region

Available figures on South Africa's trade with countries in the sub-region are given in Table 2. Data is available only for 1989 and 1990. South Africa has not published detailed statistics since the tightening of trade sanctions in 1985, and the figures in Table 2 were leaked to a financial magazine. The data is not broken down into commodities or countries so no further disaggregation is possible.

Political barriers to trade have all but been removed officially. Trade with Saharan countries is limited; otherwise, trade is occurring with almost every country in Africa.

The termination of the subsidy on forward cover by the SARB at the end of 1991 led to large outflows of short-term capital, but has not affected trade substantially.

It is impossible to discover the full extent of South Africa's trade with the sub-region, either by destination or amount. Even official trade figures are distorted because of the widespread practice of rerouting trade from South Africa to sensitive countries in the continent. However, trade statistics show that Africa accounts for 5% of SACU's exports in 1990 and 1991. DTI figures revealed that South Africa's two-way trade with members of SACU amounted to R6 Billion (US\$ 2.14 Billion) and with other African countries R4.7 Billion (US\$ 1.68 Billion) in 1990. Together these account for 10% of South Africa's total trade. Trade with the whole of Africa has increased 25% in the past three years and stands in substantial surplus, with only ten countries exporting more to South Africa than they import. The five most significant importers in Africa, outside SACU are: Zimbabwe, Zambia, Zaire, Mozambique and Malawi.

TABLE 2. SOUTH AFRICA'S MAIN TRADING PARTNERS IN AFRICA

Markets	1990 Exports (US\$M)	1990 Imports (US\$M)
Zimbabwe	410.49	170.70
Zambia	191.12	173.60
Zaire	175.09	8.42
Mozambique	167.07	11.75
Malawi	146.25	31.37
Mauritius	116.45	5.52
Reunion	49.39	N/A
Morocco	21.27	N/A
Madagascar	19.92	N/A
Ivory Coast	18.82	17.07
Gabon		3.19
Togo		4.13
Kenya		4.20
Congo		5.95

Source: Finansies & Tegniek 4 October 1991

TABLE 3.
SOUTH AFRICAN TRADE WITH PTA AND SADC COUNTRIES
1989 AND 1990 (R000)

Country	1989				1990			
	SA Imports	SA Exports	SA Re-export	Total	SA Imports	SA Exports	SA Re-export	Total
Angola	9,923	18,451	408	28,782	59	49,552	3,122	52,733
Botswana (a)	184,020	3,636,433	n/a	3,820,453	205,808	4,228,680	n/a	4,434,488
Burundi	8	5,088	139	5,235	12	5,791	117	5,920
Comores	194	23,397	320	23,911	243	21,128	85	21,456
Djibouti	1			1				0
Ethiopia	467	1		468	258	1,138	17	1,413
Kenya	17,486	8,675	1,977	28,138	10,876	9,902	15,051	35,829
Lesotho (a)	100,698	1,555,738	n/a	1,656,436	117,160	1,642,970	n/a	1,760,130
Malawi	58,539	399,960	35,398	493,897	81,130	378,309	41,866	5,01,305
Mauritius	10,797	261,223	10,466	282,486	14,279	301,221	15,031	330,531
Mozambique	17,515	352,988	20,317	390,820	30,388	432,151	32,512	495,051
Namibia (a)	493,927	1,861,920	n/a	2,355,847	538,007	1,986,803	n/a	2,524,810
Rwanda	1	704		711	891	386		1,277
Somalia	1	2,730	11	2,742	71	4,606		4,677
Soudan	414	11,623	65	12,102	256	2,648	44	2,948
Swaziland (a)	672,101	1,560,211	n/a	2,232,312	722,350	1,814,203	n/a	2,536,553
Tanzania	1,627	2,518	478	4,623	2,580	10,319	752	13,651
Uganda	317	878	60	1,255	90	2,150	41	2,281
Zambia	5,779	408,513	39,983	454,275	6,582	494,350	40,847	541,779
Zimbabwe	458,029	888,025	106,936	1,452,990	1,172,593	12,448,108	255,057	14,875,758

Notes: (a) Calculated from Economist Intelligence Unit estimates. No separate figures available for re-exports.

Sources: Estimates for customs union countries from Economist Intelligence Unit, Namibia, Botswana, Lesotho, Swaziland - Country report n°2 :1992 London : for other countries, 1989 figures from official document obtained by Finansies & Tegniek: 1990 figures from official sources published in Finansies & Tegniek: 4 October 1991.

The figures for 1990 show that South Africa traded with 49 African countries; There have been some significant changes in South Africa's trade partnerships in the period 1985 to 1991 but these changes have occurred against a background of relative stability overall. The impact of sanctions was dramatic in 1985—with the USA market falling dramatically and other markets more gently. EC is the dominant trading bloc with South African, with Germany and UK heading the list. Trade with the USA is increasing since the lifting of sanctions 1991, while Japan is less of a significant trading partner than it was in 1986. Taiwan and South Korea have increased their market share in importing steel and coal from South Africa,

3.1.1. Illegal Trade

Illegal trade is not recorded, but there are repeated reports of trucks laden with goods which are exchanged for dollars, oil or other commodities in many Countries in the sub-region. Ivory, gold, diamonds and other precious stones are amongst products finding their way over borders illegally

3.1.2. Informal Trade

Informal trade occurs from as far north as Zaire, with about 500 000 individuals travelling to South Africa to purchase minor consumer goods in brands. There are apparently considerable unrecorded flows of trade across the border with Mozambique, but the main traffic is with Zimbabwe. In 1991 the South African Trade Mission in Harare issued 250,000 visas, mainly to women who go for shopping day-trips to Messina. On a conservative estimate that 220,000 Zimbabweans use their holiday allocations (Z\$800 per annum) for shopping, this unrecorded trade at the current exchange rate would be worth about R300 million (US\$ 111.11M) per annum. Official exports to Zimbabwe in 1991 totalled R1654 million (US\$ 601.45M).

3.2. Main macro-economic constraints felt by the private sector

The macro-economic constraints in South Africa stem from the events of the early 1980s. In 1983 exchange control was partially lifted on non-residents while the exchange rate was unified and began a managed float. Meanwhile, the price of gold continued to decline and, as violence in the townships escalated, capital flight intensified and the Rand depreciated precipitously, culminating in the debt standstill of 1985. Since then macroeconomic policy has been primarily directed at developing a current account surplus in order to effect the transfer of resources to foreigners.

3.2.1. Inflation

During the 1970s monetary policy was rarely used to achieve macroeconomic goals, and was conducted mostly through direct control measures. With the increase in the inflation rate since the 1970s, however, nominal interest rates no longer reflected the real cost of capital and there was a shift to indirect monetary policy instruments. Money supply has increased strongly over the past two decades, with particularly rapid growth following the period of very high gold prices in the early 1980s. Excessive

increases in liquidity resulted in low interest rates compared with domestic inflation and overseas interest rates. This was reinforced by exchange controls on residents which prevented them from earning higher rates overseas. Artificially low real rates of interest contributed to low personal savings and the increased use of credit. They also contributed to capital intensity and thus low productivity of available capital/

A sharp policy reversal followed in 1984-85, contributing to a severe reduction in economic activity and the demand for credit; inflation was marginally lowered. The resulting decline in investor confidence and political considerations accelerated capital flight, leading to the refusal of foreign creditor banks to roll over foreign debts in 1985. Since then, monetary policy has been aimed at protecting the value of the Rand and positive real interest rates reflect the scarcity of capital.

Although inflation is not sustained by money supply accommodation since 1989, there are various other more structural factors which continue to inhibit a sharp decline in the rate of inflation. Despite the effect of these factors, there are indications that the rate of inflation will resume a downward trend and could be about 12,5% by December 1992. The bank rate is currently 15% and the prime interest rate about 17%. South Africa's real interest rates, both at the short and long-term end of the market are currently below those prevailing overseas; at this stage, further reductions in the bank rate could result in a new outflow of capital and a run on the commercial Rand, with inflationary consequences. Since 1985, the current account of the balance of payments remains in surplus.

3.2.2. Depreciation of the Rand

After the debt standstill the real depreciation of the Rand not only stimulated exports but also dampened down imports. The surplus on the current account sustained substantial capital outflows which were directed at a reduction of the debt burden incurred largely with the industrial nations. Exports to the region were stimulated by the depreciation which followed the standstill.

However, as most of South Africa's imports occur in intermediate and capital goods which are obtained from the industrial world, the cutback in imports would not have impinged on the region's exports to South Africa.

3.2.3. Exchange rate

The strengthening of the current account and the reduction in capital outflows over the last three years has seen the exchange rate being used to reduce inflation. The real effective exchange rate has appreciated since 1985 and has been reasonably constant over the last two years.

3.2.4. Interest rates

After the debt standstill, the depressed state of the economy also led to a gradual reduction in interest rates to 12%. This led to a switch in trade financing from foreign to domestic sources, exacerbating the short-term capital outflow. This switch would not have affected the flow of funds in the region as this

financing is effected largely with the industrial Countries. Since then interest rates have risen with the concern for the problem of inflation. The prime interest rate then rose to a peak of 21% in 1989 before declining gradually at the onset of the present recession. Fiscal policy has attempted to support monetary policy with some notable exceptions. Over the last four years the fiscal deficit has grown as a proportion of GDP despite the concern with inflationary pressure.

3.2.5. Exports

The South African economy is presently enduring its longest running recession which commenced in 1989. Exports have remained buoyant and manufacturers have been exploring foreign markets. With the normalization of South Africa and the promotion of international trade liberalization by GATT, South Africa will be encouraged to become more export oriented. This will require both a modification of South Africa's import protection policy and a revision of the General Export Incentive Scheme (GEIS) which was introduced in 1990, to run until 1995. Once the Uruguay Round has been completed, modifications and proposals to phase out GEIS and any other incentives schemes contrary to GATT will be considered. Exports to the region have risen accordingly.

3.2.6. Financial Rand

In September 1985 the Financial Rand was reintroduced alongside the Commercial Rand. This dual exchange-rate system was designed to insulate the current account from the disruptions in the foreign exchange market which occurred with capital flight at the time of the debt crisis. The Financial Rand has the effect of encouraging foreign investment into South Africa while discouraging disinvestment from South Africa. The encouragement of foreign investment is enhanced by the ability to remit dividends at the Commercial Rand rate. It is difficult to forecast the value of the Financial Rand exchange rate as it is not dependent on economic fundamentals in the same way as the Commercial Rand exchange rate. The market is so small that not only political scares amongst overseas investors, but also one-off transactions between South African and overseas businesses to buy or sell companies can move the Financial Rand by a substantial amount. The wild gyrations of the financial currency over the past year suggest that it might be sensible to confront the value of the Financial Rand by looking at the historical precedent. The average discount since the reintroduction has been 31,15%. The average discount for this year so far has been 24,81%. Taking the historical discount of the Financial Rand into account, a Financial Rand of about 4,80 to the US\$, the prevailing rate could be regarded as cheap both from a short- or long-term perspective. Taking into account South Africa's lower inflation expectations and the prevailing Financial Rand discount, the real returns on South African bonds in relation to those on other countries' bonds, might start to look attractive to foreign investors. Thus on this basis further foreign investment could be attracted to South Africa and the region if the socio-political situation improved. Exchange control has affected the degree of capital mobility and hence, has limited capital flows into the region except in the case of the Common Monetary Area countries.

3.3. Import licensing regulations

South Africa has one licensing system. Under this system, permits are granted to meet the requirements of bona fide merchants and manufacturers. Licenses are issued upon written application by the prospective importer. The licensing authority is the Department of Trade and Industry, Directorate: Import and Export Control. A few goods are still subject to import control. These are listed in the Government Gazette as amended to GN2932 of the 21 September 1990, and fall within Schedule 1 items and some are listed under the headings of:

Live Animals and Animal Products - meat & fish.

Shellfish Milk, cream, buttermilk, yogurt.

Secondhand or waste goods.

Weapons & ammunition.

Motor Vehicles.

South Africa's import restrictions do not distinguish between sources of supply with the exception of products grown, produced or manufactured in the SACU countries, which do not need permits. Similarly, most goods from Malawi and Zimbabwe (with the exception of coffee, tea and sugar) do not need permits.

Licenses are valid for the importation of goods from any country, the choice of the country of supply being left entirely to the importer. The licensing system is intended to monitor imports of certain sensitive commodities, but in most cases import licenses are granted when all reasonable requirements are met. The selection of products and granting of permits is left to the discretion of the Ministry of Trade and Industry. The legislation is permissive not mandatory and can be abolished by the government without legislative approval.

Alternative measures are not being considered since the present mechanism will have to be maintained as a contingency measure to meet any future eventuality.

3.3.1 Procedure

- Licensing regulations and relevant products are published in the Government Gazette.
- Applications are dealt with on receipt. Faxes are acceptable.
- Licenses are valid for one calendar year. (For goods shipped prior to 31/12)
- Applications are considered by the Department of Trade and Industry Directorate. Certain applications may need an added permit from the Department of Agriculture or Health or Environment affairs.
- Licenses are considered on past performance and turnover growth. New importers may apply for further allocations if the initial allocation is insufficient.
- Permits are not transferable.
- Forex to cover the permit value is automatically provided by the banking authority once the permit has been issued. An application form from a commercial bank for the forex completes the formalities.

3.3.2 Tariffs

General Duties: Import duties are imposed on items according to their tariff codes listed under the harmonized tariff system. The codes consist of eight digits. The first four matching international codes and thereafter two digits divide products into specific items with the last two in a finer detail. The import duties in accordance with GATT requirements are being reduced over a period of three years. At present tariffs are rated on a protectionism basis and can be increased or imposed on import upon application to the Board of Trade following a detailed case-by-case investigation.

A Most Favoured Nation reduced rate of duty will be charged on goods manufactured and exported into South Africa from countries who have acceded to the Section 2 GATT agreement and the South African Government once the Uruguay round of GATT has been completed.

Specific & Ad Valorem Duties : Imposed on imported products similar to those manufactured in S. Africa on which there is an excise duty.

Other Duties : Anti-dumping and Countervailing duties

Surcharges : In March 1990, further reductions were made to the original general 10% surcharge. They were replaced by a differentiated charge of 7.5%, 10%, 15% or 40% based on the tariff heading of the product. Rebates are not applicable to items listed under Schedule 3 and 4 and other specific goods listed by the Board of Trade.

3.3.3 Lifecycle of an import

DOCUMENT	SOURCED FROM GOES TO	
Initial order	Importer	Foreign Exporter
Permit	Department of Trade & Industry	Bank/Customs
Invoice	Foreign Exporter	Importer
Payment documents	Importer's bank	Exporter's bank
Cert of Origin	Foreign Exporter	Importer
Bill of lading	Foreign Exporter	Importer/Customs
Bill of Entry	Importer	Customs
Clearance documents	Customs	Importer
Payment documents	Bank	Exporter

Improvements and shortcuts in the system are being made through the ASYCUDA or CAPE systems detailed in a later section. The most difficult procedure in importing from some of the neighbouring countries is getting the correct documentation (theirs). The incorrect information or no information causes delays in clearing with South African customs officials. Standard documentation in the region with adequate training provided to forwarders or companies dispatch clerks would alleviate the problem.

3.4 Export licensing regulations

Other than the items which fall within the scope of the control boards under the Marketing Act, there are a number of products which may not be exported without a permit. The permits are issued by the Directorate General; Trade & Industry on the recommendation of the relevant Controlling Authorities.

A list of products and the corresponding authority to be approached is listed in Appendix B, but the goods fall broadly under the following headings: Agricultural & Pastoral products (Not foodstuffs); Chemicals & Allied products ; Metals, Minerals & their manufactures ; Miscellaneous.

3.4.1 Procedure

- Applications are made on Form H91, which must be endorsed for each consignment.
- Strategic Commodities must have proof of delivery both from the exporter and importer, if applicable.
- Permits are not transferable
- Permits are valid for 180 days, but may be extended on application
- Permits may be refused or withdrawn without notice.

Permits are not required for: Genuine gifts (Not strategic items); Goods in transit, Goods which have been imported for repair, Goods exported by military, Free samples, Personal & household items effective on relocation.

As permits are generally approved, they act as controls rather than as restrictions. The exporter who does not plan ahead, or has got not the facilities of an export department, may feel bogged down by added paperwork and slight delays for approval. SITPROSA has formulated a set of documents which facilitate the procedures.

3.4.2. Bilateral trade agreements

South African products are becoming more acceptable to countries in Africa and trade offices are being established in numerous countries. There is an opening for new trade agreements to be signed, but presently South Africa has trade agreements with only the following countries in

Africa:

- Lesotho, Swaziland, Botswana: The Customs Union Agreement between South Africa and these countries provides for free trade between the four countries.
- Common Monetary Area (Trilateral Monetary Agreement): A monetary agreement is in force between South Africa , Lesotho and Swaziland allowing for the free flow of funds between the signatories. It also provides for the access of Swaziland and Lesotho to South African money and capital markets. The management of the gold and foreign exchange markets is no longer the sole responsibility of the South African authorities. Existing agreements regarding the issue of notes and coins have been replaced by the Bilateral Monetary Agreement whereby Rand currency is no longer legal tender in Swaziland. Provisions of this agreement are similar to those of the Trilateral Monetary Agreement. -

- Zimbabwe : An agreement between South Africa and Zimbabwe provides for preferential rates of duty, rebates and quotas on certain goods traded between the two countries.
- Malawi: An agreement between Malawi and South Africa concluded in 1990 provides for duty and surcharge free access into South Africa for Malawian goods except for those agricultural goods needing a permit (Sugar, Tea, etc).
- Mozambique: The Mozambique Convention is a fairly wide-ranging agreement regulating mine labour, railway and port matters and trade. MFN duties are charged on Mozambique goods coming into South Africa. If the duty is less than 3% it is lifted but subject to quotas.
- GATT Members : South Africa receives and grants MFN treatment in respect of GATT membership.
- Mauritius : Tea from Mauritius is exempt from import surcharge.

3.5. Trading with PTA countries

3.5.1. Obstacles

Information: In most PTA countries, there is a lack of availability of information or a database regarding which products are available in the countries. The specifications, standards, health regulations or country controls and requirements for products are lacking and where legislation exists, it is difficult to obtain.

Forex: Foreign currency is lacking for travel, raw materials for manufacturing, marketing products and most importantly, payment for imports.

Work ethic: Responses to inquiries, requests for pricelists, samples and replies, are not forthcoming and even when they are, they are not within the acceptable limits of international expectation. Management skills and office management is lacking, appointments are not kept and phone calls not answered. There is a general "Manyana attitude" amongst the bureaucrats who seem unaware of and not concerned with how their attitude affects business visitors.

Communications: Communication in Africa is extremely difficult. Many countries have restricted telephone lines, few offices have faxes and often the only communication possible is by telex (sometimes through London).

Technology: The standards and servicing of the latest technology in many countries is lacking and methods used are longwinded and oldfashioned.

Quality Control/ Quality control and health regulations in Kenya fall short of acceptable standards. Pharmaceutical factories practice animal testing of products. There are cases where factories are situated next to rubbish dumps. The licensing and hygiene regulations for factories needs upgrading.

Infrastructure: In some of the countries, the roads and airports are in disrepair and the planes are usually late. The servicing of vehicles is poor, which has an avalanche effect on the transport system. Zambia has upgraded its main airport; this has much improved the situation. Zimbabwe and other countries have powercuts which drastically cut production and productivity. Maintenance of roads is lacking and rail transport not sufficient.

Standards: The design and quality of goods manufactured in many of the factories restricts export, as such goods do not meet the importing country's standards. There is a lack of continuity in orders and supply which together with the lack of fixed prices, makes importers shy away from these countries. Deliveries are not made on time and this adds to the eventual costs of the goods.

Security: Both personal security and security of goods to and from the African states can be a problem. A business man was put into jail for photographing a hospital to which he was supplying goods. The hospitalization facilities are not always of the highest standard and visitors have to carry a first aid kit with them. Aids infection is a great fear for anyone needing blood transfusions, injections etc.

Companies will not insure goods going into several of the countries as loads arrive half empty because of pilferage. Transport to Malawi has to be directed through Zimbabwe and Zambia rather than through Mozambique.

Documentation: Delays in obtaining forex, licenses and permits (obtained through bribery which reaches the top of administrations in some countries), restrict any free flow of trade. Visas must be obtained to visit PTA countries and this often takes ten days to two weeks. South African passports are not acceptable in some countries, so only holders of foreign passports may travel.

Joint Ventures: A number of countries would like to have joint ventures in African countries but as they may not repatriate dividends and profits they plough back profits into other areas of the economic activity.

3.5.2 Exports to PTA countries from South Africa

Clothing, consumer, and durable products are acceptable and have been exported from South Africa into the PTA countries. Unavailability of forex is the inhibiting factor in many countries in Africa: Barter trade has been introduced in certain circumstances and a countertrade office handles inquiries of

South African exporters whose customers can only pay in kind. The smaller and less sophisticated traders have not availed themselves of this facility due to lack of awareness of its existence.

The process of generating further information would involve a survey of companies. Given the time constraints of this assignment, it was not possible to undertake such a survey. Trade figures Of January 1992 will be made available early in 1993. From my own experience, however, I can list the following products which are being exported to PTA countries although I cannot give any statistics : Consumer & Durable goods, Commodities, Clothing & Textiles, Hotel & Household goods, Building Materials, Services e.g.Banks, Engineering, Transport, Office Machinery & Computers, Shoes, Chemicals, Fertilizers & Agricultural Machinery & Equipment, Medicines and Hospital supplies, Cosmetics and Toiletries, Paper Products, Seeds and Grains and Domestic Appliances.

3.5.3 Imports from PTA countries

South African companies are very price conscious and if prices are right many of the following goods can be imported: Yarns, Textiles & Fibers, Meat, Cereals & Cereal Preparations, Clothing, Timber, Tobacco, Tea & Coffee, Ore, Scrap & Steel, Agricultural Products which would have a good chance if transport improved), any other raw materials - eg. Precious Stones, Chemicals, Minerals, Manufactured Goods (depending on design, quality and price).

3.5.4 Suggested solutions

- Agriculture and tourism should be considered as important forex earners and should be developed.
- Technology should be upgraded and marketed.
- Infrastructure and services must be improved.
- Training in managerial skills is desperately needed
- Money to be made available for the satellite links to enable telephone systems to work
- Quality standards set, and quality training given e.g. Japanese quality circles to be made available.
- Design consultants to be utilized in the design of manufactured goods.
- Processing and packaging of primary products should be encouraged in order to generate and benefit from value added
- Comparative advantages e.g. cheap labour, tourism, agriculture should be developed
- Security and the legal system should be upgraded accordingly
- The economic benefits from PTA should be assessed and regional cooperation should be promoted
- Documentation - procedures should be upgraded
- Transport should be upgraded and rationalized at a PTA level eg. air lines and railways.

3.6. Impact of State Trading Agencies

With regard to the products requiring export permits, it is worth noting that there are products which are controlled by either cooperatives, control boards or other sector organizations. Control is covered in the Marketing Act, 1968 (Act No 59) which restricts marketing and exportation of listed products except by one of the boards or by permit holders. These can be divided into

- Control Boards (Marketing Act)
- Informal Agreements by which the issuing of permits can be manipulated. The performance of the local production is monitored and permits are issued accordingly. Imports may be retarded or encouraged by tariff increases or decreases.
- Sector organizations with statutory marketing powers which restrict exports by independent traders are also in operation besides the state trading organizations.

For example:

- Co-op Societies Act which impose restrictions on their members' products e.g. ostrich products skins etc.
- The Livestock Improvements Act, 1977 (No. 25) which restricts the exports of fertile -ostriches and their eggs.
- The Wine & Spirit Control Act (No. 47 of 1970), which forces winegrowers to allocate a percent-age of their crop to the KWV and issues quotas for production thus restricting the exports by wine-growers or traders.
- One Channel Marketing Schemes under the Marketing Act (Section 64), where unique export agents are appointed for marketing of products governed by boards e.g. Tobacco, Citrus fruit.
- The Sugar Act 1978 (No. 9) which only allows marketing and except by the South African Sugar Association except for appointed traders who are allocated in each country and exports of shipments less than 1000T.
- Public Sector Abattoirs. The slaughtering of cattle, sheep and to a lesser extent pigs, has been removed from the private sector and is handled by a single nationalized Abattoir Corporation (ABAKOR). The latest status of public sector abattoirs is that they are to be privatised.
- The Commission for Fresh Produce Markets has rules under which the erection, maintenance and management of fresh produce markets may be carried out.
- Health & Hygiene Laws have been imposed by the Department of Health, and cover minimum standards for certain farm buildings, design and operation of food processing factories, vehicles transporting food and retail and catering outlets. Smaller companies and individual producers and traders feel discriminated against as they cannot afford the high standard dictated by the regulations.

O Impact on imports and exports

There are advantages and disadvantages in the above restrictions:

Advantages

- More affordable and concentrated export marketing efforts can be undertaken by a consolidated body. The caveat to this statement is that this body must have the marketing and financial expertise required.
- The unit costs of marketing are reduced.
- Lack of competition,
- Total control of the market.

Disadvantages

- Increased inflation.
- Restrictions on free marketing which could affect forex earnings.
- Protectionism encourages a passive attitude.
- The individual has no control over the marketing or pricing of his product.
- Monopolistic marketing distorts the market.
- Those products not covered by the boards face unfair competition.
- Import restrictions result in a lack of variety of products and unawareness of new technology.

Protectionism in the initial stages of a product, results in a cost impact which filters down through the marketing chain causing the end product to be unmarketable without subsidies.

Actions

It is generally believed that the days of boards, which are a hindrance to the spirit of free enterprise and which served a purpose when South African farmers were too unsophisticated or too small to do their own marketing and needed the "big daddy" to protect them, have now come to an end. The Board of Trade does not recommend that the control board system be dissolved, but has listed the following recommendations:

- That the statutory powers of control boards be terminated, i.e. that farmers be free to market their products through any organization.
- That those control boards whose statutory powers are not terminated be reconstituted.
- That the boards become non-governmental with members not representing particular political interests but looking after the national interests.
- That exceptions be made for boards or bodies serving the export market but only in respect of their specific export functions.

3.7. Harmonized system of tariff classification

The Harmonized System of tariff classification was introduced into the South African system in 1988. From time to time amendments are made and the system is upgraded. The tariff codes consist of six digits to identify further specific difference in products, making the codes eight digits in all.

3.8. Automated system for customs data

In 1981 the South African customs had their own computer software programme designed and installed. The programme, which introduced a new process for entering customs data, is called Customs Automated Processing of Entries (CAPE). The advantage is that with a few adjustments the system is compatible with Electronic Data Interchange, (EDI). EDI standards are being examined by many large industries and will probably be introduced in 1993.

The CAPE system has been designed to validate certain sections of the import declaration document. The validations include the calculation of all duties, checking of information against master files and the creation of printouts whereby all errors as well as warning messages are listed for the checking officer.

To introduce EDI, the South African Customs will start with an interim system in which the electronic data and a duplicate of the present manual paper documentation will be completed. As the number of documents for imports is greater than for exports, the pilot programme will start in this department, initially with imports by air, coming into Jan Smuts Airport. As the CAPE system has been designed, used and adapted for South African needs and is considered to be superior to ASYCUDA, the latter will not be introduced in South Africa.

3.9. Regional standardization & harmonization

From South Africa's point view, there is virtually no regional harmonization, but contact with other African standards organizations is made through their membership with the International Organization for Standardization (ISO).

An arrangement for the free exchange of published standards between all members of ISO is in place and has been operating successfully for many years.

Contact has been made with the officials of the African Regional Standards Organization (ARSO), but there is no official arrangement of harmonization of standards between ARSO and the South African Bureau of Standards (SABS). ARSO can be contacted through Mr Edward Chonelwa, ARSO, P.O., Box 57363, Nairobi, KENYA.

Countries such as Mauritius and Zimbabwe have based certain of their national standards on the technical content of SABS standards. During the past twelve months, assistance in the area of standards was given to the following countries: Botswana, Kenya, Lesotho, Namibia, Nigeria, Swaziland, Zaire, Zambia, Zimbabwe.

It should be borne in mind that the African countries that were originally colonized by Great Britain and France, to this day endorse the British and French national standards respectively.

South Africa issues compulsory specifications covering technical requirements of safety, health and environmental aspects of products manufactured in, and imported into South Africa. Compliance with SABS specifications enables the manufacturer to obtain a permit from the SABS to print the SABS mark on any commodity. SABS standards are often based on ISO, IEC and BSI standards, and directives and regulations issued by the EC and the UN ECE.

Bibliographic references to all SABS publications are published in the SABS Catalogue, which is issued annually; The monthly publication; SABS Bulletin, includes technical information relating to the publication of standards.

3.10. Transport and communication constraints

There are a number of problems in the transport and communications sector which act as constraints to trade across South Africa's borders. However, the removal of sanctions has eased matters. South African documentation (such as Certificates of origin) are now being accepted in most countries of the region. One general constraint is the lack of knowledge of documentation, insurance, and terms of payment and transport, and the standardization of these items according to accepted international standards.

Rail transport

The most important problem is that the customer has to deal with more than one railway administration, each of which has different regulations. It is difficult to negotiate a rate as tariff books are not standardized and minimum truck loads differ. Conditions of carriage also are not standardized, e.g., in South Africa the railway bears the consignment risk while across the border risk passes to the consignee. This makes insurance difficult and claims very complicated. Quality of service varies between railways, and the shortage of rolling stock in some countries causes delays and encourages pilferage from trucks and containers.

Road transport

South African and other regional border posts are not open on a 24-hour basis and this hinders cross-border trade. This is especially true of posts in Mozambique where there are serious security problems and road transport is possible only in daylight hours and even then in convoys with military protection. Trucks therefore have to wait at border posts until there is a sufficient number of other trucks to make up a convoy. Despite protection, container loads of goods have been hijacked and pilferage is common. These risks lead to higher insurance premiums, if companies agree to insurance at all, and thus to increases in the prices of goods. Normal insurance cover is also difficult to obtain for Zaire and Angola. Road haulers also complain of the bureaucratic attitude of customs and passport officials and their lack of

consistency. At many border posts currency in US\$ is required to pay for transit fees. In PTA countries fees must also be paid in US\$ per km. In some countries non-PTA vehicles are charged an additional transit fee. Goods from outside the PTA are usually delayed at PTA border posts and are more costly to clear than in the case of intra-PTA consignments.

Road conditions in much of Southern Africa are atrocious, and vehicle maintenance and repair facilities are often lacking and, when they are available, they are top costly.

A Memorandum of Understanding on road transport (Article 15) was signed in September 1990 between South Africa, Botswana, Swaziland and Lesotho. The memorandum allowed for the equitable issuing of permits for the carriage of goods and passengers, across borders on a quota system. Namibia expects to be included shortly.

An agreement between South Africa, Malawi, Zambia and Zimbabwe, negotiated in Zimbabwe in October 1992, lists commodities which do not incur transit charges. This agreement was necessitated by the transport of drought relief commodities through South Africa and could easily be extended until a bilateral trade agreement is signed which will harmonize the standards and permit fees.

Sea transport

Tanzania does not allow ships flying the South African flag to enter its ports. However, most of South Africa's seaborne trade does not have a problem as the majority of ships are registered elsewhere. Trade with most other PTA countries flows freely, and Kenya and Madagascar are now accepting South African documentation. South Africa's seaborne trade with the region would be encouraged as PTA port administration and facilities improve and rail and road transport with the interior operates more efficiently and safely.

Airtransport

South Africa has limited direct passenger and freight air links with the PTA countries although these have increased in recent months as the political barriers to open contact break down. South African airlines (other than SAA) now have access to foreign countries. Countries which are directly served by both passenger and freight services from South African airports are Mozambique, Namibia, Angola, Zimbabwe, Zambia, Malawi Kenya, Madagascar, Comoros and Mauritius. A service to Tanzania is scheduled to open soon. Smaller passenger aircraft operate to the BLSN countries.

There are no severe constraints on air transport; runway facilities are adequate but the air terminal at Harare and Manzini require expansion (work at Harare airport has begun). Passenger traffic seems to be adequately catered for, while relatively few handling problems are encountered with freight traffic. One problem concerns Malawi, which has only one international gateway airport. This is at Lilongwe whereas most freight and business

passenger traffic is destined for Blantyre. Airfreight traffic between South Africa and Malawi would almost certainly be facilitated, and costs lowered, if the Blantyre airport were to regain its gateway status.

Personnel and documentation requirements could be "improved. The region has many small national airlines, and some rationalization (perhaps in the way of mergers) might be necessary in the future if they are to survive present organizational changes in the international airline industry.

Telecommunications

Considerable problems are experienced in telephone and fax links with neighbouring countries, especially with Mozambique and Zaire. South African traders frequently find that the quickest way to communicate with their customers is to visit them. Poor communication results in delays in the acceptances and execution of orders as well as in the granting of permits, the settlement of payments, and the tracing and locating of consignments. There are a number of reasons for these poor telecommunications:

- a) The congestion of parts of the Panafel network restricts the availability of national telephone lines and links. The only way to make contact with some countries is to make calls after hours when the lines are relatively free.
- b) Satellite links are frequently cut because of lack of payment, and radio links are sometimes the only means of communication.
- c) Personnel training in telephone etiquette and techniques is poor and language is an added barrier; it can take up to four or more conversations before the required person is located at the other end.
- d) Technology is often outdated while there are adequate services and trained staff for the efficient operation of fax machines and linked computer networks.

Postal telecommunications

The postal services in many PTA countries are notoriously unreliable. Delivery of airmail letters may take up to three months and in some countries there is only a 50% chance of letters sent to street addresses actually being delivered; poor sign posting of streets results in incorrect deliveries which are hardly ever rectified. The tendency to destroy letters with a South African postmark still persists in some countries, although this is a declining problem.

3.11. Suggested action

Training:

The PTA could setup a travelling team to update and train companies and individuals in: basic export and import knowledge (covering freight and insurance terms); product evaluation, design, marketing, advertisement; costing and pricing of exports; negotiating orders; documentation requirements; and payments.

Training of staff in office procedure would be important. The upgrading of telecommunications systems in the PTA countries would also necessitate staff upgrading.

Transport:

The standardization and simplification of regulations, procedures, conditions of contracting, liability, quality standards and documentation in PTA countries, would allow for a freer flow of goods and services, and would benefit the countries of Southern Africa. If both the transport and communications sectors were depoliticised and compelled to run on commercial grounds where possible, a great improvement in Service would result.

Co-operation in Southern Africa regarding the improvement and upgrading of infrastructure networks would alleviate many of the problems. The PTA countries could rationalize their systems by promoting those operations which are working and viable, e.g., airlines, rail and road transport, documentation, etc. Each country would have to be willing to perceive the long-term advantages rather than to keep on focussing on short-term disadvantages.

4. FINANCE AND PAYMENTS

4.1. Central and commercial banks

Commercial banking is dominated by a few large banks. Barclays and Standard sold their remaining South African interests to local owners in 1980. There is also a range of smaller commercial banks. Seventy institutions hold banking licenses, making South Africa more than adequately serviced.

With the possible inclusion of South Africa in the PTA in the near future, it has become of cardinal importance to envisage what one would like to see emerging from this greater sphere of co-operation.

4.1.1. Present correspondent relations

Large commercial banks reported that since the beginning of 1991, they have had excellent banking relations in the region. Formerly correspondence had to be made through European Banks as direct contact was not possible. Although First National and Standard Bank have good relations with their former associate banks (Barclays and Standard Chartered), they are not dependent on them as they have made contact with other commercial and central banks in all countries in the region (Citibank has branches in the PTA with its liaison center in Nairobi, and Chartered West LB, particularly in Zimbabwe.)

Standard Bank is seeking accreditation with the African Development Bank after recent contact and has as from November 1992 acquired the African operations of ANZ Grindlay's Bank in Zimbabwe, Zambia, Kenya, Botswana, Uganda and Zaire, with significant minority interests in Nigeria and Ghana. First National Bank has bought BCCI in Botswana

4.1.2. Cost-cutting suggestions

Cost cutting as far as African correspondence is concerned will not be considered in the near future. Activity in Africa emanates from a very limited base and, due to the past inaccessibility of markets due to sanctions, has not really operated profitably. It is however expected that costs will escalate dramatically with the improvements in trade relations within the PTA. To contain these costs in interbank correspondence, the following may be considered:

- Either the PTA secretariat or another organization could build up an accurate and up-to-date data base on the activities of central bank, (transfer payments) and commercial clients, especially in respect of delays.
- The data base should regularly inform banks of the political risk associated with members of the PTA and the availability of bank guarantees and insurance in member countries.
- Annual meetings of bank representatives in some central venue will decrease the costs of correspondence and assure up-to-date contact.

4.1.3. Ways of Expanding Activity in the PTA countries

It seems clear that the most effective way of expanding activity in Africa is to actually develop a branch network in a number of PTA countries. This can be achieved by procuring licenses in PTA countries or buying out an existing branch network in a PTA country, although the cost and bureaucracy involved with licensing makes that alternative expensive. (Despite this set-back, the Stanbic group followed this route in Botswana and Swaziland.)

In the long term, streamlining and reducing exchange controls is an objective worth striving for. The ultimate objective of exchange control relaxation is to entice capital inflows; it is now increasingly realised that barriers designed to retain capital within a country fail to do so, although they are very successful in keeping capital out.

The effective co-ordination of regional currency reform would require upgrading of telecommunications in the Region. Given initial financial deregulation and a telecom investment, a case could be made for establishing a "Rand Currency Zone". Each of the Region's currencies could be convertible and pegged to the convertible Rand as the currency of the largest economy in the region. Structures similar to the ERM may be needed during the transitional phase before closer alignment is possible.

An African Free Banking Zone which has a central point (e.g. Jan Smuts Airport area), networking through Africa has been suggested. Branches of all interested international banks would be located there and would be controlled by their international parents.

4.2. Pre- and post-export credit schemes

The effectiveness of capital export credit schemes within the South African environment depends especially on the possibility of procuring a foreign guarantee and/or local insurance cover and the involvement of foreign organizations such as CDC and IFC.

The fundamental problem which augments economic and political risk in the PTA at present is the absence of sufficient hard currency. One has to admit that the capital export credit scheme at present undertaken by the Department of Trade and Industry in South Africa has met with limited success. Many member countries in the PTA remain excluded from capital exports because of the unacceptable political and economic risk associated with these countries.

Like most of the other developed countries, South Africa has export-credit schemes designed to promote exports from the country. The schemes involving export credit are underwritten in cooperation with the South African Government and are outlined below.

4.2.1 Credit guarantee insurance corporation of Africa Ltd (CGIC)

Founded in 1957, it is involved in credit and credit-related insurances. Owned by a consortium of insurance companies, banks and financial institutions, its major business is insurance of export and domestic credit and political risks sub-divided as follows :

- Q Short-term (transactions involving credit terms not exceeding 180 days).
- Medium-/Long-term (underwrites credit risks, with terms ranging from two to ten years for Capital goods and services).
- Reinsurance (risks from overseas credit and bond insurers).

Costs of CGIC insurance are determined by a country credit classification determined by political risk and ability to pay.

Cover can be obtained for the following countries in the Southern African region: Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zimbabwe. Countries currently excluded are: Angola, Tanzania and Zambia. Included among actual and potential African trading partners are: Burundi, Côte d'Ivoire, Congo, Gabon, the Gambia, Guinea-Bissau, Kenya, Madagascar, Mauritius, Niger, Rwanda, Seychelles, Togo. Excluded are Nigeria, Uganda and Zaire.

CGIC is a monopoly and its profitability could be a result of the lack of competition. As CGIC is owned by its main customers, it is less likely to have excessive costs. It is in fact a form of cooperative in the supply of export credit insurance to the main providers of export credit. It is more efficient to set up and use this type of institution, as it makes use of the economies of scale in the acquisition of international credit information, than to use individual banks.

4.2.2 Commercial banks

- Post-Shipment Finance: Medium to long term export finance is available at preferential rates. These schemes were devised by the South African government enabling South African exporters to offer competitive terms to foreign importers for capital goods and services, (under-written by CGIC). These services are divided into two types: a) Supplier Credit Facilities available to the South African exporter, who offers terms to overseas importers; Buyer Credit Facilities for large capital goods and services with values of more than R2M and credit terms from two to ten years. Loans are made directly to foreign buyers for goods from South Africa; c) Forward Cover: Compulsory cover by exporters as protection against exchange-rate fluctuations. (For payments made on terms longer than seven days from shipment)

4.2.3 Industrial Development Corporation (IDC)

IDC was established in 1940. Share capital is held by the South African Government, but IDC adheres to normal private sector company practices and is taxed at normal company rates. Finance is available mainly for projects within South Africa, (especially those with export potential). The IDC's focus is on:

- financing of small to medium-sized independent undertakings which do not have the same ready access to the capital market as larger groups;
- participation with the private sector in large industrial projects aimed at import substitution and exports, especially where value is added to local raw materials;

- initiating projects which will contribute towards regional development, establish new technologies in South Africa, or create substantial new employment opportunities; . j

R500M @ R100M p.a. is available to promote new investment exports. Finance is available @ 9% p.a for first three years for fixed assets, after which normal loan terms apply.

4.2.4 Recommendations

If it is accepted that CGIC is a successful model, the question nevertheless arises as to whether other countries might wish to consider setting up similar institutions, given that ownership by customers rather than by government is essential in keeping costs down. Alternatively as South Africa improves its relationships in the region, neighbouring countries might use CGIC instead of setting up their own institutions. However this could increase exchange rate fluctuations between member countries unless a common monetary unit were used. This problem could nevertheless be overcome if currencies were pegged to the Rand and if greater cooperation in the management of regional exchange rates were developed.

4.3. Foreign currency accounts holdings

4.3.1 Foreign accounts

Commercial banks are allowed under Exchange Control Regulations to hold foreign accounts for working capital only. The amount is limited to 10% of the capital and reserves of each bank. Businesses may hold foreign accounts once their applications have been approved by the South African Reserve Bank, (SARB). This practice was popular and the SARB was lenient during the sanction period but recently the procedure is laborious and newly accepted applications have been drastically reduced if not turned down completely. Commercial banks may hold limited foreign exchange accounts for large customers requiring transactions in excess of R6M (US\$ 2.2M) annually.

4.3.2 Holding of foreign currency

It seems unlikely that the holding of foreign currency amounts for PTA members will be of any great help. The currencies present a risk of dramatic and sporadic depreciation which makes them unattractive over time (a forward market to carry this risk is often absent when it comes to PTA countries). The only real benefit in holding these currencies would be in the case of back-to-back payments on a spot basis. However, one can imagine that for a number of exporters and importers involved with PTA markets, temporary holdings of PTA currencies would be acceptable.

4.3.3 Improving currency stability

One can envisage the situation improving if the PTA organization arranges a means of stabilizing the PTA currencies over time. The banking worth of holding PTA currency accounts seems contingent on the need for greater currency stabilization in the PTA region. The main difficulties in this region revolve around the need for hard currency. It seems possible, although very risky and difficult, to use a number of methods to reach this goal.

The PTA Secretariat could run a forward market for PTA currencies that might lessen the foreign exchange risk. The insurance role that the PTA plays could be expanded; reinsurance by international bodies will be of cardinal importance here. The Letter of Credit clearing system presently run by the Reserve Bank of Zimbabwe could also be expanded; in this respect the South African banks would need a clear assurance that the hard currency of outstanding balances will take place and, that it is kept in a designated stabilizing fund. A default in yearly payment is naturally much riskier than regular payments. One default could send the system to ruin.

The expansion of the common monetary union of fixed exchange rates and the evolution of a common monetary authority seems inevitable in the present world environment.

4.3.4 Expanding letter of credit activities

The South African Reserve Bank and Standard Merchant Bank are, however, using South African Rand accounts to serve as collateral for Letter of Credit confirmations for countries with a high political risk. In general, the problems concerned with the confirmation of Letters of Credit of countries with high political risk still remain problematic.

4.3.5 Suggestions

Once again the PTA could play a significant role in issuing insurance of certain payments to PTA countries which could serve as the bank's security to confirm Letters of Credit payments. Another possibility that may be worth pursuing would be to look at the possibility of lines of credit issued and/or underwritten by the PTA or the World Bank in favour of certain politically risky countries.

4.4. Trade insurance

4.4.1. Present situation

The present CGIC insurance cover, as far as the PTA countries are concerned is inadequate. It is quite clear that the PTA Secretariat can go a long way to assure greater security in this respect. The issue of insurance instruments by the PTA should strengthen present capital exports and make the confirmation of Letters of Credit a much easier activity.

4.4.2. Underwriting commitments

It seems clear that the most viable and implementable route for the PTA to follow is to increase its role as underwriter of trade commitments within the PTA region. The reinsurance of these commitments of the PTA by the World Bank and the IMF will be essential for the success of the scheme. In addition, the creation of specific, commodity and development-related, payment mechanisms by the PTA would be of great help. The present successful involvement of the IFC in this regard is a clear indication of the role that payment mechanisms can play in PTA countries.

4.5. Conclusion

The PTA could be particularly helpful as a source of interbank information, as underwriter of foreign trade commitments within the PTA and as facilitator for financing and currency stabilization in the PTA region.

It is recognized that problems associated with trade imbalances would evolve should South Africa be included in the PTA. The PTA is already experiencing such problems due to the inclusion of Zimbabwe and Kenya. The question of trade promotion is clearly limited to the extent that it gives rise to trade imbalances. Unless international involvement can be procured to alleviate trade imbalances between PTA members, our proposed policy suggestions to promote intra-PTA trade seem rather premature.

5. INSTITUTIONS

5.1. The South African Foreign Trade Organization (SAFTO)

SAFTO exists to serve its members who are mainly exporters. SAFTO provides services to its members which are financed by membership contributions based on the size of the individual exporter. The services provided include assistance with marketing in the form of market research, trade fairs and technical assistance with the exporting process. Short courses are held on a regular basis at various cities in South Africa. An annual government subsidy is allocated to SAFTO in return for services rendered for the Department of Trade and Industries.

5.2. Credit Guarantee Insurance Corporation (CGIC)

Export credit re-insurance is regulated by the Export Credit and Foreign Investment Re-insurance Act. The scheme, which is administered by the Credit Guarantee Insurance Corporation of Africa Ltd (CGIC) in conjunction with the Department of Trade and Industries, provides insurance cover against political and transfer risks, as well as commercial and insolvency risks. Re-insurance of the political/transfer risks are undertaken by the State through the Department of Trade and Industries, while the commercial and insolvency risks are underwritten by the CGIC. According to the Department of Trade

and Industry, financing for the export of capital projects at subsidized interest rates is available to enable exporters to compete abroad.

5.3. Department of Trade & Industry

At the government level the Department of Trade and Industry has been assigned the main task of promoting export trade. The Foreign Trade Branch of the Department consists of the following four directorates: a) New Markets and Countertrade; b) Africa Trade Promotion and Relations; c) Foreign Trade Relations; d) Export Trade Promotion

The functions of the Export Trade Promotion Directorate are to provide a liaison between the local export community and the government; to bridge the gap between South African exporters and foreign importers; to administer the export incentive scheme (GEIS), including the export credit re-insurance scheme; and to create facilities for the export community, e.g., trade fairs and technical assistance.

5.4. The Industrial Development Corporation (IDC)

IDC offers the facility of export finance for capital goods and services exported from South Africa. The rates of interest charged are a range of competitive fixed and fluctuating rates combined to suit the preference of the individual firm.

In addition, the IDC has recently introduced a low interest rate (9 %) for the promotion of exports. A total amount of R500 million at a rate of R100 million per year has been available to promote investment directed at exports. This finance is available for the acquisition of fixed assets. At least 30 % of this additional or new capacity must be directed towards exports.

5.5. Private sector

Finally, there are import/export agencies and consultants in the private sector which also facilitate outgoing as well as incoming trade.

The South African Chambers of Business and the Regional Chambers of Commerce & Industry are membership organizations which provide information through their libraries and publications in which import and export trade enquiries are circulated. Trade missions are regularly organized and hosted by the relevant departments and members. The Chambers act as secretariat for export associations and the trade departments service members with relevant information and training seminars. The institutions in existence at present in South Africa are primarily directed towards the stimulation of export trade. This reflects the prevailing stance of trade policy in the country, namely, to stimulate exports while maintaining protection against imports. While the import of machinery and other capital goods carry relatively low levels of duty, it is fair to say that neither the State nor the private sector have aided importers in the same way that exporters have been assisted.

Regional intergration in Eastern & Southern Africa

South African Report

Action plan conclusion summary

Section Action	Responsibility	Timing	Assistance
<u>INVESTMENT</u>			
* Investment package to be introduced	Ministry of Trade & Industry	ST	
To Include :			
Free Trade Zone legislation	Ministry of Finance	ST	
Reduction in corporate tax	Ministry of Finance	ST	
Reduction in inflation rate	Ministry of Finance	ST	
* Guarantee against nationalization	ANC to withdraw statement New SA Gov. to clarify	ST MT	
* Removal of dual Exchange Rate System	Ministry of Finance	LT	
* Reduction of tariffs and protectionism	Ministry of Finance	ST	
* Streamlining & reducing exchange control within the region	Ministry of Finance	MT	
* Lifting of duty on capital goods imports	Ministry of Finance	ST	
* Establish a Single Currency Zone based on a strong currency	PTA	MT	
* Upgrade telecommunication links	PTA	ST	
* Upgrade quality of financial & statistical information	PTA	MT	
* Extend visa exemption facilities to nationals in the region	Ministry of Home Affairs	ST	H
<u>TRADE</u>			
* Publication of Trade Statistics	Dept. Trade & Industry	ST	
* Bilateral Trade Agreements	Foreign Affairs	ST	
Conclude new agreements			
Extend present Agreements			
* Withdrawal of Surcharge	Ministry of Finance	ST	
* Training Programmes	PTA	ST	
Export administration		 T
Export documentation			
Personnel training management skills			
Upgrade of technology			
* Standardization of Southern African documentation & standards	PTA	ST	
* Transport rationalization & standardization of documentation	PTA	ST/MT	
* Upgrade communication & technology	World Bank	ST	■ *

<p>* Regional comparative advantage study</p> <p>* Dismantling of control boards ; Marketing Act N° 59 of 1968</p> <p>* PTA to assess ASYCUDA - against CAPE System</p> <p>* Barter & Countertrade office set up</p>	<p>PTA</p> <p>Board of Trade</p> <p>PTA</p> <p>PTA</p>	<p>MT</p> <p>ST</p> <p>ST/MT</p> <p>ST</p>	
<u>FINANCE</u>			
<p>* Bank networks & Interbank communication</p> <p>* PTA to consider a CGIC type operation</p> <p>PTA to consider underwritten credit lines</p> <p>* Amend Exchange Control Act</p> <p>* PTA as facilitator for financing & currency stabilization in Region</p>	<p>PTA & Regional Banks</p> <p>PTA</p> <p>PTA</p> <p>Ministry of Finance</p> <p>PTA</p>	<p>ST/MT</p> <p>ST/MT</p> <p>MT</p> <p>MT</p> <p>MT</p>	
<u>INSTITUTIONS :</u>			
<p>* Liaison between National Chambers of Commerce</p> <p>data bases re trade inquiries</p>	<p>PTA</p>	<p>ST/MT ;</p>	
<u>GENERAL</u>			
<p>* Commit to interaction between SA & PTA members</p> <p>* Start negotiations to join PTA</p> <p>* Assurance of PTA states of SA co-operation and mutual benefit of regional intergration</p> <p>* Plan for procedure of intergration</p> <p>* Foster contacts between SA & PTA members</p>	<p>Foreign Affairs</p> <p>Foreign Affairs</p> <p>Foreign Affairs/PTA</p> <p>PTA</p> <p>PTA</p>	<p>ST</p> <p>ST/MT</p> <p>ST</p> <p>ST</p> <p>ST</p>	

Appendix AI

THE REPUBLIC OF SOUTH AFRICA
DOUBLE TAXATION AGREEMENTS WITH COUNTRIES
IN THE PREFERENTIAL TRADE AREA

Income Sources	Botswana	Lesotho	Malawi	Namibia	Swaziland	Zambia	Zimbabwe
Business Profits	X	X	X	X	X	X	X
Movable Property		X					
Immovable Property	X	X					
Transport services	X	X	X	X	X	X	X
Dividends	X						
Interest	X						X
Royalties	X	X	X	X	X	X	X
Independent							
Personal services	X		X	X	X	X	X
Dependant							
Personal services	X		X	X	X	X	X
Director's fees	X						
Public entertainers	X		X	X		X	X
Pensions	X			X	X	X	X

DIVIDENDS AND ROYALTIES

**WITHHOLDING TAXES AT JULY 31, 1990
COMPREHENSIVE TREATIES IN EFFECT**

The numbers in brackets refer to the notes below

	Dividends(1)	Interest (2)	Royalties & knowhow (3)
	%	%	%
Resident corporations & individuals	Nil	Nil	Nil
Non resident corporations & individuals :			
No treaty	15(4)	Nil	15(5)
Treaty:			
Bophuthatswana	15	Nil(6)	15
Botswana	15	Nil(6)	15
Ciskei	15	Nil(6)	15
Lesotho	15	Nil	Nil/15(10)
Malawi	15	Nil	Nil/15(10)
Mauritius	15	Nil	15
Namibia	15	Nil	Nil/15(10)
Seychelles	15	Nil	15
Swaziland	15	Nil(9)	Nil/15(10)
Tanzania	15	Nil	15
Transkei	15	Nil(6)	15
Uganda	15	Nil	15
Venda	15	Nil(6)	15
Zambia	15	Nil	Nil/15(10)
Zimbabwe	15	Nil	Nil/15(10)

COMPREHENSIVE TREATIES IN EFFECT

Country	Date of commencement for South Africa	Date of termination for South Africa
Bophuthatswana	March 1, 1977	Continuing
Botswana	July 1, 1974	Continuing
Ciskei	March 1, 1981	Continuing
Lesotho	July 1, 1956	Continuing
Malawi	July 1, 1967	Continuing
Mauritius (Note 1)	July 1, 1945	Continuing
Namibia	July 1, 1954	Continuing
Seychelles (Note 1)	July 1, 1945	Continuing
Swaziland	March 1, 1971	Continuing
Tanzania (Note 2)	June 4, 1953	Continuing
Transkei	March 1, 1976	Continuing
Uganda (Note 2)	June 4, 1953	Continuing
Venda	March 1, 1979	Continuing
Zambia	July 1, 1953	Continuing
Zimbabwe	March 1, 1964	Continuing

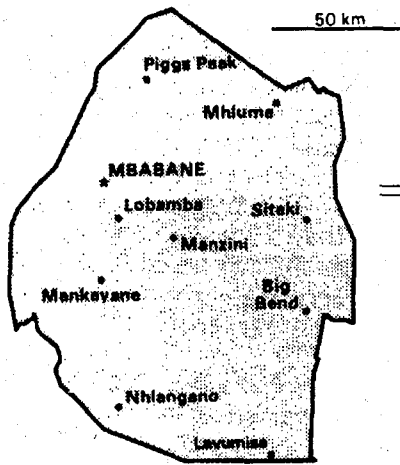
Notes :

1. Applicable only to dividends paid out of profits derived from within South Africa.
2. Withholding of nonresident tax on interest was abolished with effect to interest accruing on or after March 16, 1988. Where "true source" of interest is South Africa, recipient is liable for normal tax, but this may be limited to a rate specified in a double tax treaty. (True source is the country in which the credit is made available.)
3. Individuals and companies may have to render returns of income and pay tax at normal tax rates with credit being given for withholding tax deducted.
4. Non resident tax on dividends is not payable where a nonresident individual carries on business in South Africa.
5. Withholding tax on royalties need to be levied where the recipient is a domestic company, that is, a South African company or a company which is managed and controlled in South Africa.

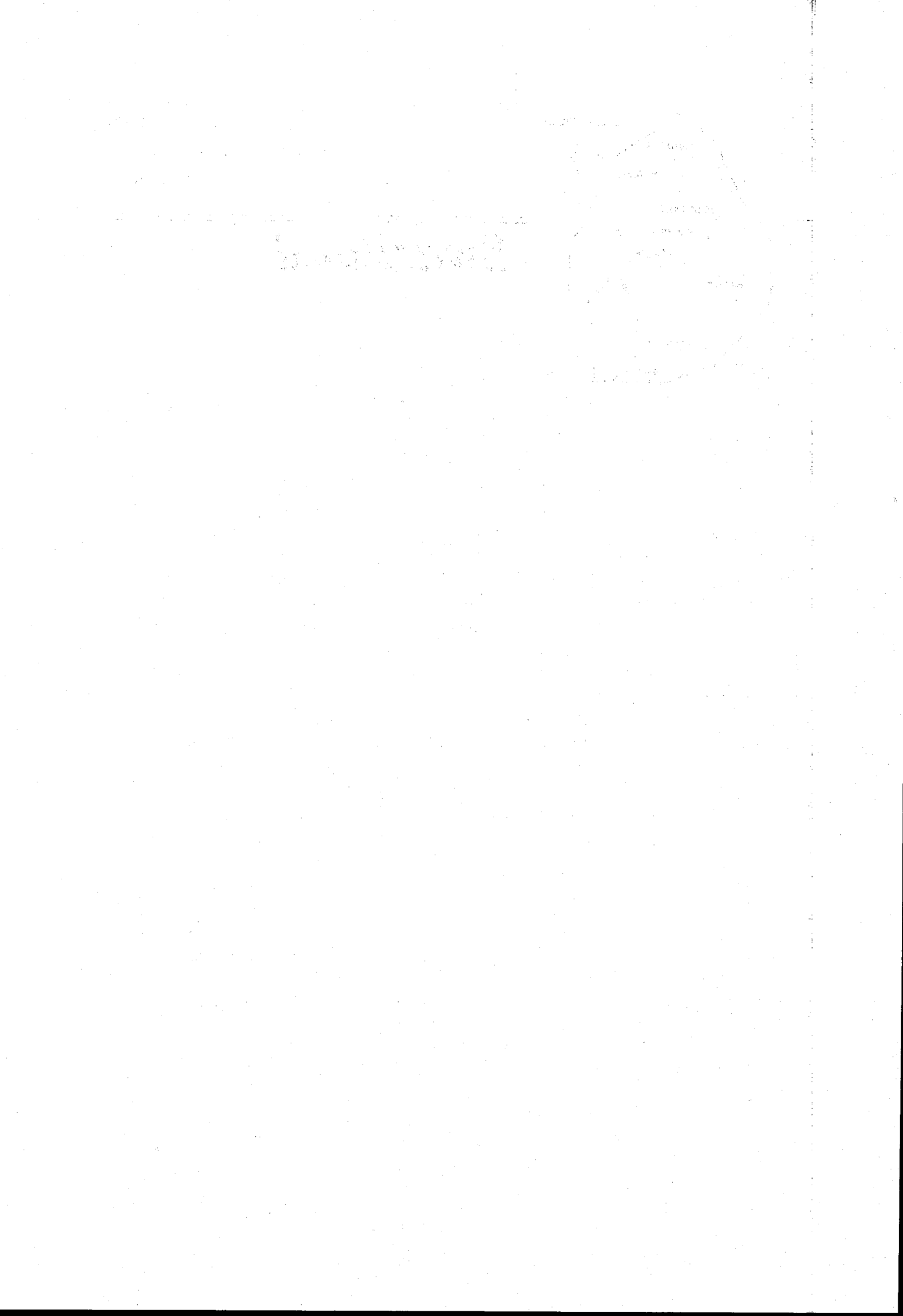
6. Maximum rate of normal tax is limited to 15%. See note 2.7.1.2 above.
7. Maximum rate of normal tax is limited to 10%, provided the interest is subject to tax in recipient's country of residence.
8. Maximum rate of normal tax is limited to 250%.
9. Maximum rate of normal tax is limited to 10%.
10. Must be subject to tax in recipient's country of residence, otherwise 150% rate of withholding applies.
11. Copyright royalties are exempt. Other royalties, with the exception of mining, are reduced by 50% if recipient is not carrying on business in South Africa through a permanent establishment.
12. The rate of 7.5% is the maximum tax for royalties in respect of cinema or television films. Other royalties are exempt if subject to tax in the recipient's country of residence.
13. The withholding tax is reduced if the recipient company controls at least 25% of the voting rights in the distributing company.
14. The five countries indicated (Gambia, Grenada, Mauritius, Seychelles, Sierra Leone) were bound to the treaty by virtue of an agreement entered into between South Africa and the United Kingdom of which they were then colonies.
15. The Income Tax Act states that South Africa will only be bound by the terms of a treaty as long as arrangements for relief have the force of law in the other treaty country.







Swaziland



L INTRODUCTION

This report has been compiled by the members of the Swaziland Technical Working Group on Regional Integration in Eastern and Southern Africa (STWG) in accordance with the terms of reference supplied to them by the initiators of this regional study: the African Development Bank (AfDB), European Community (EC), the International Bank for Reconstruction and Development (IBRD) in consultation with the Organization of African Unity (OAU), the Economic Commission for Africa (ECA) the Preferential Trade Area for Eastern and Southern Africa (PTA), the Southern Africa Development Coordination Conference (SADCC) and the Indian Ocean Commission (IOC). Its observations and recommendations are, therefore, those of the STWG and should not be attributed to or be construed to imply acceptance by the Government of the Kingdom of Swaziland (GOS).

Four sets of issues are examined herein: namely, the environment in which intra-regional investment occurs, the impediments to intra-regional trade, the efficiency of finance and payments arrangements in the context of promoting regional cooperation and economic integration and the institutions relevant to the promotion of investment, trade, cooperation and integration in the Eastern and Southern Africa region. A synopsis of the current situation is given under each major heading and is followed by a presentation of the matters which require the attention of the GOS. More comprehensive analysis of specific issues and supporting data are relegated to the appendixes in order to conserve space.

i BACKGROUND

Swaziland has been a participant in a number of schemes of economic cooperation ever since the turn of the century, being cognizant always of the benefits to be derived therefrom. At present the most important multilateral schemes in this context are the Southern Africa Customs Union (SACU), the Common Monetary Area (CMA), the Southern Africa Development Coordination Conference (SADCC) recently reconstituted as the Southern Africa Development Community (SADC), the Preferential Trade Area for Eastern and Southern Africa (PTA) and the Lomé Convention. These have in common the theme of cooperation among nation states, integration being a more remote, albeit desirable goal.

For this reason, Swaziland welcomed the initiative of the EC and IBRD to explore ways and means of accelerating the pace at which economic integration occurs in Eastern and Southern Africa. To this end, officials from the Ministry of Commerce and Industry, the Central Bank of Swaziland and the

Ministry of Finance of the Government of the Kingdom of Swaziland attended a workshop held in Mauritius in June, 1992 (the Mauritius Workshop), at which the second phase of this initiative was launched.

The Swaziland Technical Working Group was established after the conclusion of the Mauritius Workshop. Including representatives of the GOS, Central Bank of Swaziland, the private sector and the University of Swaziland, this Group was chaired by a representative of the Swaziland Chamber of Commerce and was serviced by the Social Science Research Unit of the University of Swaziland.

Responsibilities for data-gathering and analysis were then allocated during the first meeting of the TWG in June, 1992, at which meeting it was agreed also that the Group would confer regularly, once a fortnight. This report is the outcome of those deliberations.

3. INVESTMENT

3.1 The Investment Code

In contrast to many economies, Swaziland does not have a composite investment code. Instead it operates on the basis of a set of policies and practices towards, and precedents regarding, inward investment. These involve a number of agencies all of which are familiar with and fulfil their specific responsibilities as a matter of routine: Legislation (and executing agencies) which is (are) relevant in this regard include the following:

- the Companies Act (1912), which defines the requirements for the registration of new companies. (Ministry of Commerce and Industry; Registrar of Companies, Ministry of Justice).
- the Crown Land Disposal Act (1911) and the Deeds Registry Act (1968), which define the circumstances in which industrial land may be acquired, properties may be transferred and title deeds may be registered. (Ministry of Commerce and Industry, Ministry of Natural Resources, Deeds Office - Ministry of Justice).
- the Financial Institutions (Consolidation) Order (1975), which defines, amongst other things, the amount of local financing which foreign investors registered in the Kingdom may receive from local financial institutions. (Central Bank of Swaziland, Commercial and Development Banks, Swaziland Industrial Development Corporation, Tibiyo Taka Ngwane).
- the Immigration Act (1982) and Regulations thereunder, which treat work and residence permits. (Ministry of Home Affairs).
- the Trading Licence Order (1975) which regulates the issuing of trading licences. (Ministry of Commerce and Industry and Regional Administrations (Tinkhundla)).

- the Import Control Order (1976) and the National Agricultural Marketing Board Act (1985), which regulate the import of commodities into the economy. (Ministry of Finance and Ministry of Agriculture and Cooperatives).
- the Export Restriction Act (1939) and Regulations made thereunder: (Ministry of Finance and Ministry of Commerce and Industry). And the Customs and Excise Act (1971): (Department of Customs and Excise).
- the Exchange Control Order (1974), which defines the availability of, and uses to which, "owned" and "earned" hard currency may be allocated.
- the Income Tax Order (1975) and the Sales Tax Act (1984) which treat income taxation and incentives and the collection of sales tax (and rebates), respectively (Income Tax Department and Customs Department).

Three observations are, perhaps, pertinent in this regard. First, even though it is the case that there does not exist an explicit investment code, the Swaziland economy is generally accommodating of foreign (inward) investment and has been able to attract a substantial flow of such investment on the basis of the current structure of laws and precedents. This was the case before the "sanctions dividend" which took the form of making Swaziland more attractive than South Africa as an investment location; and continues to this day.

The flexibility of the current system may enable certain authorities to earn economic rent (by creating artificial scarcities of certain goods/services because some regulations and procedures are not wholly transparent but this flexibility is not, in itself, restrictive of foreign investment. Consequently, promulgation of an investment code which is "set in stone" will be rational only if it can be shown with reasonable certainty that the existence of an invariant code will, at the margin, bring in more foreign investment than has been garnered hitherto. This would enable the beneficiaries of the new order to compensate those of the old order, at least in principle, whilst making everybody better off. That, in the view of the TWG, is a matter which ought to be addressed in the proposed UNIDO study of industrial development and policy in Swaziland (Ministry of Commerce and Industry).

Second, it does appear to be the case that Swaziland has been seen (by foreign investors) to be committed to the enforcement of legal rights, even though it is the case that many of the laws which are of interest to foreign investors are (out)dated and in need of revision. However, it is important also to bear in mind the impact of the current legal framework on the indigenous, potential entrepreneur. If investment is to be promoted, there is need to re-examine the relative positions of local and foreign investors in order to provide justification for any differences in the "investment climate" as perceived by these groups: in other words, if there is a case to be made for a differentiated rather than a uniform set of rules this should be made explicit and should be justified by rational argument (Ministry of Finance).

As in many other countries, it is likely to be true for Swaziland that foreign investors will be more encouraged to invest if they can see that locals are themselves sufficiently confident about the future of the country to consider it worth their while to invest in it. For this reason, legal impediments to investment by local entrepreneurs should be minimised. If it is argued that the foreign investor has to be lured into the

country, whereas the country is the "natural" investment domain of the nationals it will have to be demonstrated that the nationals are indeed not likely to be lured elsewhere. As the section which discusses exchange control indicates, however, such an argument cannot be sustained in the case of Swaziland.

Third, it is evident that some of the laws which are of relevance to the promotion of investment are in need of review: the way in which they operate may serve to hinder the promotion of investment. Specific amendments which would be of benefit to the business community should be suggested by the Chamber(s) of Commerce and Industry for consideration by the Ministry of Commerce and Industry. :

3.2 Exchange Controls

Exchange control regulations in Swaziland are broadly in line with those of the Common Monetary Area (including Lesotho, Namibia and South Africa) and are generally accommodating of inward foreign investment. In general, all that is required is the prior approval of the Central Bank of Swaziland in order to avoid any inconvenience upon the repatriation of funds and transfer of dividends or other proceeds from investment. Such approval is normally granted readily on submission of relevant information relating to type of business, sources of finance and terms of repayment of any loans, projected sources and applications of funds or balance sheets in the case of existing businesses. Income is freely transferable subject to proof that the funds were earned on investment in the country, and payment of the relevant taxes.

In contrast, Swaziland residents are not permitted to export capital outside the CMA except on emigration or taking up rights issues on already approved investments in companies quoted in foreign stock exchanges. Any requests for investments outside the CMA are referred to the Central Bank and approval is given only on rare occasions.

Two reasons are advanced for this non-symmetrical treatment of investment flows. First, any change to the current regulations would require the consent of the other members of the CMA who would have to be assured that the new regulations would not permit their residents to use Swaziland as a conduit through which to export capital. Second, it is argued that Swaziland is a developing country and, therefore, should not be a net exporter of capital. Rather, being capital deficient, she should retain that capital which is "domestic" (if need be through administrative restrictions, rather than price incentives) and should augment it with foreign capital.

This reasoning is not persuasive in the new context of regional cooperation. If there does exist such a thing as an optimal stock of capital, then its composition ("foreign versus "national") and distribution in a regional context, at a point in time and through time, will not necessarily be identical to that which would be optimal in the context of a national(istic) economy. The national economy operates an exchange rate system which stabilises the domestic currency by preventing capital outflows. Moreover, if the constraints which are placed on outward movement of capital are based upon the presumption that the domestic economy will be monopolised by foreign capital if capital flows are unrestricted, then the presumption must be that local capital is being restrained artificially; its "natural" domain is not mutually coextensive with national boundaries. Nor is it necessarily «augmented» by foreign capital. Consequently, greater freedom of movement and (re)location would improve resource allocation.

A case can, therefore, be made for relaxation of the criteria governing capital outflows to the greater Southern African region outside the CMA in order to improve resource allocation. Permitting such outflows would not necessarily reduce the stock of capital in Swaziland for it may well be the case that indigenous capital would, in current conditions, prefer to remain within the national boundaries. On the other hand, if outflows of "domestic" capital do materialise, this would not only permit Swaziland to offset "losses" to foreigners by acquiring "foreign" assets elsewhere within the region but would also improve regional resource allocation by permitting capital to move to regions in which it would earn a higher rate of return, ultimately to the benefit of all in the region .

By way of example, consider the following. Let there exist a Swazi firm producing brake-linings (using local asbestos) which has capital for expansion derived from retained earnings, and would like to establish a subsidiary in Zimbabwe. Its expertise is in brake linings, not in supermarkets. Let there exist also a South African supermarket chain which would like to expand its operations into Swaziland and is convinced that the rate of return in Swaziland will be at least as good for it as would investment in any other line of business anywhere in the region. In terms of current regulations, there would be nothing to prevent the South African supermarket chain from investing in Swaziland: such investment would be welcome as it "augments" the stock of capital, part of which is, by assumption, locked into the existing brake lining factory as investible "retained earnings".

If one considers (regional) resource allocation, however, it is evident that such an outcome is at variance with both efficiency and "nationalistic" objectives. Nationalistic decision-makers would resolve that the retained earnings of the brake-lining manufacturer be invested in the supermarket, in order to avoid "foreign domination". Current restrictions would compel decision-makers to require the brake-lining manufacturer to increase capacity in Swaziland, even if the rate of return would be higher in Zimbabwe and admit the South African supermarket chain to "augment" the extant stock of capital. Efficiency would require that the brake-lining capital be invested in Zimbabwe (creating a foreign asset for Swaziland) where the rate of return would be highest: and would permit the South African supermarket to locate in Swaziland - augmenting that capital which is earning the highest rate of return in its place of origin. Swaziland's liability to (monopolisation by) the foreign company would be offset, in these circumstances, (in part or in full) by Swaziland's claim upon (monopolisation of) another foreigner. Moreover, resource allocation within the region would improve.

In this regard, it is noteworthy that Swaziland has as yet not ratified the charter on PTA Multinational Industrial Enterprise and is still "considering how to go about it". Furthermore Swaziland is still awaiting the report of the SADCC Secretariat regarding the SADCC Cross-Border Investment Facility.

If cross-border investment is indeed to be multilateral and it is the concern of Swaziland, as of other countries in the region to protect the capital account of the balance of payments, it is important that the SADCC report be obtained and assessed, together with the PTA MIE Charter, in the light of existing obligations to the CMA (Ministry of Finance). The persistent surpluses of Swaziland in the PTA Clearing

House, like the persistent excess liquidity of Swaziland's banking system, certainly suggest that there is scope for relaxation of existing regulations in order to promote fixed investment nationally and regionally. Experimentation with liberalisation of capital flows on the scale determined by "surplus" balances in the PTA Clearing House would pose no more danger to the sustainability of the capital account of the balance of payments than has experimentation with liberalisation of export financing provisions on the basis of "excess liquidity" in the domestic banking sector.

3.3 Investment Guarantees

Guarantees pertaining to the protection of investment are assumed to be covered under the common and statutory laws of the Kingdom although there is some ambivalence regarding the specific provisions of the law which accords ownership rights to individuals since the constitution was suspended in 1973.

At the international level, however, Swaziland has definitely signed the International Convention for the Settlement of Investment Disputes, has had an Investment Guarantee Agreement with the United States of America since 1967 and has signed (but not ratified) the Multilateral Investment Guarantee Agency Convention pioneered by the World Bank. These are intended to establish a protective legal framework for foreign investment which is at least equivalent to that which is obtained anywhere in the developing world.

As has been indicated, the current legal framework has not been seen to be a deterrent to foreign investment in Swaziland, hitherto. The commitment of successive governments to the ideal of free enterprise has been sufficiently persuasive. There remains, nevertheless, a compelling need to record, in one place, all the legislation pertaining to guarantees which are of relevance to all investors and to compile a record of all trade and investment agreements to which the Government has acceded. The present position, in which officials of key Ministries have only a vague idea of the actual legal position regarding investment protection, is not conducive to innovation in this area. (It is also permissive of disinformation). In this regard, the STWG recommends that full use be made of the proposed UNIDO consultancy on industrial development and policy such that codification of the current legal framework regarding investment is one of its end products; there should not be a repetition of the 1981 episode in which a UNIDO consultant was retained to review and propose changes to the relevant legislation but was given too short a period of time in which to do so; in addition, the consultant did not receive the full cooperation of key officials of Government (Ministries of Planning and Economic Development; Commerce and Industry; Attorney General's Chambers).

It is also the view of the TWG that the principle of issuing guarantees is so valuable that its application should not be confined to foreign investors. Rather, the principle should also be applicable to domestic investors.

In this regard, attention might reasonably be directed to those (potential) investors who are obliged (according to one point of view), or required or expected (according to others) to operate exclusively (primarily?) on Swazi Nation (communal) land. There exists here the same intrinsic need for transparency of decision-making as exists elsewhere in the economy. In addition there is, arguably, a

greater need for investment guarantees against arbitrary expropriation (through the agency of expulsion from a particular chiefdom on the basis of (contrived) charges of, for example, witchcraft); against undue delays in the granting of trading and other permits; and in relation to adjudication concerning disputed authority where boundaries between the "traditional" (customary?) and "modern" (ascendant?) norms and practices are opaque.

3.4 Double-Taxation Agreements

Double-taxation agreements in relation to income tax, corporation tax or capital gains tax and taxes of a similar character imposed by the laws of Swaziland have been reached with a number of countries (as set out in the appendix). However, only one of these is with a country in the Southern Africa region (South Africa). Known formally as the "Convention between the Government of the Republic of South Africa and the Government of the Kingdom of Swaziland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income", the agreement was concluded in 1973.

Recently, it has been reported that the Government of Mauritius has proposed a double taxation agreement with the Government of Swaziland. However, nothing concrete has been concluded.

The debate as to whether double-taxation agreements should be demand or supply-driven has not taken place in Swaziland, but it is the view of the TWG that a supply-driven approach would be preferable. If regional cooperation and integration are indeed desirable ends, then it would be reasonable to anticipate the need for such agreements rather than wait for investment first to materialise. The value of such a move would be more than symbolic; it would enhance the credibility of the professed commitment to regional cooperation.

3.5 The Investment Climate

As a member of the Customs Union and the Common Monetary Area, Swaziland has conventionally viewed its relative position in the Southern African region with regard to other members of these organisations, rather than in relation to the Southern Africa region as a whole. What has been perceived to matter is the attractiveness of Swaziland in relation to South Africa, Botswana, Lesotho (and more recently, Namibia). The key variables in the investment promotion exercise have been political stability (both in absolute terms and in relation to the greater Southern African region), provision of industrial infrastructure and tax incentives.

In this regard, the changes in the investment incentives offered by the Republic of South Africa dating back to the beginning of the current decade, in particular the General Export Incentive Scheme (GEIS), are perceived to be not only detrimental to the interests of Swaziland, but also to constitute an unfair practice in terms of GATT regulations. In South Africa the investment climate has been improved through the adoption of unwarranted export subsidies.

It is the view of the TWG that a formal approach to the South Africa authorities has to be made, jointly with the other members of the Customs Union, with a view to getting them to review their policy

regarding export subsidies, as a matter of urgency. To wait until 1995, when allegedly the scheme will be abandoned, would be to connive in the destruction of the non-traditional Swazi export sector. The large Southern and Eastern African region may also be called upon for support in this regard as the argument could be made that a potential member of SADC and the PTA must show good faith and refrain from actions which are universally seen to be detrimental to fair and free trade and are prejudicial to the free competition for investible resources (Ministry of Commerce and Industry).

3.6 The Movement and Employment of Persons

Swaziland has ratified the PTA protocol on relaxation and eventual elimination of visa requirements but has yet to incorporate these provisions into the national law. For the time being, therefore, the protocol is not being implemented. (Attorney General's Chambers and Ministry of Interior and Immigration). Visa requirements for citizens of Commonwealth (and SADC) countries are, however, not stringent.

However, it is the case that the rights of residence of nationals of PTA, Commonwealth and SADC member states need to be attended to. At present, (all) expatriates require and have to apply for temporary residence permits using forms which do not specify clearly the supporting documents which are needed. Moreover, as a general principle, temporary residence permits are granted to expatriate employees only if the applicant is filling a specific post for which no local candidate is available a local counterpart is available and is being trained to fill the post within a specified period which has not elapsed. This has been a major source of concern to expatriate personnel who have complained about the short duration of temporary residence permits (two years, renewable) and have complained also about the treatment of spouses under these regulations (non-eligibility for employment).

Policy in this regard has to become increasingly less opaque because the status quo compromises the autonomy and planning framework of the foreign investor and those domestic investors who may wish to avail themselves of foreign manpower. (Ministry of Labour and Public Service and Ministry of Interior and Immigration).

4. TRADE

4.1 Major Macro-economic Constraints

The macroeconomic environment in Swaziland is perceived by domestic business mainly in relation to that which obtains in South Africa since South Africa is the dominant member of the Customs Union area and of the CMA. While Swaziland has the legal and technical capacity to adopt a monetary (i.e., exchange rate and interest rate) policy which is independent from (i.e., not identical to that which is pursued by South Africa, the practice hitherto has been to maintain a fixed exchange rate in relation to the South African currency and since 1989, to adopt an interest rate structure which is lower than the South African structure (although the interest rate differential has started to decrease in recent times).

From the perspective of business, the major constraint with regard to the exchange rate is the relative lack of forward cover facilities for small and medium scale traders and in particular exporters, as most imports are from within the CMA and it is not envisaged that the intra-union exchange rate will vary. Consequently the need for forward foreign exchange cover is less compelling in the case of importers.

Small and medium-sized exporting companies complain of the uncertainty which attends their operations, in the absence of forward cover facilities and also of the relative lack of sophistication of branches of the commercial banks. They claim that foreign exchange expertise is highly centralised in the headquarters of the commercial banks and is woefully lacking in the branches, making transaction costs for traders who (prefer to) deal with branches higher than they need be. Stated differently, although the exchange rate regime is acknowledged to be liberal, particularly on current account transactions, the perception exists that the Swaziland-based, small and medium-scale producer is at a disadvantage in relation to both large, well-established businesses in Swaziland and to their small and medium-scale counterparts in South Africa where foreign exchange expertise is less centralised.

In the case of interest rates, there appears to be a distinction in the private sector between firms which are considered by the banks to be credit-worthy and those which have no track record and appear to be (or are) undercapitalised. For the latter firms, the major problem is that of access to financing, rather than the rate of interest which is levied.

A combination of new institutions, which would provide risk capital and an expanded range of permissible lending rates (above prime rate) which would enable existing financial institutions to discount the risk factor via higher interest charges rather than through denying entrepreneurs access to working capital, appears to be the most sensible way of overcoming this barrier to new, potentially tradeable; production (Ministry of Finance; Central Bank).

Labour relations are yet another concern to producers and traders. It appears to be the case that industrial relations legislation and practices engender an atmosphere of distrust between employers and employees which is not conducive to efficient production and trade. Unit labour costs are pushed upwards reducing the attractiveness of Swaziland as an investment host and restricting potential, tradeable production. In this regard, prompt review of the Industrial Relations Act to make it less contentious is recommended (Trade Unions, Ministry of Labour and Public Service, Chambers) of Commerce and Industry).

4.2 Licensing Regulations and Practices

Import restrictions, by means of licenses rather than taxes (tariffs), are governed by and large by the provisions of Articles 2 and 11 of the Customs Union Agreement. Article 2 provides for trade in agricultural goods within the Union whilst Article 11 seeks to hinder the use of one contracting party as a means through which to breach the import control legislation in another contracting party. In the case of imports originating outside the Union, the provisions regarding import licenses are substantially in accordance with those governing imports into the Union as a whole; and these are quite generous, particularly in relation to those which are to be found elsewhere in the Southern African region.

There are essentially three conditions which must be fulfilled if an importer wishes to obtain an import license for commercial purposes: namely, possession of a valid trading licence, a valid certificate of incorporation and appropriate premises for trading. Imports of fruits and vegetables are regulated by the National Agricultural Marketing Board (NAMBOARD) whilst imports of other agricultural commodities are regulated by the Ministry of Agriculture and Cooperatives. All other import licenses are issued by the Ministry of Finance which operates through a committee comprising representatives from the Central Bank, the Ministry of Commerce and Industry and the Department of Customs and Excise. Applications for licenses are heard once each week in order to avoid unnecessary delays. Overall there is little evidence to suggest that these procedures are an impediment to intra-regional trade.

Similarly, in the case of exports no permit is required for the Customs Union area; Exporters marketing their products outside the Customs Union area are required to have export permits which are readily issued by the Trade Promotion Unit of the Ministry of Commerce and Industry. Moreover, treatment of the proceeds of export sales in hard currency areas is liberal as the Central Bank will normally permit members of the business community to operate foreign currency accounts where justified, subject to the submission of periodic reports for monitoring utilisation and the magnitude of transactions. This generosity does not extend to export sales in the Southern Africa region (outside the customs union area), however, as most regional currencies are not convertible.

Overall, therefore, the licensing system which exists does not appear to be an impediment to intra-regional trade. The major flaw in the current establishment arises in the case of unilateral restructuring by the South African government of the import tariffs which are to be effective in the customs union region as a whole. Such restructuring has been known to occur to the detriment of companies operating in Swaziland. The relative lack of protection against such changes is a major impediment to production and, thus, to trade.

4.3 Regional Trade: Trends and Development

Swaziland's trade with the region has increased sharply during the past decade. In 1983, the first year for which data is readily available exports to full and associated members of the PTA were valued at E13.18 million; of which E7.4 million resulted from trade with the then associated members (Botswana, Angola and Mozambique). By 1990, the last year for which data is available the value of exports had increased to E73.9 million, of which the associated members accounted for barely E14 million. Even if one discounts this data for inflation and exchange rate variation, it remains true that the PTA region has provided a valuable export market for Swaziland.

However, imports from the region have not grown during this period. Starting from a low base of E4.6 million in 1983 (of which full members of the PTA provided E3.4 million), total imports from the region were worth E4.4 million in 1990 (full members of the PTA accounting for E3.9 million of this total).

The unbalanced trade has left Swaziland a perennial creditor of the PTA Clearing House. This situation would be considered undesirable on account of interest foregone on credit balances in the Clearing House were it not for the stimulus to intra-PTA trade which such credit balances may facilitate even if Swaziland is not a direct beneficiary of this incremental trade.

The export growth described above may be attributed in part to Swaziland's participation in trade fairs within the region and to the efforts of the Trade Promotion Unit in the Ministry of Commerce and Industry which has assumed co-responsibility (with other sectors of that Ministry) for the annual Swaziland Trade Fair. These efforts should be maintained, but should be streamlined so as to assist new entrants into the export arena. The implicit subsidy which trade promotion extends should be better targetted and evaluated at regular intervals (Ministry of Finance, Public Enterprise Unit).

Further development of intra-regional trade is likely to be stimulated by two initiatives: first, the adoption of a less mercantilist attitude, so that importers and their bankers are educated about the availability of PTA suppliers and the operation of the Clearing House in the same measure as are exporters (Ministry of Commerce and Industry); and second, the more aggressive strategies of PTA exporters wishing to sell in the Customs Union area.

4.4 Trade Infrastructure

4.4.1 The International Convention on the Harmonised System of Tariff Classification

Swaziland has already acceded to the above-mentioned convention, having noted the importance of working with a system which can meet the principal requirements of customs authorities, statisticians, carriers and producers.

4.4.2 Automated Systems for Customs Data (ASYCUDA)

Preparations for the introduction of these systems are at an advanced stage. The only reason for the delay in implementation is that donor funding has to be secured to facilitate installation of the system.

4.4.3 Transportation

Three sets of issues are pertinent in this regard: road transit charges, third party insurance and documentation. It is the understanding of the Ministry of Transport that PTA member states have not as yet agreed on a uniform system for the implementation of uniform transit charges. Moreover, the Swaziland government will have difficulty in implementing a set of transit charges which may be incompatible with the road user charges. This is indicated in the recommendations of the Customs Union study which is currently in progress. With regard to third party insurance, it is the understanding of the said Ministry that the proposed PTA Third Party Insurance Scheme is not operational and documents related to its introduction and methods of operation have not been made available. Similarly, with regard to the PTA road customs transit declaration (RCTD), it is the understanding of the said Ministry that the RCTD document as proposed by the PTA has not been made available and, therefore, is not being used.

It is evident that these issues have not been given the attention which they deserve and it is the recommendation of the TWG that the Ministry of Transport secures all the relevant documentation and

formulates appropriate policies as a matter of urgency. Problems have already arisen in the transport sector with reference to trading rights for intra-Union transit passengers and with regard to traffic to Mozambique. The potential effects of this non-tariff barrier to intra-regional trade cannot be overlooked.

4.4.4 Bureau of Standards

Although this has not arisen as an explicit problem, it is the case that Swaziland has hitherto not had a bureau of standards or similar authority with the result that potential customers could not, without some effort on their own part, be assured of the quality of the merchandise which they were importing. Likewise, whilst consumers in the country are familiar with branded consumer goods originating from South Africa, this is not the case with unfamiliar products from the PTA region. Steps have now been taken to develop a quality assurance unit within the Ministry of Commerce in order to obviate potential problems in this regard. The TWG recommends that this initiative be developed further in order to promote intra-regional trade (Ministry of Commerce and Industry).

5. FINANCE AND PAYMENTS

5.1 The PTA Clearing House (PTACH)

As has been mentioned, Swaziland exporters are net contributors to the PTA Clearing House with the operations with which the majority of well-established exporters are familiar. Importers are relatively less familiar with the Clearing House, in part because they have not been targeted by the relevant Ministries; mercantilist thinking suggests that it is always better to promote exports.

Two main problems have been identified as impeding the expansion of use of the PTA Clearing House: first, delays in payment by regional importers on account of exchange restrictions in some countries; second, in the case of emergent exporters, lack of familiarity with the operations of PTACH. A third problem, affecting importers, is the propensity of some regional exporters to invoice in their own currency whilst demanding payment in convertible currency. The problem here is not one of ability to pay, because foreign exchange is freely available for current transactions; it is, rather, one of information as most regional currencies are not convertible and their values are not quoted by the domestic banks.

These problems could be overcome by a package of information regarding the operation of the Clearing House, the introduction of UAPTA bills of exchange (which might reduce the extent of delay in effecting payments) and the redirection of regional exporters' requirements to make it easier for importers to pay via the Clearing House. Payment in convertible currency defeats the objectives of the clearing arrangement.

5.2 Correspondent Banking Relationships

Banks in Swaziland have relatively few correspondent banks in Africa (outside the Common Monetary Area). However, various means of payment including bank drafts, transfers through head offices

abroad, routing payments through Central Banks or correspondent banks in the CMA are used where no direct correspondent links exist. The banks contend that no payments or business deals are turned down due to lack of payments mechanisms and that they would have no problems in establishing correspondent relationships with other banks in the region where the need were justified by the volume of business.

5.3 Pre- and Post- Export Credit Schemes

An export financing scheme backed by the Government and operated by the Central Bank began to operate in Swaziland in September, 1991. The scheme is intended to cater for small to medium scale exporters who would otherwise find it extremely difficult to raise collateral to obtain financing for their export trade and operates as a revolving bank credit guarantee fund. Whilst the scheme has been successful and is likely to be granted more working capital concern has been expressed about the attitude of the commercial banks to the scheme. The view of the business community is that commercial banks are reluctant to participate in the scheme because it reduces their interest earnings. Having been guaranteed against payments defaults of the magnitude of 75% - 90% of the amount advanced to the exporter(s), and being in possession of a guarantee instrument which can be (re)discounted at the Central Bank, the commercial banks have no realistic basis for charging much above prime rate. This they resent because they estimate the demand for loans to be interest inelastic. They would earn more with a smaller loan portfolio earning a higher unit interest rate. Alternatively, they might argue, exporting to new destinations is inherently risky and the implicit limitation of the margins which they can earn by exercising their right to (re)discount (subsequently investing the proceeds in a riskless asset such as Treasury Bills) serves as a tax on such transactions thus rendering them undesirable.

It is the view of the TWG that the mechanics of the domestic export credit scheme represent an advance on the status quo and should be refined with a view to making the marginal export viable. To this aim credits, would be phased out for firms which are increasingly secure and redirected to those which are in need of assistance (Central Bank of Swaziland). However, at a regional level, there may be a case for comparing the net benefits of a plethora of isolated, domestic export financing schemes (which are not directly competitive with each other) with those which would accrue from a more centrally organised, but regionally operational and competitive agency. Providing the Clearing House with a stock (or flow) of uncommitted foreign exchange which would be auctioned to the highest bidder, with the proceeds being invested at "usurious" interest rates (which would reflect risk and the inherent cost of capital in the various economies participating in the clearing) may be one way of proceeding (PTA Committee of Monetary Experts).

5.4. Insurance

The insurance industry in Swaziland is currently monopolised by a single firm, the Swaziland Royal Insurance Corporation (SRIC) although there exist a number of brokers who are, at least notionally, competing with each other for business to be channeled to SRIC. The Corporation, in turn, reinsures both within and beyond the Common Monetary Area.

Although there has recently been a Commission of Inquiry to examine the desirability of maintaining the status quo (i.e., the monopoly status of the SRIC) its recommendations have as yet not been made public.

The general view expressed by the business community is that insurance cover for regional and international trade is adequate. Complaints are levelled more at the premia exacted for insurance within the country (fire, theft etc.). Moreover, it does appear to be the case that traditional exporters (importers) are satisfied with the range of cover which they can obtain. In the case of (traditional) exporters, the general procedure is to shift the risk to the buyer by sale "free on board", whilst traditional importers parry risk by accepting delivery "cost, insurance, freight" and then passing these costs on to the consumer (increases).

It is, perhaps, worthy of note that emerging exporters operating on a small scale tend to be hawkers rather than producers. And they insure their exports by physically carrying them to their export markets in neighbouring territories. The larger producer-cum-direct trader tends to operate on the basis of third person agency i.e., exporting to a marketing agent in the country of intended ultimate sale, free On board. Consequently, it is the view of the STWG that the "role of insurance in promoting intraregional trade is subordinate to the more pressing issues of communication networks (in particular the reliability of road transportation) and elimination of conventional tariff and nontariff barriers to trade.

6. INSTITUTIONS

The major institutions which operate in the area of cross border investment and trade are:

- the commercial banks, in the area of trade;
- Swaziland Industrial Development Company Limited (SIDC)
- Tibiyo Taka Ngwane
- Swaziland Stockbrokers Limited

As has been indicated, the commercial banks (of which Swaziland has four, namely Barclays Bank of Swaziland, Standard Bank of Swaziland, Union Bank, Meridien Bank of Swaziland) are active in financing traditional trade, that is trade in those commodities which have been associated with production and consumption in Swaziland for a long time. Much of the conventional export trade occurs with customers in Europe and North America, a smaller amount occurs in the CMA, and the smallest component is directed at the PTA. Given the demand-led stance of the commercial banks, correspondents and other relationships which are currently strongest with institutions strong in the major markets, could be developed in the emergent markets if business flows warrant such expansion.

The Industrial Development Company, in which the Government of Swaziland is a minority shareholder whilst holding the largest single bloc of shares, is the major conduit for foreign investment into Swaziland. Offering co-financing facilities, promoting joint ventures and providing serviced industrial sites to prospective industrialists, this company is the leading actor in Swaziland's investment promotion efforts.

It is significant, though, that SIDC has not participated in promoting Swazi capital in the region. The underlying reasoning is that the country is itself deficient in capital and cannot afford to export it.

There is also an investment agency of the Swazi Nation, falling under the direct control of the monarchy rather than Parliament (the Tibiyo Taka Ngwane). This institution is unique in Africa. Having its genesis in the desire to use mineral royalties for national purposes which the central government might be unable to identify or accommodate, Tibiyo has become an important domestic investor, often in cooperation with foreign capital. Tibiyo has not contributed to the promotion of Swazi capital in the region for reasons identical to the ones stated earlier in the case of SIDC.

Finally, in this regard, there exists a stockbroking firm, Swaziland Stockbrokers Limited, which serves as broker and market-maker in locally registered stock. The intention is for this firm to operate as the heart of a stock exchange which will grow in time.

The time is now opportune for Swaziland to re-examine the net benefits of a mercantilist attitude toward foreign investment and trade. And such a re-examination will necessarily focus, in part, upon the role of the institutions mentioned above in promoting regionalism. It is the view of the TWG that the division of labour between the two investment agencies should be clarified, one concentrating more on regional outward investment, the other promoting inward investment. Whichever agency is charged with promoting regional outward investment should make a case to the Central Bank to:

- consider easing exchange control in the case of credit balances at the PTA Clearing House to facilitate outward investment. A sum equivalent to two-thirds of the moving average over three clearing periods could be deemed to be investible, at least initially and a greater proportion could be "unfrozen" over time either through extension of the clearing period or through increases of the amount (say 75% of the moving average credit balance).
- adopt measures favouring foreign travel and business allowances, in the region. In order to reduce the incidence of fraud (e.g., claiming a travel allowance on the pretext of wishing to travel within the region and then using that to travel to Europe), consideration could be given to denominating these transactions in UAPTA.
- participate more actively in the SADC cross border investment facility.

7. SUMMARY OF ACTION PLAN

7.1 Investment

7.1.1 Revision of terms of reference for study on industrial development and policy.

Revise the terms of reference for the UNIDO study on industrial development and policy to ensure that it addresses the following issues:

- the trade-off between a rigid investment code and a simple listing of current procedures, and the means of compensating those who would be worse off under the investment code in order to make all better off;

- the compilation and annotation of all the trade and investment agreements to which the Government of the Kingdom of Swaziland has acceded;
- the justification of a system of investment guarantees which favours foreign investors (by providing explicit guarantees) over domestic investors, in particular those who operate on Swazi Nation Land. Stated differently, reasoned rejection (acceptance) some of the proposition that the principle of issuing guarantees is so valuable that its application should not be confined to foreign investors;
- review with the Chamber(s) of Commerce and Industry in Swaziland of legal provisions regarding (inward) investment with a view to suggesting amendments to be brought before the relevant authorities as a matter of urgency.

TIME FRAME: Short Term

AGENCIES: Ministries of Commerce and Industry, Economic Planning and Development; Attorney General's Chambers

7.1.2 Double taxation agreements

Adopt a supply-driven rather than a demand-led approach to double-taxation agreements, focusing on the greater Southern Africa region. If regional cooperation and integration are indeed desirable ends, then it would be reasonable to anticipate such agreements rather than wait for investment first to materialise.

TIME FRAME: Short Term/Medium Term

AGENCIES: Ministries of Commerce and Industry, Finance; Attorney General's Chambers

7.1.3 Industrial Relations

Review and amend Industrial Relations legislation with a view to improving the industrial relations climate and thus contain the rate of increase of effective unit labour costs.

TIME FRAME: Short Term

AGENCIES: Ministry of Labour and Public Service; Trade unions; Chamber(s) of Commerce and Industry

7.1.4 Ease exchange control regulations in the case of credit balances at the PTA Clearing House to facilitate outward investment.

A sum equivalent to two-thirds of the moving average over three clearing periods could be deemed to be investible, at least initially and a greater proportion could be "unfrozen" over time;

Adopt a differentiated basis for foreign travel and business allowances, such that these are higher

for regional travel and business: consideration could be given to denominating these transactions in UAPTA.

Participate more actively in the SADCC cross border investment facility

Evaluate the net benefits of acceding to the PTA Multinational Industrial Enterprise Charter.

TIME FRAME: Short Term/ Medium Term

AGENCIES: Ministry of Finance; Central Bank

7.7.5 PTA Protocol on visa requirements

Implement the PTA Protocol on relaxation and elimination of visa requirements and increase the transparency of decision-making with regard to rights of residence (etc) of PTA nationals.

TIME FRAME: Medium Term

AGENCIES: Ministries of Interior and Immigration, Labour and Public Service.

7.2 In the Area of Trade and Finance

7.2.1 Export subsidies

Make a formal approach to the South African authorities jointly with the other members of the Customs Union, to review their policy with regard to export subsidies, in particular GEIS, as a matter of urgency.

TIME FRAME: Short Term

AGENCIES: Ministries of Finance, Commerce and Industry.

Target the implicit subsidy which trade promotion extends and evaluate it at regular intervals.

TIME FRAME: Short Term

AGENCIES: Ministries of Commerce and Industry, Finance.

7.2.2 Trade facilitation

Ensure that the Ministry of Transport obtains and reacts to all the documentation regarding road transit charges, customs transit declarations and third party insurance.

TIME FRAME: Short Term

AGENCIES: Ministry of Transport and Communications.

7.2.3 Quality and standards

Develop further the initiative regarding quality assurance and a general bureau of standards.

TIME FRAME: Short Term

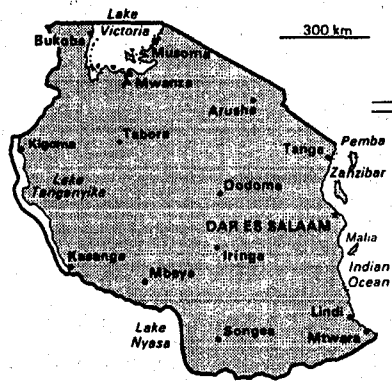
AGENCIES: Ministries of Commerce and Industry, Finance

7.2.4 Export financing schemes

Compare the net benefits of a plethora of isolated, domestic export financing schemes which are not competitive with each other with those which would accrue from a more centrally organised, but regionally operational and competitive agency.

TIME FRAME: Short Term

AGENCIES: PTA Committee of Monetary Experts; Ministry of Finance.



Tanzania

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Glossary of Abbreviations

AGC	<i>Attorney General's Chambers.</i>
BET	<i>Board of External Trade</i>
CTI	<i>Confederation of Tanzania Industries</i>
BOT	<i>Bank of Tanzania</i>
IPC	<i>Investment Promotion Centre</i>
MOF	<i>Ministry of Finance (Treasury)</i>
MOFAIC	<i>Ministry of Foreign Affairs, and International Co-operation</i>
MOHA	<i>Ministry of Home Affairs</i>
MIT	<i>Ministry of Industries and Trade</i>
TCCIA	<i>Tanzania Chamber of Commerce, Industries and Agriculture</i>

1. INTRODUCTION

The Eastern and Southern Africa sub-region has, in recent years, experienced increased and determined efforts in favour of regional economic integration. Amidst talk about reviving East African Cooperation, the sub-region witnessed, on 17th August 1992, the signing of a treaty formally establishing the Southern Africa Development Community (SADC). The Preferential Trade Area in Eastern and Southern Africa (PTA) on the other hand, has an elaborate time frame whose goal is to form a common market by the year 2000.

A number of donor agencies and organizations, including the World Bank, the European Economic Community (EEC) and the African Development Bank (ADB) have shown interest in the sub-region's efforts to accelerate regional integration among member states in the sub-region. However, despite the efforts being made in this direction, available evidence shows that intra PTA/S ADC trade and investment have, from the time of the formation of these organs, remained low. A host of trade, investment, financial and, at times, institutional, constraints are often cited as impeding increased economic cooperation among the member states.

The Tanzanian Technical Working Group (TWG) has analysed, identified and, where possible, recommended, viable means of dealing with the constraints identified, as they apply to Tanzania.

This report has two parts. The Main Report (part I) contains the TWG's recommendations listed in an action plan format. Recommendations requiring immediate action (ST) are listed first, followed by those requiring medium term to long term actions (MT and LT). Part 2 contains Annexes to the Main Report.

The main report dwells first on the intra PTA/SADC investment constraints and then on recommendations on how to go about removing them. This is followed (in this order) by the trade, financial and institutional aspects. Finally, in the last section of the main report, a summary of the recommendations, the timing for their implementation and the assistance required from donors are presented.

2. INTRA PTA/SADC INVESTMENT

The broad objective of PTA is to become in the near future a Common Market. Despite this objective, reports and various surveys conducted in the sub-region indicate that the sub-region had, up to the early 1990s experienced very little cross-border investment. At the time of writing this report, in Tanzania there were about 80 foreign firms (none among them from the sub-region) which had applied and had been issued with investment licences in sectors ranging from agriculture and industry to the service sector; but it is not known whether they have started operations.

To our knowledge, only one Tanzanian firm has shown interest in Uganda's soft drinks industry, but it is not exactly known whether or not the firm has begun operations.

Concerned about the low level of cross-border investments, the PTA initiated a Charter on Multinational Industrial Enterprises which was signed in 1990, but some PTA countries, including Tanzania, have not ratified it yet.

Among the factors cited as contributing to the low level of cross-border investments are some which relate directly to the unfavourable investment climate in most member states which is characterised by the following:

- underdeveloped or worn down infrastructure as observed in, inter alia, transportation and communication networks;
- high investment risks associated with investment nationalization and other investment insecurities;
- lack of investment capital to enable investors to penetrate the PTA/SADC markets;
- in most member states, very little has been done in the way of investment promotion with the result that most potential investors are not aware of the existing investment opportunities in the PTA/SADC sub-region;
- in most member states there are no well-established, capital markets;
- few countries have signed double-taxation agreements;
- in some PTA/SADC countries, corporate taxes are excessively high;
- the currencies of some PTA/SADC member states are over valued, thus the exchange rate disparities act as a disincentive to investment;
- cumbersome, work and resident permit procedures.

2.1. The Investment Bottlenecks as They Apply Specifically to Tanzania

Tanzania too has many of the investment constraints mentioned above. For example Tanzania

- has a worn down infrastructure that is in desperate need of repair. In particular her road and railway networks badly need repairs; some communication facilities like telex, fax, etc are undeveloped.
- lacks investment capital; this shortage of investment capital has also been echoed by the private sector.
- has not yet established a capital market although currently there are proposals in that direction.
- has double taxation arrangements with only two countries in the PTA/SADC Sub-region (i.e. Malawi and Zambia).
- has not sufficiently promoted its investment potential. Some reports indicate for example that potential investors know very little about Tanzania's tourist industry potential.

Tanzania has gone a long way towards removing protection of foreign and local investment. In addition, the country has undertaken a series of devaluations (the most significant one being that of 1986) to realign its domestic currency vis-à-vis foreign currencies.

To provide security for foreign as well as local investment, the country has laws relating to:

- The promotion and protection of investments. By enacting the National Investment (Promotion and Protection) Act, 1990 (NIPPA) as amended by the National Investment (Promotion and Protection) Act, 1992, the government has provided a legal and procedural framework concerning private, (local and foreign) investment in Tanzania. The 1992 Amendments to the Act have bettered the legal framework of the Act by reducing bureaucratic red tape and facilitating the remittance of foreign exchange. It should be noted also that Tanzania has an Investment Protection Act, 1986 whose goal is to attract foreign investors to Zanzibar.
- Business Associations. The Companies Ordinance (Cap. 212) the Business Names (Registration) Ordinance (Cap. 213) and the Law of Contract Ordinance (Cap 433) relating to establishment and registration based on decisions of the investors.
- Banking and insurance, i.e. the Banking and Financial Institutions Act, 1991 and the Insurance (Vesting of interests and Regulations) Act, 1967 the Foreign Exchange Act, 1992 and the Foreign Exchange Manual which derives its legal force from the Foreign Exchange Act, 1992. The Banking and Financial Institutions Act, 1991 has enabled private individuals and firms to own and operate banks, provided they follow the procedures. One foreign bank (the Standard Bank of the UK) has already been issued with a certificate to operate in the country. The Bank of Baroda of India has also applied to start operations in Tanzania. The Foreign Exchange Act, 1992 has repealed most provisions of the Exchange Control Ordinance (Cap. 294). Section 5 of the Act offers considerable relief to investors in Tanzania as it overcomes most of the foreign exchange difficulties inherent in the Exchange Control

Ordinance (1972). The main emphasis now is on foreign exchange management rather than foreign exchange control. However, the main thrust of the new foreign exchange rules is to attract investment in Tanzania. Prospective Tanzanian investors abroad have still to apply to BOT which can authorize the investments if it considers that the proposals are in the interests of the Country and if it has the required resources.

- Protection of Special Types of Property i.e. the Patents Act. 1987 and the Trade and Service Marks Act. 1986 whose purpose is to protect property and trade marks.

- Acquisition Of Landed Property. This is easily provided for under the Land Registration Ordinance (Cap. 334) and the Land Ordinance.

The essential feature of Tanzania's investment code is to attract foreign investors by offering economic and financial incentives. Detailed information on the financial and economic incentives contained in NIPPA 1990 and 1992 is found in the Appendices.

Tanzania is a signatory to the Multilateral Investment Guarantee Agreement (MIGA) and the International Centre for Settlements of Investment Disputes (ICSID).

2.2 An Action Plan to Remove the Identified Investment Constraints

2.2.1 Investment and Investment -related Aspects that Require Immediate Action

This category includes protocols and other documents that have basically been agreed upon either within the PTA or SADC, but which have not been, or are in the process of being, ratified by Tanzania.

- It is in Tanzania's interest to see to it that the PTA Multinational Industrial Enterprise Charter is ratified and put into force. Tanzania is basically a signatory to this 1990 Charter so whatever constraints delaying its ratification should be removed. The MIT is responsible for follow-up,

- Once the PTA MIE Charter is ratified, there is need to harmonize the foreign exchange, customs and tax regulations of Tanzania to conform to similar regulations in other member states. The BOT, MIT, and MOF are best situated to deal with this.

- Tanzania should spare no efforts in ensuring the quick ratification of a PTA Protocol on Relaxation and Eventual Elimination of Visa Requirement. The MOFAIC, MIT and MOHA to follow up.

- The legal, economic and financial incentives offered to foreign investors under the NIPPA 1990 as amended in 1992 should be vigorously exposed to potential investors. Here the cooperation of IPC, and MOFAIC is needed.

2.2.2 Investment and Investment-related Aspects that Require Medium-term Actions

The NIPPA (1990) as amended in 1992 seeks among other targets to attract foreign investors into the country. But, as stated above, it is the investment climate that will ultimately act as a magnet to attract would-be foreign investors. The government should strive to cut down, wherever possible, on the red tape and bureaucratic practices which exist in investment licencing procedures. Even after the ratification of the PTA MIE Charter, some minimal bureaucratic procedures will be needed for planning and monitoring purposes and to enable Tanzania to coordinate further action with other PTA members. In this regard, the Ministry of Finance, the BOT and the IPC are the key players.

An enabling investment atmosphere also requires a well-developed infrastructure. Such facilities as electricity, transport communication and health facilities need to be in a condition which really attracts foreign investors. Perhaps this is an area where foreign donors could step in and assist the Tanzanian government. Various Ministries are involved here, including MIT, Ministry of Energy, Ministry of Health.

The investment potential existing in Tanzania needs to be more aggressively promoted abroad. Admittedly, the Investment Promotion Centre (IPC) is doing a magnificent job to identify and advice potential investors on investment opportunities in the country. It assists also in the identification of joint venture partners and to organize investment promotion activities, at home and abroad. The IPC has a number of Investment Promotion tools that include among others, publications, and films MOFAIC, MIT, IPC and BET should take active and overt roles in advertising the investment potentials of the country. Even those foreign donors who have a fair and positive knowledge about Tanzania can help to advertise the country abroad.

For the IPC to be able to act as a "one-stop centre for an investor", the NIPPA amendment Act, 1992 ought to have included a representative from the MOHA (Immigration Department) in the Investment Committee. Institutions which may see this becoming a reality are the IPC, and MOH.

2.2.3 Investment and Investment-related aspects that require lone term actions

In the long run, Tanzania needs to harmonize of its investment, immigration and labour laws with those of other PTA/SADC member states. Several ministries, including MIT, MOH, should be involved.

As the Tanzanian government is opening up its doors to foreign investment, there is need to have a regulation to safeguard environmental protection. The Attorney General's Chamber and the National Environment Management Council can cooperate to put this to effect.

3. INTRA PTA/SADC TRADE

Official trade-flow statistics for the PTA/SADC sub-region show the low level of official intra-regional trade. A detailed analysis of official intraregional trade in the subregion for the 1987-1991 period is found in the Appendices to this report. This report had to use the International Financial Statistics (IFS) data for the analysis of import and export trade between Tanzania and its Eastern and Southern African

trading partners because domestic data sources in Tanzania are not current. Import and export data is available (at the Customs Department) for up to 1990.

During the 1987-1991 period, imports into Tanzania from the Sub-region (in value terms) came mainly from Kenya, Zambia, Zimbabwe and Uganda. Kenya and Uganda have been Tanzania's trading partners since the early 1960s. Tables 1 and 2 (Appendices) indicate that Mozambique too is becoming a significant trading partner. In 1987, Tanzania's imports from Mozambique were valued at US \$ 0.7m. By 1990, this figure had increased to US \$ 1.8m.

The tables cited above also show that during the 1987-1990 period exports from Tanzania were, directed to countries like Mozambique, Burundi, Sudan, Kenya and Uganda. As pointed out above, infra PTA/SADC trade is still low.

While statistics suggest a static or declining level of official intra PTA/SADC trade, there are reports of increasing unrecorded (or under the counter) trade in the sub-region. Since this trade takes place without the knowledge of officials, its exact magnitude is not known. It has been estimated that, between 1989 and 1991, up to TSh. 90bn (US \$300m) worth of PTA trade was unrecorded. The existence of high tariffs, (up to 100% in the case of some goods), bureaucracy in the import-export procedures, foreign exchange shortages and difficulties in getting UAPTA travellers cheques accepted are amongst the reasons cited as fuelling unofficial trade in the sub-region.

3.1 Trade Bottlenecks as They specifically Apply to Tanzania

- Public and private firms alike are still faced with foreign exchange difficulties. On top of that there is lack of confidence in the UAPTA.
- The private sector has not been sufficiently motivated and encouraged to penetrate the PTA/SADC markets.
- There is lack of adequate trade information pertaining to the PTA/SADC sub-region.
- There is still a widespread use of non-tariff barriers.
- The private sector operators in Tanzania lack sufficient knowledge about the PTA trade arrangements.
- The quality of some goods produced in Tanzania is inferior to similar products produced by other countries in the sub-region and thus Tanzanian goods cannot effectively compete, j
- The quantity produced of some goods cannot satisfy the domestic market let alone provide for export to other PTA/SADC markets.
- The private sector still feels that export and import licencing procedures are cumbersome, time-consuming and unnecessarily bureaucratic.

3.2 An Action Plan to Remove the Identified Trade Constraints

3.2.1 Trade and Trade-related Issues that Require Immediate Action

As in the area of investment, these are follow-up matters because they have been essentially agreed upon at SADC/PTA levels.

Tanzania has, since June 1992 introduced the Harmonized System of Tariff Classification (HSTC). The country was late to adopt the HSTC because of delays in printing the document, and the document had to wait the formal passing by the Tanzanian parliament. What is required here is to inform other PTA/SADC countries using the HSTC that Tanzania has started using it. The Treasury would be well placed to do this.

There is an urgent need for Tanzania to adhere to the agreed time-table for implementation of tariffs and the removal of non-tariff barriers (NTBs). At the time of writing this report, it was learned that the country had prepared, and was about to release, the second and third list of 10 % tariff reduction which were supposed to be released in 1990 and 1992. The delay was caused by the procedure involved. The Treasury and the MIT should see to it that the list is produced on time in future. The reduction to be made this year will be 20 % to catch up with the PTA timetable.

Tanzania is working on the Automated System for Customs Data as agreed in 1990 by PTA states. Full use of the system has been hampered by shortage of skilled manpower to handle computers. This is another area where donor assistance is greatly needed to provide the software and to train the personnel. Treasury can look for foreign donors.

Tanzania adheres to PTA's Road/Customs/Transit Declaration (RCTD) and is using its border towns to facilitate transit trade in member states. What is required here is to ensure that transporters are carrying the goods they have declared at the port of entry. MOF is best suited to deal with this.

Tanzania operates a Third Party Motor Vehicle Insurance Scheme. Insurance officials commented that Motor Vehicles registered under this scheme are appropriately covered and the system is functioning well. The MOF can follow this up to see how the system caters for needs.

3.2.2 Trade and Trade-Related Issues that require Medium Term Action (MTA)

There is an urgent need for the BET to make a close follow-up of trade contracted at Trade Fairs and Buyer/Seller meetings. Though official statistics indicate growing PTA trade enquiries (\$120 m. in 1991 and \$156 m. in 1992) the follow-up is admittedly, rather sluggish. The follow-up job is the responsibility of MIT, MOFAIC and BET.

Consultations with the private sector show that the business community has a long list of goods and services that, given a conducive trade atmosphere, it would have wanted to either import from or export to the PTA/SADC sub-region. The MIT, BET, BOT and MOF should see to it that the private sector is given the necessary import-export incentives, such as prompt acquisition of forex for import-export business.

The private sector finds that Tanzania's import and export licencing procedures could still be shortened by, for example, having a simple single form to be used for the import/export procedure. The paper work involved would still be substantial and there is room for reducing it. The BOT, BET, and the MOF Treasury could deal with this. It is, however, understood that SIDA and BOT are studying import licencing procedures with a view to shortening them.

The private sector feels that it is starved of credit facilities from the country's financial institutions. BOT, NBC and other banks can handle credit issues for the private sector. This is another area where foreign donors could play a significant role, by extending credit to the private sector.

The economic liberalization process in Tanzania which took effect in 1986, has greatly limited the power of state trading companies (STC) in influencing trade. Their monopoly power has been eroded.

One of the methods available to deal with practices of unrecorded PTA/SADC trade is to harmonize currencies in the sub-region. In the absence of this harmony, officials in the sub-region are left with the option of shortening import-export licencing procedures as an alternative way of dealing with this practice. Here the BOT, and BET are crucial players.

3.2.3 Trade and Trade-related Aspects that Require Long-term Action (LTA)

In the long run, intra PTA/SADC Trade will be increased through the harmonization of the trade, monetary and immigration laws of member states.

Development of a strong industrial base is paramount for increased intra-PTA/SADC trade. Here also foreign assistance is required.

The private sector in Tanzania needs to be thoroughly educated on the trade potential in the sub-region. The SADC/PTA and donor countries could help to organize seminars or public lectures to that effect.

4. FINANCE AND PAYMENTS

The PTA Bank can offer some credit facilities to potential investors in member states. Yet, there are a number of constraints (as expressed by the private sector) in utilizing the facilities. Some of these are:

- The minimum amount of credit offered is UAPTA 500,000. For this amount, the would-be borrower has to put down a 25 % cash deposit. Many would-be borrowers in Tanzania cannot afford the 25% cash deposit.
- Would-be borrowers in Tanzania find the UAPTA 500,000 too big to service particularly when they do not envisage a great export potential to the sub-region.

- Most members of the private sector do not find an effective government policy aimed at exporting or importing from the PTA sub-region.
- Like in the trade and investment issues, the private sector feels it has not been educated properly on the PTA/SADC issues.
- Apart from the TINET, there is no data bank and generally there is a shortage of means to communicate information to would be users.

4.1 Finance and Payment Aspects as they Apply to Tanzania in Particular

The Tanzanian Foreign Exchange Act (1992) goes a long way in simplifying foreign exchange procedures. A Summary of the 1992 Act and its accompanying manual is found in Part 2 of this report. As this move, by the Tanzanian government in collaboration with the BOT is so recent, what is recommended here is to give the reforms contained therein "a chance to operate" and thus be tested over time. Suffice it here to mention that under the 1992 Foreign Exchange Act, the current regulations relating to holding of currency accounts by nationals as well as foreigners have been greatly eased. It is worth noting that there are few PTA/SADC countries like Tanzania, whose nationals can walk into a nearby bureau de change and buy a foreign air ticket using local currency.

Exchange rate harmonization and the use of other currencies in Tanzania is a complex issue. Some countries prohibit the use of their currencies outside their borders for any purpose. This makes it difficult for Tanzania to include these currencies in its liberalization programmes e.g. to make it possible for people to hold them in their forex accounts, to make them tradable at bureaux de change, etc. The UAPTA can be used for these purposes. Tanzania can only act in tandem with other member countries on these issues.

4.1.1 Financial and Payments Issues that Require Immediate Action

This section also relates to protocols and agreements made at SADC/PTA and elsewhere which need to be implemented:

- The recently introduced monetary reforms in Tanzania have greatly eased foreign exchange problems for nationals and foreigners alike. The BOT, MFA, and the Treasury ought to make determined efforts to ensure that PTA/SADC member states are accordingly informed about these reforms. Would-be investors from the sub-region might be positively induced to invest or trade with Tanzania if such measures were explained to them.
- On the issue of utilization of PTA credit facilities, it would be plausible for the government (BOT in particular) to find suitable ways of assisting the private sector in matters of cash cover and educating them on how best to service the loan once extended. As indicated above, foreign donors too, could play an important role in financially assisting the private sector to utilize this important facility.

4.1.2 Financial and Payment Issues that Require Medium Term Action

There is also an urgent need to harmonize the monetary systems of PTA/SAC member states for the smooth running of monetary and payment issues in the sub-region. The Treasury and the BOT can follow-up this important proposal. It is proposed here that if the 25 % cash-cover requirement for utilization of the PTA credit facility is an inhibiting constraint to would-be credit users in Tanzania, and it does not affect the efficient operations of the Bank, the requirement can be eased to an affordable percentage. This is for the Central Banks of the member states to weigh. Users of the UAPTA should have confidence in the currency and bear in mind the importance of the unit of exchange in solving foreign exchange problems facing most member states in the sub-region. Here too, the Central Banks could follow up the proposal.

Both public and private firms which have benefitted from the PTA credit facility should service their loans so that the credit can be extended to firms in some kind of a revolving fund type of arrangement. Central banks could devise necessary mechanisms for this.

4.1.3 Financial and Payment Issues that Need Long Term Action

In the final analysis, it is the improvement in the foreign exchange positions of PTA/SADC states that is important in solving payment and financial issues of the sub-region. Member states have different strategies for achieving this and it should be left to individual countries to work out programmes for improving their own foreign-exchange standings. Closely associated with the above is the need for improvements in production of exportables (to PTA/SADC as well as to the rest of the world) in order to boost the foreign-exchange positions of member countries.

5. INSTITUTIONAL ASPECTS

5.1 Main Institutions

The following are the main trade and financial institutions in Tanzania.

- Public trading institutions include the Board of Internal Trade (BIT) and Regional Trading Companies
- Private trading institutions include the CTI and the ICCIA
- Public investment institutions include the Investment Promotion Centre (IPC), the Tanzania Investment Bank (TIB), the National Development Corporation (NDC) and the Diamond Jubilee Investment Trust.
- Private investment promotion institutions in Tanzania include the CTI and the TCCIA
- Public investment promotion institutions in Tanzania include the IPC.

5.2 Capabilities of public and private trade and investment institutions in Tanzania to facilitate cross-border investment and trade and investment flows

Given the necessary incentives the BET and TCCIA can sufficiently facilitate cross-border trade. In our view there is no need to create new trading institutions for that purpose. Likewise, the IPC and CTI can, given the appropriate enabling atmosphere, facilitate cross-border investment in Tanzania.

5.3 Proposals for strengthening public and private trading and investment institutions in Tanzania

These institutions, particularly the private institutions need first and foremost (investment, and trading) capital. They also need to be thoroughly informed about the trading and investment potentials of other PTA/SADC countries. Some of the interviewed private investors and traders actually needed to be “put in a class” for that purpose. As noted throughout this report, public and private institutions need modern communication and transport facilities. After the signing of the SADC treaty technical assistance will be required for the drafting of protocols for cooperation in the various areas identified in the treaty drawing from the experience of other integration schemes. Assistance will also be required to strengthen the sectoral coordinating units.

6. SUMMARY OF ACTION PLAN

AREA	ACTION	RESPONSIBILITY	TIMING	ASSISTANCE *
Investment	Publicize and promote abroad the legal, economic/financial incentives contained in NIPPA, 1992	IPC, MFAIC	ST	
	Assist would be investors to provide the 25 % cash cover in order to utilize the PTA credit facility	The country's financial institutions	MT	Required
	Repair and construct new infrastructure	Ministry of Works	ST	Required
	Reduce (to minimum level possible) bureaucracy in investment licensing procedures	IPC,BOT	ST	
	Educate and assist private sector on PTA/SADC matters	BOT,BET	ST	Required
	Harmonize labour, immigration and investment laws in the sub-region.		MT	
	Sign and put to use relevant PTA/SADC protocols relating to investment	MIT,AGC	MT	
	These include among others (i) PTA MIE Charter (ii) PTA Protocol on Rules of Origin Adopted (iii) Amendment of paragraph 4 of the Article 7 of the Treaty adopted on Nov. 1990.	MIT.MOFA, AGC		

Trade	Publish agreed tariff reductions in time	MOF	ST	
	Simplify further import and export licensing procedures	BET.BOT	MT	
	Sign double taxation agreements with other PTA/SADC countries	MOF	LT	
	Educate and assist private traders on PTA/SADC matters	BOT, MOF	MT	Required
	Develop the ASYCUDA	Customs Department	MT	Required
	Sign and put to use relevant PTA/SADC protocols relating to trade.	BET,MIT	MT	
Payments and Finance	Strengthen BOT's credit scheme	BOT	MT	Required
Institutions	Strengthen existing trade, investment and payment institutions	BOT.BET.IPC	LT	Required
	Strengthening PTA/SADC Coordinating Units.	Member States	MT	Required.

NOTES

1. According to the revised PTA time-table.
2. IMF, Direction of Statistics Year Book, 1991.
3. Daily News, 21st June 1992.
4. There are no official statistics so far on the actual trade that was concluded from trade fairs.
5. Complete list is shown in Part 2 of this report.
6. A summary of these procedures is found in Part 2 of this report.
7. This is a recently introduced phenomenon in Tanzania.

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1. INTRODUCTION

1.1 Intra PTA/SADC Trade

The volume of intra PTA/SADC trade, as shown in tables 1 and 2 is evidently low. In 1987 for example, Tanzania's total imports from all PTA/SADC countries amounted to US \$ 31.8m Tanzania's imports from the rest of the world were worth US \$ 917.2m. During the same year, the country's total exports to the sub-region were worth US\$ 11.6m compared to US\$ 264.3m to the rest of the world. The ratio of Tanzania's import and export trade to the sub-region as a ratio of total import and export trade has thus remained at the 3 to 5 percentage range during the 1987-1991 period; yet, interviews conducted show that Tanzania's trade potential with the sub-region is considerably large. The trade constraints cited in the country report are major impediments to the realisation of this potential. There is therefore an urgent need for the authorities concerned to act in time to deal with the identified trade constraints.

Tables 3,4,5 and 6 deal with Tanzania's leading import/export products and the import/export products that Tanzania actually traded with other PTA/SADC countries. The figures for Tanzania's leading import and exports products like those for categories of articles imported/exported to the sub-region are given in Tanzanian shillings with each table US dollars conversion rates are provided.

Table 1
Imports from PTA/SADCC States (US\$ 000 000) 1987-1991

Countries/Year	1987	1988	1989	1990	1991
ANGOLA	- ■	-	-	-	0.006
BOTSWANA	0.1	0.1	-	-	0.187
BURUNDI	0.3	0.2	0.1	-	0.181
DJIBOUTI	-	-	-	-	-
ETHIOPIA	-	0.1	0.1	0.1	0.009
KENYA	16.0	15.0	9.0	14.0	16.500
MALAWI	0.4	0.3	0.5	0.8	0.110
MAURITIUS	0.8	0.5	0.1	0.2	0.012
MOZAMBIQUE	0.7	0.7	1.6	1.8	0.400
LESOTHO	-	-	-	-	0.002
RWANDA	-	-	-	-	0.013
SOMALIA	0.1	0.1	0.1	0.1	0.072
SWAZILAND	0.2	0.2	0.1	0.1	1.003
SUDAN	0.2	0.2	0.1	0.2	0.029
UGANDA	2.4	2.4	1.5	1.7	0.083
ZAMBIA	4.9	7.0	2.8	3.3	5.800
ZIMBABWE	4.8	5.8	3.1	3.6	2.500
TOTAL PTA	31.8	32.9	19.3	25.9	-
TOTAL IMPORTS	917.2	881.1	690.6	150.3	«
% from PTA	3.4%	3.7%	2.8%	2.3%	

Source: IMF Direction of Trade Statistics Year Book, 1991

Note(s): - Indicates not available

Table 2
Tanzania's Exports to PTA/SADCC STATES (US\$ 000 000)
1987-1991

Countries/Year	1987	1988	1989	1990	1991
ANGOLA	—	—	—	—	0.003
BOTSWANA					0.48
BURUNDI	1.8	1.6	2.0	3.0	1.1
DJIBOUTI					
ETHIOPIA	0.2	0.1	0.1	0.1	0.2
KENYA	1.2	2.2	3.1	5.9	10.3
MALAWI	0.4	0.3	0.3	0.4	0.6
MAURITIUS	0.2	0.1	0.1	0.4	0.3
MOZAMBIQUE	1.9	2.0	1.6	1.8	0.7
LESOTHO					
RWANDA	1.1	1.2	1.1	1.4	0.4
SOMALIA	0.4	0.5	0.3	0.4	0.9
SWAZILAND					0.0001
SUDAN	1.8	2.0	1.5	1.7	0.2
UGANDA	1.7	1.7	1.4	1.6	3.4
ZAMBIA	0.7	0.7	0.6	0.7	1.8
ZIMBABWE	0.2	0.2	0.1	0.1	2.9
TOTAL PTA	11.6	12.6	12.2	16.1	-
TOTAL EXPORTS	264.3	306.9	318.3	423.0	
% from PTA	4.4%	4.1%	3.8%	3.8%	

Source: IMF Direction of Trade Statistics Year Book, 1991

Note(s): Indicates not available

Table 3
Tanzania's Leading Export Products 1987-1990 - Value in 000TSHS

Code	Product//Commodity	1987	1988	1989	1990
04	Cereals	365,860	244,428	680,870	1,301,642
057712	Cashewnuts	1,097,363	1,567,845	924,246	259,808
051713	Cashew Kernels		219,313	1,707,676	467,755
071	Coffee	6,510,638	7,050,458	25,475,483	15,663,848
071	Tea	829,870	1,375,706	2,546,150	3,484,032
075	Spices	455,977	252,248	4,384,251	976,484
081	Animal Feeds	52,101	80,420	461,885	91,346
12	Tobacco	913,287	1,273,593	2,128,667	2,427,960
263	Cotton	2,728,317	6,437,759	11,225,126	14,748,317
2654	Sisal	353,978	387,684	870,071	635,932
6672	Diamond	321,877	1,022,057	820,313	526,263
0-9	Others	5,459,564	8,646,730	15,239,935	24,849,114
	Grand Total	19,088,832	28,558,241	66,464,673	65,432,501

Source: BET, 1992 Dar es Salaam International Trade Fair, p. 98

Note(s) a) Export values are given in Tanzanian shillings.

b) To convert Export values into US \$ the 1987,1988,1989 and 1990 end-of-year US/Tsh official rates were 83.7,125.0,192.3 and 196.6 respectively.

Table 5
Imports to Tanzania from SADC / PTA -1989 (Tsh, 000)

	Food and live animals	Beverages and tobacco	Crude materials inedible	Mineral Fuels	Animal and fats	Chemicals	Manufactured Goods	Machinery and transport equipment	Miscellaneous manufactured particles	Not classified according to kind
Zambia	32,222,405	16,000	38,273,712	261,246,205		163,982,693	543,468,298	138,114,182	19,039,063	501,930
Ethiopia						18,404	96,561	1,075,003	1,770,485	67,348
Kenya	151,121,240	2,038,519	48,527,117	308,068,424	6,755,327	600,446,964	1,812,774,783	854,290,421	354,981,681	1,117,700
Madagascar	105,700							2,593,482	125,440	
Malawi	164,468					3,413,946	8,257,239	7,939,887	4,115,124	
Mozambique							12,403,885	66,315,794	23,322	
Mauritius						9,740		2,672,437	244,129	
Zimbabwe	3,908,988	2,436,367	4,811,182			2,609,590	302,846,513	114,407,238	125,910,482	92,828
Rwanda			7,107,170			5,095		7,159,824	48,800	263,586
Seychelles						2,230,835	1,922,997	113,000	259,960	
Somalia	2,279,884						161,544	12,263,924	67,602	
Swaziland	21,554,057		24,800	618,145		109,967,206	52,000,917	38,986,124	4,894,830	374,892
Uganda	437,229	4,033,106	2,071,284	593,311		408,832	3,439,274	8,132,071	3,676,699	1,421,080
Burundi	29,305,411	324,419		95,000		22,226	132,277	10,636,683	1,886,521	
Angola								2,614,713	70,000	70,000
Botswana						1,9624	1,120,382	17,722,536	23,834,420	
Lesotho								847,316		
Comoro										
Djibouti								17,667		

Sources: Customs and Sales Tax Department, Dar es Salaam

Notes (a) Import values are given in Tanzanian shillings'

(b) To convert Export values into US \$ the 1987,1988,1989 and 1990 end-of-year US \$/Tsh official rates were 83.7,125.0,192.3 and 196.6 respectively.

Table 6
Exports from Tanzania to SADC / PTA -1989 (Tsh, 000)

	Food and live animals	Beverages and tobacco	Crude materials inedible	Mineral Fuels	Animal and fats	Chemicals	Manufactured Goods	Machinery and transport equipment	Miscellaneous manufactured particles	Not classified according to kind
Burundi	37,095,783	23,207,228	62,842,684	179,069,381	377,000		94,445,634	6,617,213	4,291,042	37,809
Ethiopia			1,227,425				12,000			
Kenya	52,023,778	647,773	1,365,865,181		613,481	12,554,710	401,749,104	243,214,507	10,512,908	346,908
Madagascar							21,810,768		850,000	
Malawi	4,816,856		1,652,931			9,780	42,895,176	13,905,178	126,680	
Mozambique	2,054,007		1,786,686	39,000,925			5,497,364	115,564,232	45,438,608	20,000
Mauritius	72,449,768		17,545,901	420,618,110						
Zimbabwe	4,070,942	3,052,130	6,533,756				188,970,906	5,669,346	44,400	163,125
Rwanda	3,873,974	31,462,292	9,115,295	M,744,500			14,376,018			10,000
Seychelles			320,463				7,261		59,072	
Somalia	42,018,489		10,407,459				11,037,858		225,365	
Swaziland	67,553		891,742				81,276			
Uganda	11,439,481	150,255,206	4,322	44,449,950			345,650,362		907,392	7,022,127
Zambia	15,336,968	1,763,239	2,583,200			1,457,409	199,606,438	11,090,552	12,179,500	
Angola										
Botswana	11,835,719		1,636,513							
Lesotho										
Comoro	1,667,697		1,309,102				85,594,398		26,804	54,950
Djibouti	5,171,273						56,714			

Sources: Customs and Sales Tax Department, Dar es Salaam

Notes (a) Import values are given in Tanzanian shillings

(b) To convert Export values into US \$ the 1987,1988,1989 and 1990 end-of-year US \$/Tsh official rates were 83.7,125.0,192.3 and 196.6 respectively.

ANNEX A1: Licencing procedures in Tanzania

ALL IMPORTS

The basic policy regarding import of goods into Tanzania is formulated by the Government in consultation with the Bank of Tanzania. Actual licencing functions are, however, performed by the Bank as the administrator of the Imports Control ordinance cap 292 of 1957. The regulations regarding payment for imports and allied financial transactions fall under the sphere of the Foreign Exchange Act, 1992.

Under Section 7(1) of the Foreign Exchange Act, 1992, persons (including firms/companies) wishing to credit the account of any person resident outside Tanzania for import of goods into the country will obtain permission from the Bank of Tanzania unless powers have been specifically delegated to authorised dealers. The application of own funds or bureau de change facilities is recognised. Regulation 17(b) of the Foreign Exchange Regulations, 1992 read with Section 7 of the above Act imposes an obligation on importers to ensure that import of goods for which permission has been granted and payment authorised is not unreasonably delayed.

Normally, the importation of goods into Tanzania is subject to specific import licenses. Potential importers are therefore advised to verify the prevailing import licencing policy and law before undertaking any negotiations with foreign suppliers or agents.

Generally the importer would observe the following :-

- Fill out an import licence application
- Attach a proforma invoice
- Attach permits (where necessary)
- Attach a covering letter/allocation letter
- Attach an unrefundable application fee (for the time being a postal or bankers order of Tshs. 1,000/= about 2.5 US \$)
- Indicate the mode of funding

The Import Licence must be completed and submitted in a set of five copies. Application for importation of restricted goods such as food stuffs, plant-related products, medicines, petroleum products etc. are normally considered after prior authorization has been obtained from respective ministries or institutions.

The following are the sources of import financing which must be quoted on the application:

- Open General Licence (OGL)
- BOT allocation - Free Resources
- USAID
- Import Support
- P.T.A.

O Loans, Grants and Credit (Suppliers)

- Bureau de Change
- Own Funds

Q Retention Scheme

- Equity contribution
- BET/SUKAB
- Barter Protocols

Imports whose value exceeds US \$ 5000 must be subjected to compulsory pre-shipment inspection (PSI) unless a waiver was expressly sought and obtained from the Imports Controller.

A.1.2 EXPORT LICENCING PROCEDURES

Section 7(i) of the Foreign Exchange Act, 1992 empowers the Bank of Tanzania to regulate the exportation of goods from Tanzania and to prescribe the terms and conditions for payment. The Governor has delegated powers to the Commissioner of Customs and Excise to allow exportation of goods subject to compliance with certain requirements. The Governor may amend or modify these powers from time to time.

All exports from Tanzania, except border trade exports, irrespective of their mode of conveyance (land, sea, air, etc) must be declared correctly and completely on prescribed forms (known as CD3 form) at the pre-shipment stage. The CD3 form is a legally binding document.

Payment for exports from Tanzania must be made in specified foreign currency or in shillings arising from an account held by a foreigner in a Loro or Foreign Currency Account.

Every person/firm/company engaged or to be engaged in export business in Tanzania must register with the Bank of Tanzania. Applications are made to the Bank through the applicants' bankers and include:

- Full and correct postal and residential addresses.
- Written confirmation from their bankers that the bankers are maintaining accounts in the names of the former.
- If the applicant is a firm or company, the signatories on behalf of the concerned firm/company should indicate their designation under appropriate seals/stamps.
- Photostat copies of the certificate of registration/incorporation and the export business licence should be submitted.
- Two passport-size photographs of the applicant, duly authenticated by notary public or Commissioner for oaths.
- First five pages of the passport or affidavit, duly authenticated by Notary Public/Commissioner for oaths of the same Nationality as the applicant.

In order to avoid delays in the processing of applications, applicants should, also provide the following:

a list of commodities intended for export. Where such commodities are confirmed prior approval should be sought and obtained from the confinee and a copy thereof submitted along with the application for registration; and

in the case of a limited liability company:

- a) The Company's memorandum and articles of Association
- b) Form of annual return of a company having share capital.

When the applicant has fulfilled the above requirements, a registration number is issued by the Bank of Tanzania. The number must be quoted on the CD3 forms and on all the applications to the customs authorities, Board of External Trade and the Exporter's bankers.

The procedures outlined above are the product of a lot of refinement of previous regulations/procedures which were more stringent. To the extent that they are intended to safeguard the inflow and outflow of scarce foreign exchange, within the framework of the country's very constrained foreign exchange situation, the accent has been cautious on liberalization. The procedures themselves are under constant review to keep abreast of the social economic changes in the country and the world in general. To enhance intra-PTA trade, several preferences are given including the ceding of all the surplus earned in the Clearing House to intra PTA imports. Since SADC is a subset of PTA in the case of Tanzania, what is said of PTA is generally true of SADC.

A BOT/SIDA project to study Import-handling information systems was launched in 1988 and is due to end in June 1993. The project which involved studies and workshops on how to make foreign exchange and import handling flow smoothly comprised members from the Central bank, Commercial banks, Customs, Treasury, TCCIA, Tanzania Freight Forwarders, TCFB, Nasaco and PBZ. The study will finally recommend measures which will facilitate foreign exchange and import handling and ways of dealing with bottlenecks on trade flow in this regard.

Any person resident or non resident in Tanzania may open and maintain a foreign currency account with authorized dealers and withdraw therefrom at any time, any amount of foreign currency for effectif payments within or outside Tanzania without any restrictions. The account may be opened by a credit of specified currencies only.

There are no hard and fast rules governing the opening of a foreign currency account in Tanzania; but if one had access to one or any of the following facilities he/she would qualify to open a foreign currency account with an authorized dealer.

- Direct remittances from abroad attract 100% retention and the same could be applied to open a foreign currency account (FCA).
- Exports of traditional commodities qualify for 10% retention which can also be applied to FCAs.
- Exporters of non traditional are entitled to 50% retention which also qualifies for FCA operation.

- All mineral exporters enjoy a 70% retention and they too can apply part or all their retention proceeds to open FCAs.

Foreign currency accounts attract interest at such rates as determined by authorized dealers.

Annex A3: •

Summary of recently introduced reforms in the financial markets in Tanzania

In 1986 the Government embarked on a comprehensive adjustment programme in the contexts of an initial three-year Economic Recovery Programme (ERP) 1986-1989 and of the Social Action Programme (ESAP) 1989-1992. Under these programmes, the Government has sought to provide the necessary environment for improvement of macro-economic management to achieve sustainable growth in per capita incomes and set the pace for poverty reduction. Against this background it was evident that the banking sector and other financial services would play a key role in supporting economic and social development.

The Commission of enquiry into the Monetary and Banking systems was thus appointed in 1988 to study the underlying causes of the weaknesses in the financial system in Tanzania. The Commission established the need to restructure the financial system by rehabilitating the existing banks and reforming the major clients of the banks. It was felt that a proper framework for institutional development would need to be established in order to foster growth of financial networks which would be more supportive of the productive sectors.

In upholding the findings of the Commission, the Government enacted a new law, the Banking and Financial Institutions Act, to replace the Banking ordinance. The new legislation established the framework for an autonomous financial system, with a modern approach to prudential regulation of financial activities in line with international practice. To this end new banks and financial institutions both local and foreign were allowed to operate in Tanzania and so far one foreign bank has been licenced.

To demonstrate the commitment of the Government and in order not to place the existing banks at a disadvantage, a mechanism of dealing with the non-performing assets of the existing banks was established. The purpose of this move was to clean up the balance sheets of these institutions so that they could enter the new era on a sound footing. In 1991, the «Loans and Advances Realization Trust» Act (LART) came into being. Already the process of restructuring existing banks and financial institutions has begun and the Administrator General for the LART has already been appointed.

In 1992 the Foreign Exchange Act was also amended to allow for the liberalization of foreign exchange operations. These changes resulted in the issuance of the Bureau de Change Order, 1992, by which, Tanzanians and non-Tanzanians alike could own and operate foreign exchange shops, popularly known as bureaux de change.

In short, a lot of things have happened since 1986 and it is, perhaps too early to offer a critique or valuable assessment of what has transpired, let alone to recommend further reforms.

Annex A4

Regulations governing remittance of forex from Tanzania

We shall confine ourselves to remittances of forex outside Tanzania in the following areas:-

Remittance of foreign currency for purposes other than the ones outlined above are supposed to go through the bureaux de changes. It is not uncommon that payment for certain small quantities of imports may go through the bureaux, in which the case authorized dealers' (commercial banks) foreign exchange requirement is covered by the relevant bureau de change after that particular bureau has concluded the transaction with the customer/importer. The same procedure will also be followed in case of remittances for education, medical care, etc. For all the cases originating from the bureaux de change, no prior approval is required from the Bank of Tanzania as the upper limits are pre-determined.

For each outward transfer in the three categories cited above, a relevant Outward Payment form is completed by the applicant in triplicate. In cases where prior approval has already been obtained from the Bank of Tanzania, the forms may be signed by the authorized dealer concerned. Correspondence with the Bank of Tanzania and or particulars of the foreign exchange permits issued by the Bank should be cited on the form. In cases where specific approval for effecting payment is required from the Bank of Tanzania, the forms will have to be signed by an authorized official of the applicant's banker, after prima facie scrutiny, and forwarded with appropriate documents. Where a single remittance is involved, both copies of the form will be returned to the Authorized dealer by the Bank of Tanzania along with a Foreign Exchange Permit. If however, the amount is required to be remitted in instalments over a period of time, the form should indicate the total amount to be remitted during that period. When approving such an application, the Bank of Tanzania will retain the original form and return the duplicate copy. As and when an instalment is paid/against this approval, a new form should be filled by the authorized dealer for the amount actually remitted, a reference to the relative approval/foreign exchange permit of the Bank of Tanzania.

Annex A5

Export credit guarantee scheme (ECGS) in Tanzania

Introduction

The Export Credit Guarantee Scheme (ECGS) was established in 1981 on the basis of the Bank's annual profits. The Bank of Tanzania allocates annual contributions to a special fund known as the Export Credit Guarantee Fund. The Scheme is administered by the Bank of Tanzania (the Export Credit Guarantee Organisation) and offers guarantees to eligible financing institutions (the National Bank of Commerce, the Cooperative and Rural Development Bank and the Peoples' Bank of Zanzibar) to enable them to extend short-term credit to exporters of non-traditional commodities. Financing institutions are thus protected from losses which may arise due to various risks, including insolvency and protracted default of buyers or other commercial and political risks.

It was not until 2nd April, 1990 that the scheme was operationalised. Under the Export Credit Guarantee Scheme, exports were made to Europe, Far East, etc. Only two batches of exports were made to PTA countries.

The following problems have been encountered:

- Non-reporting by Financing Institutions. Monitoring of exporters' progress after disbursement of the Credit by Financing Institutions is poor. This has led to late identification of exporters' problems. As a result remedial measures are not taken at the right time.
- Q Monthly returns of progress reports are not submitted on time as stipulated in the Scheme's Operational Guidelines.
- Failure to follow-up on overdue credits is the factor which hinders the effectiveness of the scheme. Financing institutions lack information on their clients.

Plans to improve the scheme include: improving the credit management with clear rules/procedures, reviewing the Scheme's operational guidelines which have shown ambiguities, creating a closer triangular consultation among exporters, financing institutions and the Export Credit Guarantee Organisation.

Annex A6:

Investment guarantees required by potential foreign investors

On the basis of interviews conducted in July and August 1992 and judging from the British, American, German and Belgian business missions visiting Tanzania in the February-July 1992 period investors require the following investment guarantees from Tanzania.

- a) Guarantees against nationalization of the type which was common during the Arusha Declaration period.
- b) Tax holidays of up to 5 to 10 years from the time investment is undertaken.
- c) Easy repatriation of capital dividends and profits in convertible currencies.
- d) Freedom to employ expatriates.
- e) Easy access to work and residence permits.
- f) Reduced sales and corporate taxes and lower import duties.
- g) Easy access to foreign currency.
- h) Permission to retain up to 100% foreign earning (in case of exports) in overseas bank accounts.
- i) Existence of enabling infrastructure,
- j) Simpler import and export procedures.

Annex A7:

Classification of immigrants into Tanzania

The Immigration Act of 1972 categorizes foreigners into 3 different classes.

- i) Class A immigrants, e.g. traders, businessmen, professionals, etc. Among other stipulations the duration of stay in Tanzania by Class A foreigners is determined by the Principal Immigration Officer. Class A immigrants are supposed to pay a sum (determined by immigration officer) depending on the longest duration of their stay.
- ii) Class B immigrants are specific foreigners seeking employment (expatriates) in Tanzania and who the Principal Immigration Officer is satisfied possesses the qualifications or skills necessary for such employment and whose employment will benefit Tanzania. The employer is required to give sureties.
- iii) Class C immigrants are foreigners not specified under Class A or B (tourists, etc.). Foreigners under this class generally stay in Tanzania for short visits and are requested to have valid passports and permits.

General Permit Conditions if the holder is notified by the Principal Immigration officer/minister concerned that his permit has been withdrawn, the permit holder must leave the country. If a permit-holder is asked to leave the country by the Principal Immigration Officer, he/she may appeal to the Minister concerned whose decision by the Act is final and may not be reviewed by any court of law.

Annex A8:

Incentives provided by Tanzania's investment code

The NIPA Act 1990 as amended in 1992, recognizes the importance of effective incentives in mobilizing both local and foreign investments and provides the following specific incentives to investors.

Tax incentives

- a) Corporate taxation (to foreigners) : For initial investments there will be a tax holiday applicable on profits for up to the first five (5) years of production, thereafter there will be the Corporate tax (50% on taxable profits) on non-residents' investment projects.
- b) Taxation on co-operative societies : Co-operative societies will qualify for a tax holiday as corporate investors, but tax rates after tax holiday will be 22.5 percent.
- c) Personal Income Taxation : Sole proprietors approved by the IPC shall also enjoy a similar tax holiday for the first years of production, thereafter, taxation will be as specified by the Income Tax Act, 1973.
- d) Withholding Tax

Dividends

Reduction of withholding tax on dividend from 20% to 10% for non-residents.

Royalties

Reduction of withholding tax on royalties from 30% to 20% on gross amount payable.

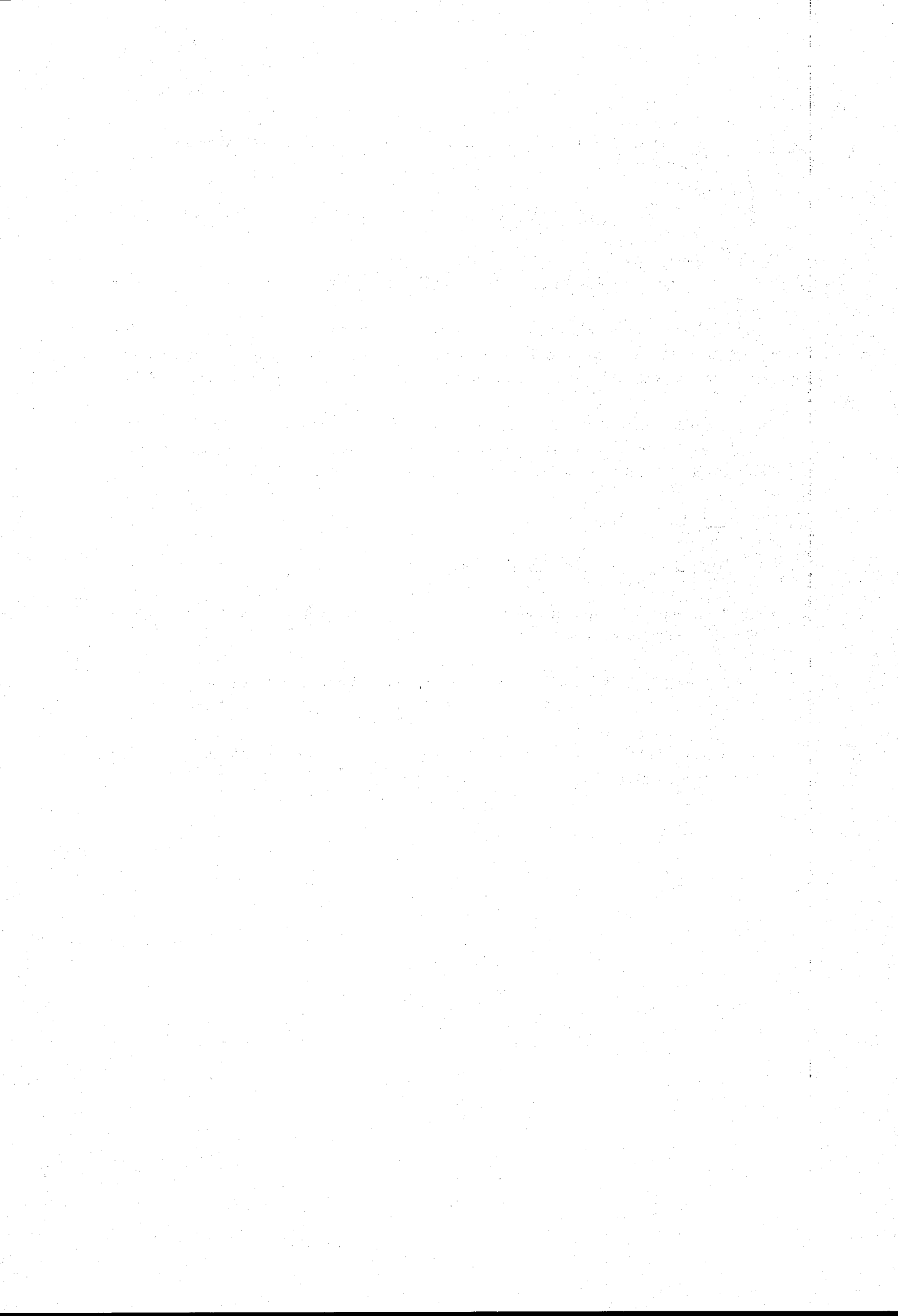
Interest

Withholding tax rates on interest payable on foreign loans shall remain at 20%.

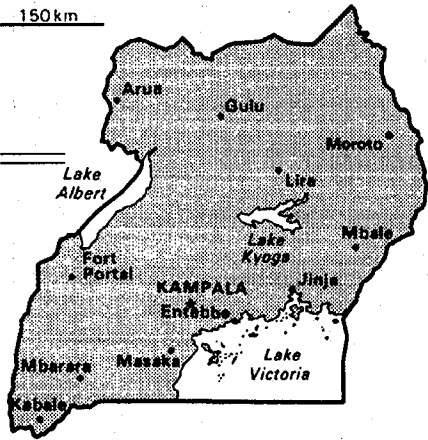
- e) Tax on Expatriate Salaries : Maximum marginal tax rate on individual taxation will be 50%; and the Government has offered tax concessions to expatriate employees under the Income Tax (Remission) Inducement Allowance Paid to Expatriate Employees) Order of 1976.
- f) Indirect Taxation : In order to encourage investments in the priority areas, the Tanzanian Government has introduced many concessions providing for customs duty-free imports or the refund of duty and sales tax on certain imported goods, etc.

Foreign Exchange Benefits

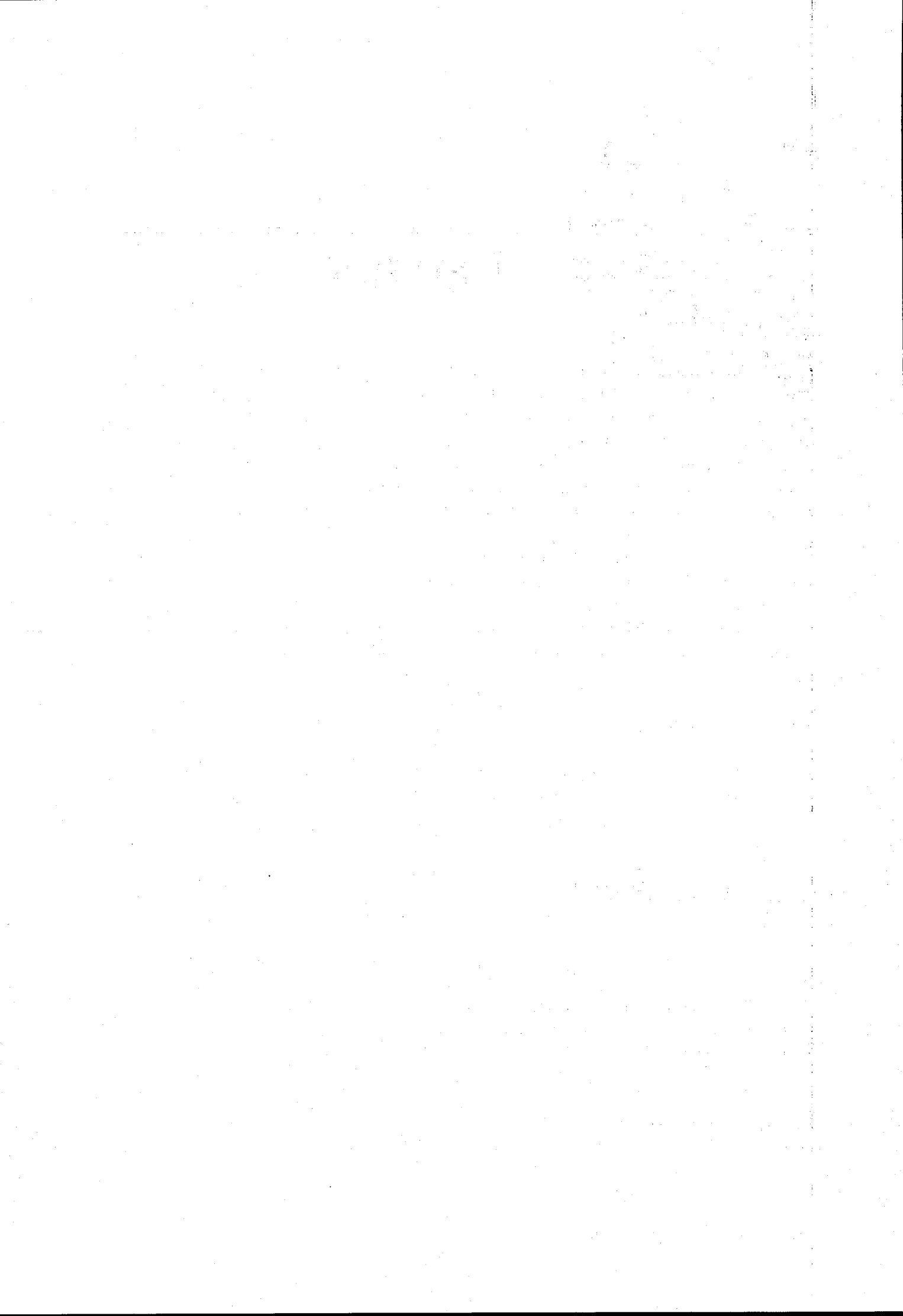
- a) Maintenance of foreign exchange retention schemes
- b) Preferential allocation of foreign exchange to manufacturers of exports and imports of substituting items.
- c) Efforts to be made to facilitate prompt acquisition of foreign exchange by investors.
- d) Overseas Remittances
Extension of the retention scheme to allow holders of retention scheme to use up to 50% of such accounts for effecting overseas remittances.



150 km



Uganda



1. INTRODUCTION

This report is a response to the initiative developed under the aegis of the World Bank, the European Community and the African Development Bank to accelerate the process of economic integration in Eastern and Southern Africa and the Indian Ocean Island states. The initiative aims at the development of a concrete action programme on regional integration that could benefit from financial and technical support from donors. The report is based on the terms of reference that were agreed upon by representatives of national Governments in the Eastern and Southern Africa sub-regional and regional institutions at the Mauritius Workshop held from 3-5 June, 1992, to launch the initiative.

The Uganda Technical Working Group (TWG) was formed and began its work on 18th July, 1992. Its membership was drawn from the private and public sectors. The presence of only three private sector organisations in the Technical Working Group may give the impression that private sector participation was low. This is, however not the case since one of the organizations, the Uganda Manufacturers Association (UMA), represents the interests of nearly 300 organizations engaged in manufacturing, processing, tourism, and the provision of financial and insurance services. In addition, views were solicited from a cross section of industrialists, manufacturers, transporters and other members of the business community.

On the basis of the terms of reference, relevant questionnaires were developed and tasks were assigned to specific Organizations/Institutions. The questionnaires are provided in volume B of this report.

Z THE AREA OF INVESTMENT

The investment climate in Uganda has been influenced by a diversity of factors including political instability, nationalization, inward-oriented economic policies, lack of investible funds and a generally low savings rate.

The evidence of more than two decades suggests that high rates of investment played a major part in the rapid growth of a number of developing countries. In Uganda, the situation is less optimistic, with respect to levels of investment.

Table 1:
Investment and Savings Ratios
as percentage of GDP

	1983	1984	1985	1986	1987	1988	1989	1990
Gross Domestic Investment	9.1	8.8	9.9	12.5	12.9	10.1	9.9	12.3
Sub-Saharan Africa	13.7	10.4	11.6	14.6	15.6	15.6	15.6	14.2
Gross Domestic Savings	3.9	6.2	7.8	8.4	6.1	0.8	-0.2	-0.7
Sub-Saharan Africa	9.8	10.9	12.4	11.4	13.0	12.3	13.1	16.6
Gross National Saving	-10.4	5.5	6.2	7.1	7.4	1.8	0.6	0.1
Sub-Saharan Africa	6.7	7.6	8.7	7.7	8.0	7.0	7.6	8.3

Source: African Development Indicators UNDP/World Bank, 1992

Table 1 above gives investment and savings ratios for Uganda and as can clearly be observed, all the ratios are consistently below the sub-Saharan average. There has been a marked decline in the ratio of gross domestic savings to GDP over the last 5 years. The trend is partly explained by the high rate of inflation, which on average were 10% per annum between 1980 and 1990, and the negative real interest rates over this same period.

The ratio of gross national savings to GDP dramatically declined after 1988, principally as a result of the sharp decline in the price of coffee upon which the country depends for over 90% of its total export earnings.

Although the government has recently scored successes and reduced inflation to about 66% per annum in May, 1992, the inflation rate is still too high to generate long term expectations of the low and stable inflation needed to encourage investment, and savings and investment are still far too low. In the 1991/1992 fiscal year direct foreign investment was of the order of US \$2m. This is a positive observation considering that there has not been any direct foreign investment for over 10 years.

2.1 National Investment Policies

Recently the government adopted policies to encourage direct foreign investment thus marking a major shift from previous policies which emphasised inward orientation. The policies are embedded in the investment code which came into force in January 1991. The code established the Uganda Investment Authority (UIA), a one-stop shop to promote, facilitate and regulate both foreign and local investments in Uganda. The code provides for fiscal incentives such as corporate tax and duty exemptions on inputs, as well as duty draw-backs for export industries, including the right to externalise funds in respect of profits, dividends, salaries, royalties and loan repayments. It also grants free importation of plant, machinery and construction material, provided they are not more than five years old. These incentives are granted according to the value and nature of investment. Eligibility in the case of local investors requires a minimum capital investment of US \$ 50,000, while for foreign investors it requires US\$ 500,000. Additional incentives are offered to investments falling under areas identified by government to be in the priority category. The conditions necessary to qualify for the facilities and incentives under the code and the priority areas for investment are contained in Appendices A1 & A2 to this report.

The investment code gives protection against compulsory possession or acquisition of enterprises established under the code. Additional assurance should be derived from the knowledge that Uganda is a member of the Multinational Investment Guarantee Agency (MIGA). Some investors have nevertheless expressed a desire for additional guarantees pertaining to imports of inputs and for establishment of new plants. The investors require guarantees from the government to allow them to import inputs and new plants on a consignment basis or under suppliers credit. Currently authorisation has to be sought from the Director of Exchange Control by each firm on a case-by-case basis.

The minimum foreign capital investment requirement in order to qualify for incentives under the code is high. Investments in the services sector are considerably less than US\$ 500,000. The requirement therefore penalises or discourages such investment. Similarly the requirement to import plant and machinery below the 5-year age limit acts as a disincentive to prospective investors wishing to relocate capital. A project to set up an aircraft operations company, for example, could be greatly affected by this requirement. The investment code also bars all foreign companies, including PTA companies, from carrying out professional services in Uganda. This provision is restrictive and needs to be re-examined.

By 12 August 1992, the Investment Authority had received 250 applications of which 205 had been approved. Appendix A3 gives the position of applicants and approvals by sector of investment as well as the classification of investments by size and sector as at 12 August 1992.

Approvals include 102 local companies and joint ventures with a minority foreign interest and a planned total investment of US\$ 307.4m. In addition 103 foreign companies including joint ventures with a foreign majority interest and investments worth US\$ 258.7m qualified under the code. The largest proportion of the approvals are in respect of existing investments only seeking to be granted incentives under the code.

Total employment expected to result from the approved investment amounts to 15,300 workers of which 14,562 will be indigenous and 738 foreigners.

1. The appendices for Uganda are not included in this volume, but can be made available upon request.

In spite of the incentives offered under the code, the prospects for increased investment are likely to be greatly diminished by bureaucratic procedures and lack of utilities to support investments, which still constitute great impediment to investment. A workshop to examine impediments to increased investment and in particular the non-availability of land and utilities for investment was organised by the Uganda Investment Authority from 7-8 September, 1992.

The findings of the workshop support the view that the bureaucracy and the inability of the government and its agencies to offer utilities create a bottleneck to investment. There are still numerous controls and lengthy procedures associated with land acquisition and provision of facilities. The power board, for instance, requires investors to purchase such items as the transformers and poles necessary for the provision of power, which immediately fall under the board's ownership without any provision to offset costs from subsequent energy utilised by the investors.

The investment code, in conjunction with the liberal economic policies adopted by the government, offers unrestricted inward investment flows. Outward investment flows are restricted as applications to transfer funds have to be approved by the Central Bank. There is an urgent need to re-examine this procedure in order to facilitate PTA cross-border investment. The exchange control order of 1991 which established foreign exchange bureaux does not provide for any transfer of capital outside Uganda. The foreign exchange bureaux were established in June 1990 to freely deal in the foreign exchange money market and the volume of business transacted rose from about 1.8m US\$ per month in 1 July 1990 to approximately 16.9m US\$ per month in May 1992.

2.2 Private Sector Participation

Uganda now recognises that earlier efforts at industrialization focussed mainly on state-led creation of capacity. The findings show that these efforts have been inefficient and also costly to both consumers and tax payers. This capacity is now being restructured and a programme of divestiture of enterprises (considered of no significant strategic importance to government and to unviable public enterprises) is under implementation.

2.3 Regional investment policy

At the regional level, the PTA has recently developed a charter on a regime for multinational industrial enterprises which, it is hoped, will facilitate the movement of investment capital between member states and particularly from the more developed to the less developed member states. The charter was signed on 23/11/90 and was ratified by Uganda on 30/12/91.

It is still too early to assess the Charter's impact on cross-border investments, but the scope of investment flows is unlikely to increase without complementary measures such as monetary harmonisation, the development of a regional stock exchange and free movement of persons and capital.

Certain provisions of the charter are punitive to those member countries which have liberal economic policies intended to attract increased direct foreign investment. Specific reference is made in the action plan to sections of the charter that need to be modified.

2.4 Visa requirements

The PTA protocol on relaxation and eventual elimination of visa requirements was signed by the member states in 1984 to promote greater movement of PTA nationals. Uganda ratified the protocol on 5/2/91. The first phase of the protocol requires member states to exempt PTA nationals from obtaining a visa before travelling to another member state and instead assures them of obtaining visas at official points of entry. Traditionally, all PTA states who are members on the Commonwealth enjoy this privilege. In addition, Uganda has bilateral visa abolition agreements with Rwanda and Burundi. The implementation of both agreements is unsatisfactory. The civil war in Rwanda has prevented any progress in the implementation of the agreement and there is non-reciprocity on the part of Burundi although Uganda does issue visas to Burundi nationals at official points of entry.

The second phase of the protocol requires member states to permit PTA nationals holding travel documents to enter freely into the territory of another member state through an official entry point without a visa, provided that their stay does not exceed 90 days at a time. Uganda is already considering the immediate implementation of this second phase with willing countries on a reciprocal basis.

Uganda has reached agreement with all its neighbouring states on the use of temporary border permits by border populations and traders to facilitate their entry for periods of up to 30 days. The border permits serve as travel documents.

3. TRADE

Analysis of Uganda intra-PTA trade flows shows that Uganda exports to practically only three PTA countries and even there the volume of exports is very low indeed. **Table 2** below gives Uganda's external trade indicators.

Over the period under review, Uganda's market share in intra-regional exports declined from 2.9% in 1984 to 0.7% in 1990. Intra-PTA exports as a proportion of total exports also declined from 3.5% to 2.2% during this period; and while Uganda's world trade grew by 15% between 1984 and 1989, its PTA trade declined by 3.3% over the same period. In 1990, Uganda's world trade declined by 11.2% while intra PTA trade declined by 18.2% compared to 1989 levels. However, Uganda's imports from PTA

Table 2 Uganda's trade with PTA countries

	1	2	3	4	5	6	7
YEAR TOTAL PTA EXPORTS	TOTAL UGANDA EXPORTS	TOTAL UGANDA'S INTRA PTA EXPORTS	INTRA PTA EXPORTS	% Col.2:1	% Col.4:3	% Col.4:2:	
1984	7,857	385	459	13.4	4.9	2.9	3.5
1985	7,165	382	404	3.9	5.3	0.9	1.0
1986	7,557	431	482	3.7	5.7	0.8	0.8
1987	8,729	311	492	3.6	3.4	0.7	1.1
1988	10,130	328	558	3.9	3.2	0.7	1.2
1989	11,019	280	579	3.4	2.5	0.6	1.2
1990	11,779	179	580	4.0	1.5	0.7	2.2
	8	9	10	11	12	13	14
YEAR TOTAL PTA IMPORTS	TOTAL UGANDA IMPORTS	TOTAL UGANDA'S INTRA PTA IMPORTS	INTRA PTA IMPORTS	% Col.9:8	% Col.11:10	% Col.11:9	
1984	10,035	290	459	108	2.9	3.5	37.2
1985	10,125	285	404	95	2.8	23.5	33.3
1986	10,330	364	482	123	3.5	25.5	33.8
1987	12,266	517	492	95	4.2	19.3	18.4
1988	12,754	482	558	106	3.8	18.9	22.0
1989	14,222	473	579	114	3.3	19.7	24.1
1990	14,781	481	589	92	3.2	15.6	19.1

Source: Bank of Uganda & Direction of Trade Statistics Year Book 1991

countries, on average accounted for 21 % of all intra PTA imports between 1984 and 1990. As a proportion of total imports, on average 27% of Uganda's imports were sourced from the PTA. This ratio demonstrates an open import policy by Uganda towards regional imports. Details of products traded over the period under review are available in Volume B.

3.1. Macro-economic constraints

Inflation is a key variable influencing macro-economic policy in Uganda as the exchange rate policy and interest rates are influenced by the level of inflation. Uganda has a long history of high levels of inflation (average of 100% per year between 1980 and 1990). The government's response to this has been to devalue the domestic currency. This process has been going on as government fights inflation and tries to maintain a real exchange rate that will keep the domestic economy on a competitive footing in international trading. At the same time because of soaring inflation rates, interest rates have been set at high levels in an attempt to attract domestic savings. These developments have, to a certain extent, constrained trading activities.

A cross-section of traders interviewed complained that the high cost of credit (interest 48%-50%) require larger margins and a quick turnover, both of which are not possible under the present recessionary conditions in Uganda. The exchange-rate movements between the domestic currency and the U S\$ as well as the structure of interest rates are contained in Appendix A4 and A5 respectively.

3.2 Import licensing

Paragraph 1 of article 16 of the PTA treaty requires States to refrain from imposing non-tariff barriers on intra-PTA trade. Although the PTA Council of Ministers has continuously urged member states to abide by these requirements, several studies carried out by the PTA Secretariat identify restrictive import licensing and foreign exchange allocation as the most serious impediments to intra-PTA trade.

3.3 Import Licensing Procedures

Import licensing has been greatly liberalised by the removal of the bureaucratic and rent-seeking activities usually associated with trade restriction measures. In the case of import support funds tied to a project, sector or source of supply, Uganda has abolished specific import licences and replaced these by a general import certificate which can be automatically and speedily obtained by any Ugandan registered business.

Any number of consignments can be imported with this certificate for up to six months from the date of its issue, after which it has to be renewed. A prospective importer is required to furnish an invoice and specify the goods to be imported, their source and quantity on an import form provided by Bank of Uganda. The commercial bank then opens a letter of credit which has to be confirmed by the Central Bank. This requirement is currently under review. Under the proposed new policy, import support funds will be maintained by Commercial Banks and this will enable them to confirm letters of credit without obtaining **prior** clearance from the Central Bank.

In the case of cross border trade, permits are issued which allow traders to import goods with a maximum value of US\$ 5,000 per importation. This measure is meant to encourage border trade and increasingly reduce the magnitude of informal trade at the borders. For imports below US\$ 1,000 in value, no import licence is required.

Foreign exchange allocation has been abolished. Importers or travellers can now buy foreign exchange from the exchange bureaux or commercial banks at market rates. Most people interviewed stated that import licensing and foreign exchange allocation no longer constitute a serious impediment to trade.

3.4 Export Licensing

The export licensing procedures have been greatly facilitated by the introduction of simple and transparent procedures. An export certification system which is almost automatically renewable every six months has replaced the export licences. Before obtaining an *export* certificate, the prospective exporter is expected to register the business and obtain a trading licence and an income tax certificate. Armed with these, the prospective exporter makes an application to the Ministry of Commerce. The Ministry usually processes and grants approval within two working days. Import and export licensing guidelines are contained in Appendix A10.

3.5 Status of Regional Liberalisation Measures

The PTA member States have agreed to the gradual reduction and eventual elimination of tariff and non-tariff barriers to intra PTA trade by the year 2000. According to the timetable, three rounds of tariff reductions should have been effected by now i.e. 1st July 1984, 1st October 1988 and 1st October 1990. Uganda has effected all of these reductions.

In addition, great effort has been made to reduce or altogether eliminate non-tariff barriers to trade. Licensing regulations have been simplified and foreign exchange allocation has been abolished. Foreign exchange is now freely purchased at the bureaux or commercial banks at market rates. Export earnings retained by exporters could also be used for importation if the exporters so choose. However, import policy discriminates against regional imports of raw materials that are produced locally. Similarly an import ban is in force for some commodities on the Common List i.e. cigarettes, beer and soft drinks. These measures are being applied to protect domestic output. In addition, quantitative restrictions are imposed on some commodities. The negative import/export list and the list of restricted imports are contained in Appendix A6.

3.6 Obstacles to Intra PTA Trade

Interviews were held with a cross-section of importers and exporters on major obstacles to intra PTA trade and the findings are summarised below:

- On the import side, the traders argued that PTA goods were usually uncompetitive and deliveries were unreliable. Cement and tyres from Tanzania were cited as examples. Another

obstacle identified was the negative consumer preference for goods of PTA origin because of lower quality, especially textiles/clothing and leather products. This has influenced import decisions in favour of goods from the industrial countries.

With regard to exports, a cross-section of Ugandan exporters stated that they were finding it very difficult to break into the PTA market because of low domestic output which is not even sufficient to satisfy local demand. As a result delivery schedules cannot be met, let alone guaranteed. There is, therefore, no incentive by most of the manufacturers or private agents to engage in export trade. Even where export opportunities exist within the PTA, there are other obstacles to trade. The 100% export retention scheme offers greater incentives to offshore exports. Export proceeds are retained or surrendered at market rates and do not follow the procedures of the PTA Clearing House. As a result, offshore exports are at an advantage because of the existing margin of 21 % between official and market rates. In addition, instability in the domestic currency coupled with delays in payments has discouraged intra-PTA exports. Exporters reported potential losses of between 20 and 50 % when they engage in exporting through PTA established procedures. They also expressed preference to export offshore or for hard cash within the PTA.

3.7 Transport Insurance

The PTA road transit regime compounded and harmonized all transit charges at US\$ 8 per 100 km for heavy vehicles. Due to high maintenance costs, Uganda is contemplating charging US\$ 27 per 100 km as a cost recovery measure. A study carried out by Steer, Davis and Gleave (SDG) International Ltd. (UK) on road user charges in Uganda, determined the maintenance cost recovery rate to be US\$ 27 per 100 km and total cost recovery rate (maintenance and reconstruction) to be US\$ 49 per 100 km. At present, the following transit charges are applicable in Uganda for foreign-owned vehicles:

- Temporary road licence ranging from US\$ 20-100 depending on gross vehicle weight.
- Transit goods licence at US\$ 100 per truck and US\$ 200 per truck/trailer per month.
- Road tolls at Shs. 200 for small/light vehicles and Shs.500 for heavy vehicles per crossing (US\$ 1 = 1,200 Shs).

There are only two road toll stations in the country. In the view of most road users, the road tolls should be abolished considering that petroleum products are already attracting very high taxes (175% customs duty and 75% sales tax).

3.8 Third Party Motor Insurance

In Uganda, the Third Party motor vehicle insurance law recently came into effect. The issuing of ordinary Third Party motor vehicle insurance certificates and PTA yellow cards began on 1st February and 23rd June 1992 respectively. Prior to this, Ugandan transporters were purchasing short-term insurance covers in each of the states through which they operated. In the short term the PTA yellow card scheme has been in operation. Difficulties are being experienced by the national bureau in obtaining reimbursement for claims it has settled on behalf of other national bureaux in PTA States.

3.9 Road Customs Transit Declaration (RCTD) Document

The RCTD came into use in Uganda in the mid-1980s replacing all other customs documents. The system has reduced the number of documents in use, as well as the costs and has facilitated transit by road. The only major impediment identified is the delay in the returning the Third Copy from the point of exit back to the point of commencement. The Third Copy is needed for cancellation of the bond.

3.10 Other Constraints on Transport

Transport equipment and infrastructure are inadequate. Goods through Kenya experience delays of up to one month by rail while goods transported by road are subjected to numerous inspections by customs officials, police and other security agencies. Rail transport through Tanzania is seriously affected by lack of locomotives. The roads are poor and difficult to use during the rainy season. J

3.11 Norms and Standards

The Uganda Bureau of Standards was established as a corporate body to oversee standards and carry out quality control. It is undermanned, ill-equipped and underfunded.

3.12 State Trading Agencies

Nearly all the monopoly state-trading agencies have now been abolished and their role, in restraining imports and exports is minimal, except for the monopoly control of the Lint Marketing Board over both internal and export marketing which is about to be de-regulated. The impact of this monopoly was directly reflected in output levels.

The inability of the Lint Marketing Board to efficiently purchase lint has had a negative supply response from producers and output has declined.

4. FINANCE AND PAYMENTS

4.1 Constraints on the Use of the Clearing House

At national level, policies designed to promote exports have had a negative impact on the use of the Clearing House. Incentives given to exporters (e.g. 100% retention of their export earnings) have tended to discourage intra-PTA trade and most exporters now direct their exports to offshore destinations. The banking system also offers lower commissions on intra-PTA transactions. The 1% commission on PTA travellers cheques for instance is shared by three agencies and the commercial banks obtain only 0.3% of it. Transactions on UAPTA Travellers cheques between 1988 and 1992 amounted to sales of 2,712,180

and 977,890 of purchases. Most of the transactions passing through the Clearing House are trade-and service-related. None are related to investment.

Some traders interviewed indicated that a number of PTA member states still demand payment in hard currency. This view seems to be supported by the analysis of Uganda's transactions passing through the Clearing House. Out of Uganda's total intra-PTA trade in the years 1988, 1989 and 1990, the proportion still transacted through hard currencies was 94%, 83% and 89% respectively.

4.2 Correspondent Relations

Correspondent relations between Uganda's main commercial banks and those within the region are not widespread, but largely limited to the former East African Community States. However, the existence of these relations does not preclude the use of European banks in commercial transactions involving the regional banks.

4.3 Export Credit Scheme

The Export Credit Scheme was introduced barely one year ago. The repayment periods for this credit range from 30 to 120 days. Some exporters interviewed were dissatisfied with the bureaucratic process and the repayment terms. Without a proven history in export trade, access to this credit is almost impossible, and acts as a barrier to entry.

4.4 Foreign Currency Accounts

The existing exchange control regulations do not prohibit Ugandans from holding foreign currency accounts abroad or in Uganda. The only conditions are that one must open a local currency account with a commercial bank and must expect regular remittances to the external account. The holding of accounts in the currencies of the region is not possible in Uganda and any action in this area would require the consent of other PTA Governments.

5. INSTITUTIONS

Existing national and regional institutions could be used to facilitate cross border trade and investment.

The PTA Trade and Development Bank lends support to regional projects and has a trade window to finance intra PTA trade. No trade financing has commenced as yet. Capital stock by March 1991 was UAPTA 41.8m out of an expected UAPTA 49.4m. The trade window of the PTA Bank could commence limited operations with existing resources.

The PTA Clearing House was established in 1984 to facilitate trade in national currencies. For a number of reasons, this facility has so far failed to facilitate the expansion of intra-PTA trade. The main reason lies in the restrictive trading practices of member states.

The East African Development Bank (EADB) is a regional Development Finance Institution which finances development projects in Uganda, Kenya and Tanzania. The Uganda Development Bank (UDB) is a National Development Finance Institution set up to finance development projects.

The Trade Information Network (TINET) centre in Lusaka, Zambia, was established basically to facilitate the flow of information and create awareness among the various economic operators on existing market conditions in the PTA. At the national level the Export Promotion Council and the Export Promotion Development Unit were established to aggressively promote and diversify exports and create awareness among Ugandans of the existing markets for Uganda's products.

In as far as the institutional framework is concerned, the existing national and regional institutions are adequate. They only need to be strengthened as recommended in the action plan.

6. ACTION PLAN

For regional integration to succeed, concerted and coordinated action at national and regional levels is necessary. The action plan sets out priorities for action required at both national and regional levels.

6.1 Investment

In spite of regional agreement to facilitate cross border investment, a lot needs to be done at national level. Several areas require action and the following are of higher priority.

- The government should de-emphasise its policy of industrialisation through import substitution. This should be effected through a reduction in protection of domestic output. Considering the effect of such a policy on this year's budgetary performance, this measure should be implemented in the next fiscal year.
- As a result of negative real interest rates, high inflation and expectations of devaluation, public confidence in the financial sector has been greatly undermined with the result that the savings rate is low and the financial sector underdeveloped. The absence of capital markets, merchants banks and an interbank market further compounds the distress of this sector. The lack of the financial depth puts the government in an awkward position in that it can not even finance a small fiscal deficit from domestic sources without having a major impact on monetary expansion. The government should, therefore, immediately address the problems facing the financial sector. This will include introducing institutional reforms, legislative and regulatory changes and improvements in efficiency and effective competition in the financial sector. In addition, specific sector policies should be formulated such as the development of

term lending and capital markets. Monetary and credit policies which would assist stabilisation and encourage financial deepening should be designed and implemented. Above all the government must exercise greater budgetary restraint. Donor assistance would be specifically required for the rationalisation and up-grading of functions and for the strengthening of the Central Banks capacity to supervise the financial system as well as the rationalisation and restructuring of Government-owned commercial and development finance institutions. This assistance should be in the form of provision of training and expatriate technical assistance on a short-term basis.

- There are complaints by potential investors about the slow rate at which investment applications are processed. The government should simplify procedures for inward investment. This relates to the wider concern of amending most of the laws on land acquisition and investment. Above all the Investment Authority should be legally established as a one stop shop. Currently it is only nominally so as investors still have to deal with other authorities.

The problem of providing utilities and supporting infrastructure required by investors should be examined in the wider context of providing an enabling environment conducive to rapid economic growth. However, government should consider earmarking industrial estates and providing them with all the necessary utilities and infrastructure. Specific assistance from donors will be required in the form of loans to support infrastructural development.

- The existing laws need updating and some work is being done by the Ministry of Justice in conjunction with other relevant Government departments. In the case of the investment code, the following sections need to be reviewed.
 - Article 22(1) which provides for tax exemptions only on plant and machinery below 5 years of age, should be modified to remove the restriction.
 - Article 23(1) which sets the minimum capital investment requirement necessary to qualify for incentives at US\$ 500,000 should be amended to reduce that requirement for some activities.
 - The section of the third schedule which prohibits non-nationals from engaging in professional services should be reviewed to include PTA nationals. These amendments should be initiated by the Ministry of Finance and Economic Planning and carried through in 9 months.

O The Government should explore possibilities of entering into visa-free regimes with some members of the PTA as soon as possible. This measure requires reciprocity and could be negotiated bilaterally, but support is needed to strengthen the immigration department through a well designed programme of training and provision of equipment. This could be achieved in 12 to 24 months.

- In the medium-term, the government should seriously consider privatising most of the financial institutions. Furthermore, the government should establish a stock exchange. Donor support will be required to facilitate its establishment especially in the form of technical assistance, training and equipment.

- The Central Bank should give favourable consideration to applications by nationals wishing to invest within the sub-region. This will require amending the exchange control act to ease controls on outward capital investment.

There are several other measures that could be implemented immediately, but they are of lower priority:

- Corporate tax is presently levied at a rate of 40% on company profits. This rate needs to be reviewed downwards by the Ministry of Finance within 12 months.
- The Investment Authority needs to be strengthened. Donor support is required in the area of training and technical assistance which is needed to upgrade the capacity of the government to assess the various technologies and processes and their impact on the environment in a time frame of 12-24 months.

At the regional level, the following needs to be done:

- The PTA Secretariat should immediately publish data and information on the trade and investment laws and implement on a programme for their harmonisation.
- Member States should agree to allow the private sector to take a leading role in trade and investment. As part of this agreement they should strengthen the existing regional chambers of Commerce and Industry (PTAFCCI) by forming an autonomous institution over which other PTA institutions will have little or no control.

To this end «moral-suasion», financial support and technical assistance will be required from donor agencies. This action should be carried through in 24-36 months.

- The PTA Secretariat should continue to encourage the implementation of the second phase of the protocol on visa relaxations as well as to initiate concrete steps for the right of residence and establishment throughout the PTA in the medium term (5 to 7 years).
- Member States who have not yet done so should all be urged to ratify the PTA Charter on Multinational Industrial Enterprises (MIE). In addition, PTA States should de-emphasise the policy of regional import substitution and refrain from forming regional public enterprises.
- Some provisions of the PTA MIE Charter need to be amended, especially Article 5(1) (a) (b) and (c) which identify local equity criteria including local holding requirement of no less than 51 %. This provision should be reviewed in light of the deletion of the requirement under the PTA rules of origin.
- Article 5(1) (e) which provides for a minimum capital investment of UAPTA 500,000 needed to become eligible for investment incentives is restrictive and should be reviewed. The amendments should be initiated by the PTA Secretariat and if possible carried through in 12 months.

6.2 Trade

The following needs to be done in the area of trade at **national level** and should command a **higher priority**.

- The government should adopt aggressive export-oriented industrial policies. The Finance and Economic Planning Ministry should pursue policies that do not discriminate against exports. This will require the lowering of protection within one year.
- Training programmes in export marketing are required. Technical assistance and training will be required from donor agencies (12-24 months).

In the **lower priority** range, the national trade information network should be expanded to cover other parts of the country. Currently only one point is used by the business community.

At the **regional level**, the following action is required:

- The PTA Secretariat should encourage member governments to adopt export-oriented policies and refrain from setting high protective tariffs.
- There are still substantial tariff differentials among similar commodities on the Common List because States started their tariff liberalisation at basic rates which were not uniform. Governments should, in 12 months, agree on uniform tariffs for such commodities. For instance the preferential tariff for butter in Kenya is 37% while in Uganda it is 7%. This means Uganda's butter exports to Kenya suffer a penalty.
- The initial tariff reductions among various commodity groups ranged from 10% for luxury goods to 70% for goods critical for development. This scaling of preferences is detrimental to the efficient allocation of resources. The lower preferences offered for agricultural commodities and competing consumer goods act as a disincentive and discourage trade in these goods. Competition should be encouraged. The existing conditions also discourage packaging and light assembly industries which ironically are areas where PTA countries could have or develop comparative advantage because of low labour costs. It is recommended that incentives should be neutral between sectors and commodity groups, since governments are not usually the best at picking winners.
- The Common List is compiled on the basis of matching import/export interests. This means that if a country with goods for export does not find a country interested in importing them they are left out of the Common List. This principle should be done away with. Even the idea of a common list is questionable. The PTA Secretariat should continue to encourage abolishment of the Common List in the shortest possible time (6 months).
- The PTA Trade and Information Network (TINET) should be strengthened. Many economic operators have complained that the facility is not helping them at all. Help is sought from the donor agencies to finance the improvement and expansion of the network to allow the national

focal points to directly access data stored in the TINET data base. The PTA Secretariat should follow this process through over 12-24 months.

6.3 Payments

At the national level the following action should be taken urgently :

- The PTA unit of account should be sold freely at market rates by exchange bureaux and commercial banks. This could be done immediately. The Bank of Uganda should authorise commercial banks and bureaux to buy and sell UAPTAs freely at the market rate. This will require an amendment of the exchange control order of 1991, a procedure which could take up to 6 months.
- The government should consolidate the gains made from moving the official exchange rate to its equilibrium level, in order to limit the effects of implicit taxes created by this on intra PTA Trade.

The following priority action is required at the regional level:

O PTA member states should be encouraged to legalise parallel exchange rates for both convertible and regional currencies.

O Incentives offered the banking system should encourage regional transactors. The commission on PTA travellers cheques, for instance, should be revised upwards.

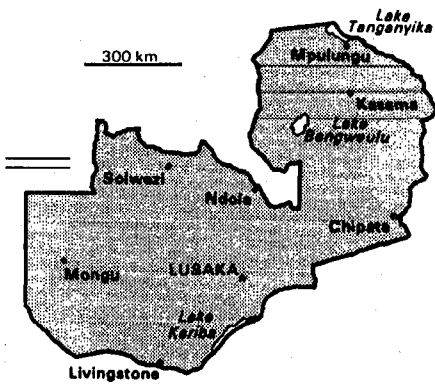
□ Member States should encourage the transfer of capital through the Clearing House. Action in this direction should be initiated by the PTA Secretariat and implemented in a time frame of 12-24 months.

In the low priority area, action is required to educate the business community on the functioning of the PTA Clearing House. The Bank of Uganda and commercial banks should organise seminars within 6 months.

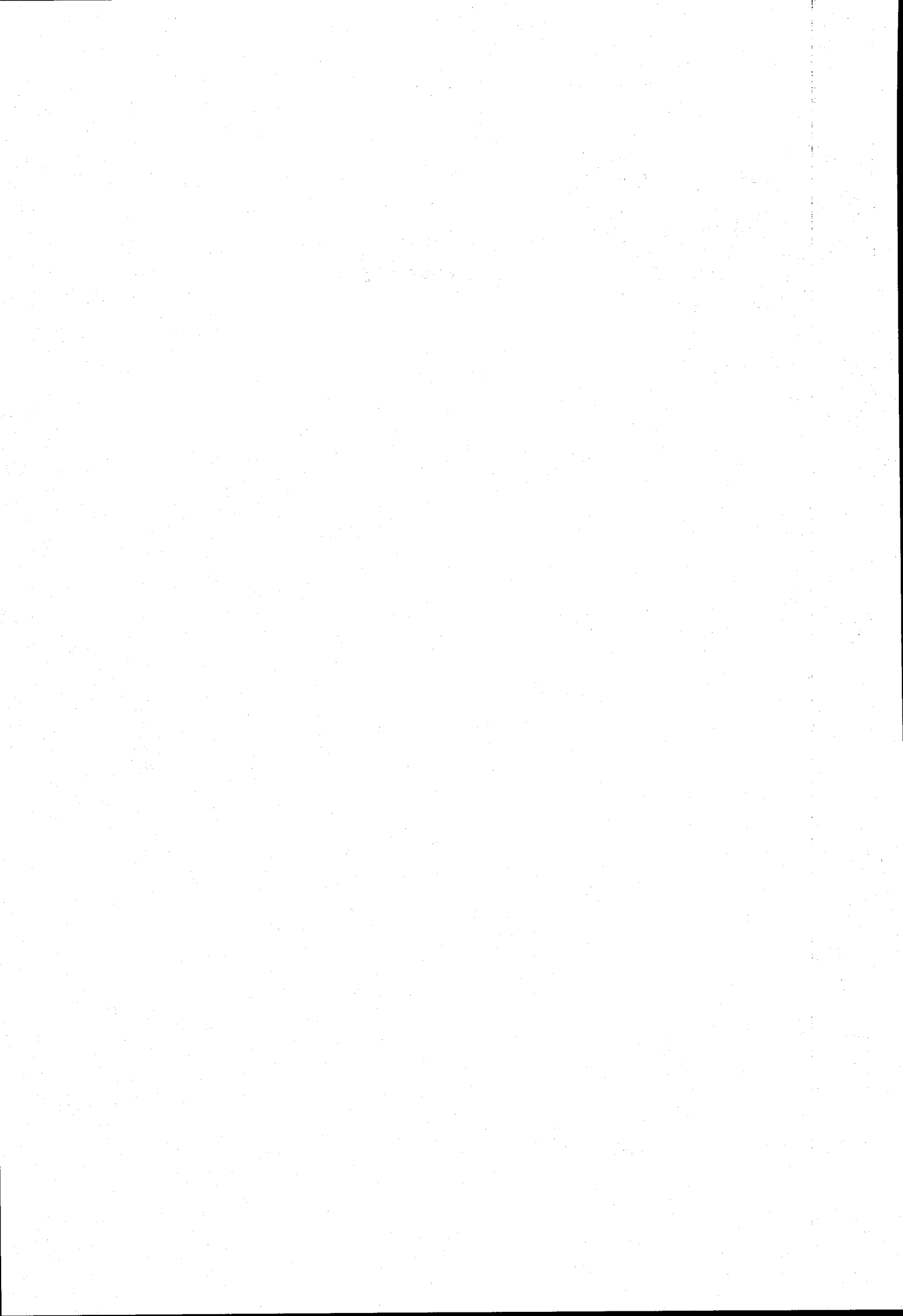
7. INSTITUTIONS

Measures should be implemented to strengthen the existing institutions. The PTA Bank's capital should be increased.

The national and regional insurance institutions should devise measures to deal with insurance risks associated with foreign exchange loans.



Zambia



1. INTRODUCTION

Zambia has always been an active participant in efforts to promote regional economic integration. It played an important part in the formation of both PTA and SADCC. Thus, when the EC and the World Bank sent out an invitation to Zambia to participate in this initiative aimed at finding practical ways for enhancing intra-regional trade, investments and payments, Zambia responded very positively and participated in the workshop held in Mauritius in June 1992.

After the Mauritius workshop, the Minister of Finance, Hon. Emmanuel Kasonde, put together a national Technical Working Group (TWG), with representatives from the public and private sectors, under the chairmanship of Dr Situmbeko Musokotwane of the Bank of Zambia. Dr Gilbert Mudenda of the Institute for Policy Studies provided the Secretariat.

The TWG started its work in July 1992 and the first meeting of the TWG was held on 8 July at the Bank of Zambia (BOZ) Boardroom. At this meeting, individual members of the TWG were assigned various assignments in line with the Terms of Reference as determined by the Mauritius Workshop. The members then presented their findings to various meetings of the TWG. It is from these findings and discussions that the action plan of measures to be undertaken have been derived. This report is therefore a product of the TWG. The TWG, in turn, solicited counsel and opinion from a broad spectrum of individuals in government and the private sector. However, this does not mean that this report makes any official government statements.

The report presents a synopsis of the main issues and gives a summary of the recommended action plan. It is divided into five parts: investments; trade; payments; institutions; and a summary of the actions to be taken.

2. INVESTMENT

2.1 Investment Code, Regulations and Climate

The mounting pressure on Zambia from the international financial institutions to create a more conducive environment for foreign investors forced the UNIP government to repeal the Investment Act

of 1986, which was accused of having resulted in undue government influence in the regulation of investment activities in the country. Zambia has enacted a new Investment Code (1991). The Investment Act of 1991 puts a lot of emphasis on incentives and guarantees for the private sector and especially for the protection of such investments from arbitrary government action. More specifically, the Investment Act provides incentives to the following categories of entrepreneurs:

- exporters of non-traditional products or services which result in net foreign exchange earning;
- producers of products for use locally in agriculture and of agricultural commodities or other agro-related products for export;
- companies or firms engaged in tourist activities resulting in foreign exchange earnings in excess of twenty-five per cent of the gross annual earnings of the business unit;
- import-substitution industries which use a significant proportion of local raw material and which result in net foreign exchange savings;
- businesses located in rural areas.

If a business enterprise which was operating on the date of coming into force of this Act after that date brings into operation a new sub-unit which meets any of these criteria, then such sub-unit qualifies for incentives if separate accounts are maintained which permit a reliable segregation of its activities from those other units of the main enterprise. The enterprise shall be entitled to:

- a) exemption from customs duties and sales on all machinery, equipment and parts required for the establishment, rehabilitation or expansion of an enterprise for use exclusively in that enterprise;
- b) exemption from tax on dividends for a period of seven years from the date of commencement of business;
- c) exemption from the payment of tax on income for companies for a period of three years from the date of commencement of business and, thereafter, exemption from the payment of such tax for the two following years at a rate of seventy-five per cent;
- d) exemption from the payment of selective employment tax for a period of seven years;
- e) retention of seventy per cent of its gross foreign currency earnings for the first three years and:
 - sixty per cent of such earnings for the following two years;
 - fifty per cent of such earnings for the remaining period of validity of the investment licence, provided that the earnings retained under this paragraph shall be for use in acquiring the inputs referred to in subsection (1) of section thirty-one and for overseas remittances in respect of debt servicing, profits, dividend payments and settlement of external obligations of the business.

In addition to the incentives described above, the Director-General of the Investment Centre, shall, on request and on behalf of a holder of an investment licence who qualifies for incentives, apply to the appropriate authority and obtain the necessary hectareage of land required for the operations of the enterprise to which the licence relates on such terms and conditions as that authority may determine.

An enterprise which qualifies for incentives under paragraph (a) shall, in addition to the incentives already specified, be entitled to benefit from the Export Revolving Fund established by the Bank of Zambia to provide foreign exchange to finance the import content of any confirmed export order, provided that the enterprises shall only be entitled to foreign exchange from the export Revolving Fund under this subsection for the import content Which does not exceed sixty per cent of the value of the product to be exported.

An enterprise which qualifies for incentives under paragraph (b) shall in addition to the incentives specified be entitled to the following incentives:

- a) access to foreign exchange in proportion and according to such conditions as may be determined by the Board in consultation with the Bank of Zambia for the producers of maize, wheat, barley, soya beans, livestock, fishery, and any other agricultural product which may be prescribed in consultation with the ministry responsible for agriculture;
- b) in the case of foreign investment in agriculture, externalisation of 12.5 per cent of the annual after tax profit attributable to the foreign investment;
- c) in the case of growers of specialised crops prescribed in consultation with the ministry responsible for agriculture, a deduction from income of ten per cent of the gross investment incurred in local currency during the material year as development income.

An enterprise which qualifies for incentives under paragraph (c) shall, in addition to the incentives specified, be entitled to the following:

- a) priority in the allotment of land by relevant authorities for the construction of hotels, chalets, camps and other related facilities;
- b) priority access to water, power, transportation and communication services and facilities required for the activities of such enterprise at the rates accorded to Government enterprises.

A small-scale or village enterprise registered under the Small Industries Development Act, 1981, shall be entitled to the following :

- a) exemptions from payment of tax on income for: (i) the first three years of tax on income for an enterprise operating in an urban area; (ii) the first five years of operations for an enterprise in a rural area;
- b) exemption from custom duties and sales tax payable on imported equipment to be used in the enterprise;
- c) operation of a manufacturing enterprise for the first five years without a manufacturing certificate required for such an enterprise under any law;
- d) for an enterprise with an investment in plant and machinery of less than five hundred thousand kwacha, exemption from the payment of licensing fees required for such an enterprise under any law; and

e) exemption from the payment of rates on factory premises for the first five years.

The incentives provided for under this Act shall be cumulative and in addition to, not in derogation from, any other incentives provided for under any other written law.

The minister may, by statutory instrument, designate any area in Zambia to be an economic development zone or an export free zone.

Where under subsection (1), an area has been designated as an economic development zone or an export free zone any investment made in such area shall be accorded such incentives on such terms and conditions as the Minister may prescribe, which incentives shall not be less favourable than those conferred on the holder of an investment licence under the Act.

It should be noted that investment in the mining sector is not covered under the Investment Act as these activities are catered for under the Mines and Minerals Act of 1977, which is also being amended to encourage the participation of small-scale mining activities in that sector;

The Investment Act does not distinguish between foreign and local investors as was the case in the previous Acts. The combined effects of government support and the various incentives offered by the Act make Zambia one of the more attractive places for investors in the region.

The MMD government does not, however, feel that the Investment Act of 1991 provides all the required incentives. The government is thus working out a number of amendments to give more liberal incentives to investors such as higher percentages of remittances of profit and capital, as well as rebates on importation of plant and equipment for seven years. We recommend that these changes be made as soon as possible to enable investors to know exactly what they are entitled to. (MCTI)

In view of the fact that a lot of investment in the mining sector is expected, the TWG is of the opinion that the Mines and Minerals Act should also be amended accordingly in order to provide similar incentives to investors in this industry. (MM)

There has been some concern in the business community that the Investment Act of 1991 gives a lot of incentives to new investors but does not extend the same incentives to companies which have been backing Zambia through thick and thin.

One problem with the Investment Act as it stands today, especially with the provisions relating to the remittance of foreign exchange, is that it is in direct conflict with the Exchange Control Act (CAP. 593). In fact, it could be said that this Act, not only goes against investments, but it is also a major constraint to trade and payments. We recommend that the Exchange Control Act be amended, if not repealed, in order to ensure that the other new Acts are implementable and to facilitate proper functioning of business activities in the country. (MF & BOZ)

2.2 Institutional Procedures

The coordination and promotion of foreign investment is carried out through the Investment Centre. The Investment Centre was established as part of the reforms of 1991. It is a one-stop institution which provides assistance and guidance to the investor. It ensures that all formalities for setting up a company are completed in the shortest time possible. It issues investment licences, and assists in the acquisition of the other necessary permits and certificates. In addition, the staff of the centre liaises with other government ministries and departments for the quick issuance of land leases.

The TWO is not happy with the situation which mandates the Investment Centre to merely liaise with other institutions in the issuance of various licences and permits. If the Investment Centre is to be a truly one-stop investment institution in the country, the Investment Centre should be given the powers to issue all the necessary licences and permits on the behalf of the other institutions. It is further recommended that investors from the region should be treated in the same manner as Zambian investors are treated.

Since its inception, this year, the centre has processed more than 400 investment applications. However, it has already become apparent that the Centre is not in a position to undertake promotional work. Furthermore, there is no institution in the country which gives prospective investors detailed information on what sectors of the economy they could invest in. The TWO recommends that the Investment Centre should complete its recruitment of critical staff and build a strong data base to enable it to advise prospective investors on investment possibilities in the country. (IC & MCTI)

2.3 Investment Promotion Guarantees

The MMD government is committed to promoting private investment and strongly upholds the sanctity of property rights. The Investment Act guarantees that no property can be expropriated without an Act of Parliament. However, in the unlikely event of expropriation, full compensation will be made at the market value of the property in convertible currency at the prevailing exchange rate. Zambia is a member of the Multilateral Investment Guarantee Agency (MIGA).

Other guarantees relate to the issuance of Investor Licenses within a period of one month to all applicants who meet the requirements. An investor is further guaranteed that the investment will not be affected by any changes in the law at least for a period of seven years.

In case of disputes, the investor can seek redress through the Zambian High Court, the International Centre for the Settlement of Investment Disputes (ICSID), the United Nations Commission on International Trade Law (UNCITRAL), or any other international machinery for the settlement of investment disputes agreed to by the parties. More specifically the guarantees are as follows:

- No property and or interest in or right over property of any description shall be compulsorily acquired except under an Act of Parliament relating to the compulsory acquisition of the specific property which provides for payment of compensation in respect thereof; any compensation payable under the provisions of this section shall be made promptly at the

market value and shall be fully transferable at the ruling originally made, without deductions for taxes, levies and other duties, except where those are due.

Q Where any dispute arises between an investor and the Board or the Government, or any agency of the Government, all efforts shall be made through mutual discussions to reach an amicable settlement within ninety days from the date of the dispute.

□ Where any dispute between an investor and the Board or the Government, or any agency of the Government is, not settled amicably as described under **subsection (2)** the dispute may be referred to an arbitration board, to be constituted in accordance with **subsection (4)**, or to the High Court.

■ □ The arbitration board referred to in **subsection (3)** shall comprise

- one person appointed by the investor;
- one person appointed by the Board or the Government, and
- one person appointed by the two parties to the dispute.

Q The arbitration board established under **subsection (4)** shall make its decision within one month from the date of receipt of the dispute.

□ Where the arbitration board established under **subsection (4)** fails to settle the dispute within the period specified in **subsection (5)** the dispute may be referred to-

- the International Centre for the Settlement of Investment Dispute (ICSID);
- the United Nations Commission on International Trade Law UNCITRAL); or
- any other international machinery for the settlement of investment disputes agreed to by the parties to the dispute.

Notwithstanding the provisions of the Exchange Control Act, or any other written law relating to externalisation of funds, the holder of an investment licence shall be entitled to the following in respect of an enterprise to which the license relates to transfer out of Zambia in foreign currency and after payment of the relevant taxes:

□ dividends or net profits of up to seventy-five percent of the annual after-tax profit attributable to paid up foreign capital;

□ the principal and interest of any foreign loan specified in the investment licence with the approval of the Bank of Zambia;

Q fees, royalties and charges approved by the Bank of Zambia in respect of any agreement;

□ the net proceeds of sale or liquidation of the enterprise attributable to foreign investment or retained earnings; or

Q any proceeds arising from an arbitration award as a result of proceedings under this Act. From the commencement of this Act, where any law is made which is such that the benefits

conferred under this Act would be less favourable, the Board shall adjust such benefits correspondingly, (see Investment Act).

The TWG feels that these guarantees are adequate.

2.4 Investment from, the Region

In the past, Zambia always looked to foreign investors from outside the region. The reason being that regional investors did not have the required amounts of money nor the technology to embark on large investments in Zambia in partnership with the State. Since the MMD came into power it has tried to encourage investment from the private sector including investors from South Africa, Botswana and, to a lesser extent, Zimbabwe. These investments have been in the areas of farming, estate management, mining, tourism, and fisheries.

The TWG is of the opinion that government should encourage joint-venture investment involving Zambian businessmen and regional investors in various sectors of the economy especially, small and medium-scale investors from the region to exploit the potential that exists in Zambia in cooperation with their Zambian counterparts. The TWG recommends that investors from Zambia and the region should be given preferential treatment over overseas investors. Furthermore, it is suggested that donor support should be sought to assist in the compilation and publication of a booklet on Business Opportunities in Zambia to be circulated in the region. (MCTI& ZACCI).

2.5 Investment to the Region

Crossborder investment from Zambia to the region has not been encouraged. This is largely due to the foreign exchange restrictions imposed by the exchange control regulations. The few investments have been made through the parastatal sector setting up joint national enterprises such as Tazara; Some parastatals like ZCCM have established buying offices in Zimbabwe and South Africa. Investment by the private sector is largely through clandestine operations not known to the Zambian authorities due to the Exchange Control Act. The few Zambian investors who are known to have invested in the region are largely companies providing professional services (e.g. architects and consulting engineers, transporters and businessmen involved in import and export trade).

It is recommended that Zambians should be encouraged to invest in other countries of the region and that such investments should not be restricted by the Central Bank. The investments should be channelled through commercial banks and the PTA Clearing House. Donor support should be sought to establish a Regional Venture Capital Fund to facilitate such investment. (MF & BOZ)

2.6 Movement of Persons

People from Commonwealth countries in the region are not required to hold a visa to travel to Zambia. However, citizens of all countries in the region require resident permits to settle and work in

Zambia. The TWG feel that the requirement of visas, resident and work permit for citizens of PTA countries should be revoked in accordance with the PTA Protocol on visa relaxation and the exemption extended to other non PTA members in the region. (MHA & ML) There was, however, a minority view in the TWG that free movement of persons should be restricted to investors and people with professional skills.

Another contributing factor to the restriction of free movement of persons relates to the chaotic transport situation in the region especially that of the national airlines. In addition, travel for businessmen is made difficult by the restrictions on foreign currency. The TWG recommends that UAPTA should be made easily accessible to regional travelers while the purchase of tickets should be local currencies and cleared through the PTA Clearing House. (MF & MTC)

2.7 PTA Charter on Multinational Industrial Enterprises

The PTA MIE Charter has not been ratified by Zambia pending a few changes in the laws of Zambia. For example:

- The Companies Act should be amended to provide for formation of MIEs and their subsidiaries and branches. (MCTI)
- The foreign exchange controls should be eliminated or substantially amended to enable a free flow of funds. (MF)
- The immigration and customs regulations should be amended to facilitate easy movement of persons and goods into and out of Zambia. (MHA & MF)

The Charter should also be amended to include the encouragement of investment by small and medium-scale businesses in the region.

2.8 Double Taxation

Zambia has double-taxation agreements Kenya, South Africa, UK and Tanzania. The application of Mauritius was turned down. The TWG recommends that double taxation agreements should be signed with all countries in the region.

3. TRADE

3.1 Main Macroeconomic Constraints

The combination of high inflation and negative balance of payments in Zambia has imposed a major constraint on trade. As a result, Zambia has a very poor trade (credit) rating. As such, all imports to Zambia have to be paid for in advance. This has resulted in high prices for imported goods as entrepreneurs hedge against both inflation and high interest rates in their price calculation.

The tight monetary policy is targeted at supporting exporters, especially the exporters of non traditional (non metal) exports. The devaluation of the Zambian Kwacha is supposed to make local production costs cheaper, reduce local demand, and enhance the international competitiveness of Zambian goods. In reality, however, such gains have only been short-lived. For example, it has been estimated that the gains from devaluation on the mining company's operations only last for two months. Thereafter, the increases in wages and imported capital and intermediate goods quickly erode the windfall gains from devaluation.

More importantly, the gains from the non traditional sector have rarely been realised. This is largely due to the combination of high interest rates and the import intensity of such investment which makes investment in those sectors almost impossible. For example, the initial investment in cut flowers (roses) is about US\$500,000.00 per hectare with a return of US\$200,000.00 per year. However, nearly 90% of the initial investment is in imported materials. And although the returns are high, there is a serious barrier to entry due to the large initial capital outlay required.

There is therefore a great need to stabilize the economy by lowering inflation and interest rates, attracting new capital to the economy, greatly improving the balance of payment position, and adhering to policy decisions, before Zambia can return to normal trading practices.

3.2 Zambia's Trade with the Region

Zambia's trade with the region has been growing in the past few years, but there is still room for improvement especially in the export sector. Using the 1987 trade figures, Zambia exports only 3.5% of her total exports to the PTA and SADC regions, including South Africa and Zaire, and obtains 17.7% of her imports from the region. However, with the increase of trade with South Africa, the percentages have greatly improved. It is now estimated that as much as 43% of Zambia's imports originate from the region.

Imports (K000)

Country	1987	1988	1989
Angola	37	12	6
Botswana	72,620	61,271	157,842
Burundi	14	1,065	495
Ethiopia	47	27	11
Kenya	17,248	8,509	51,515
Lesotho	308	33	1,255
Madagascar	117	3	
Malawi	9,210	6,896	99,234
Mauritius	252	140	9,028
Mozambique	34	64	25
Namibia	862	16	339
Rwanda			1
Somalia			4
South Africa	1,231,639	802,560	
Swaziland	10,185	31,214	43,862
Tanzania	16,353	25,072	42,792
Uganda		1	8
Zaire	130,607	22,859	
Zimbabwe	367,662	267,294	607,725

Average annual exchange rates: (US\$ = ZK)

Exports (K000)

Country	1987	1988	1989	1990
Angola	4,736	5,399	74	25,575
Botswana	8,819	22,452	10,436	6,104
Burundi	30,960	17,508	94	39,014
Ethiopia	0	10	-	192
Kenya	51,772	16,012	103,856	210,840
Lesotho	48	143	0	7
Madagascar	6			
Malawi	17,948	19,819	126,168	106,436
Mauritius		1	469,882	
Mozambique	3,418	4	11,982	2,280 *
Namibia	0	4	430	4,314
Rwanda	2,677	347,640		
South Africa	23,152	69,517	3,719	50,470
Swaziland	442	112	6	78
Tanzania	61,377	36,862	38,335	85,755
Uganda	938	1,004	1,717	316
Zaire	66,223	25,150	46,497	201,335
Zimbabwe	178,629	133,581	126,505	555,305

South Africa and Zimbabwe are Zambia's main trading partners. About 87% of Zambia's regional imports come from these two countries while about 58% of Zambia's regional exports go to them. Zambia does not have trading relationships with Comoros, Djibouti or Seychelles and has negligible trade with Somalia. The trade figures, however, do not include unofficial trade which is relatively frequent between Zambia and Zaire, Tanzania and South Africa.

Import and Export Regulations and Practices

For many years cumbersome procedures and documentation have had a negative impact on the flow of exports and imports. There was therefore a need to liberalise export trade, simplify, harmonise and standardise procedures and documentation in order to reduce delays and inherent costs, avoid duplication, minimise errors, make export licensing system more efficient and make export products more competitive.

Before September 1990 it took various documents and procedure to execute an export order. The following documents were required: export permit from MCTI, Currency Declaration (CD) form from the Bank of Zambia, Customs Bills of Entry forms, Certificates of Origins for exports to the PTA, EC and ACP countries, Agriculture permit and other documents depending on the product being exported. These procedures also entailed moving from one institution to another, each with its own red tape.

In September 1990, a single administrative export document, the Export Declaration Form (EXD) was introduced. The document amalgamated data and information previously contained in the various forms cited above. Procedures were also simplified with centralised issuance through commercial centres in the country. Export trade was liberalised with only a few (4) products on the negative list.

The major constraint is the unwillingness to accept change from rigid traditional attitudes and practices and to surrender documents belonging to different institutions whose interests could still be catered for. This requires education, dialogue and consultations to be able to appreciate trade facilitation measures being pursued by other international trade participants. In this respect, the UNCTAD Trade Facilitation unit has assisted efforts to ensure regional and international comparability. The National Trade Facilitation Committee has ensured participation of all external-trade-related institutions.

In assessing the impact of export documentation in Zambia and its effect in facilitating export flows, a lot of efforts have been made while certain administrative norms are being considered to further eliminate export restrictions. Only external trade-related institutions should be involved in the implementation and re-orientation of the system in order not to hamper export trade flows. The TWG recommends that the Ministry of Finance together with the Ministry of Commerce, Trade and Industry should launch a campaign to popularise the acceptance of the EXD Form. (MCTI & MF).

The very restrictive import regulations which required a lot of import licences have now been liberalised through the introduction of the OGL system and a negative list of only a few commodities whose importation still requires a license. These include: liquor, jewelry, precious metals (gold, platinum and silver), fire-arms and ammunition. The TWG feels that while the OGL system is welcome, foreign exchange should be made available to support it. Further, the Clearing House should be used to support imports under the OGL system from the region.

3.4 Regional Trade Development Activities

Zambia has been trying to increase its regional and international trade potential through participation in various PTA and S ADC-promoted trade fairs and buyers and sellers meetings. Zambia has also established a number of institutions to promote trade. The Ministry of Commerce, Trade and Industry has, in its department of foreign trade, a sector devoted to trade promotion. The Export Board of Zambia (EBZ) has the mandate to promote, advise and support businessmen to attain their external trade potential. In addition, the Exim Bank (Export and Import Bank) was created to facilitate trade.

The TWG observed that these institutions lacked the necessary resources to support and promote trade. There is therefore a need to provide these institutions with the necessary resources and personnel to enable them to fulfil their mandates.

3.5 Regional Trade Potential

Zambia has a lot of trading potential in the region especially in processed mineral products, agricultural produce, timber and energy. A major problem has been poor marketing. This is well illustrated by Zambia's failure to exploit the huge Zairean market. The TWG feels that there is a need to strengthen market information and promote private marketing companies in the country. (MCTI, EBZ and ZACCI).

3.6 State Trading Companies

In the past, Zambia established a number of companies to engage in trading. The largest group was the National Import and Export Corporation (NIEC). This corporation did not carry out any export functions as most of Zambia's metals were exported through another state corporation, the Metal Marketing Company (Memaco).

The state mining company, ZCCM (Zambia Consolidated Copper Mines Limited), has a number of subsidiaries which are responsible for importing all the requirements of the mining industry. In addition, there are a number of small state-owned marketing companies which sell specialised products like gemstones.

The TWG is of the opinion that these corporations are unnecessary, monopolistic and open to abuse. It is recommended these state trading companies should be abolished. In their place, Zambian-based companies should be allowed to operate and establish their own relationships with external buyers and suppliers. It is in this way that competition and choice in the market place could be re-established in the country.

3.7 Trade Facilitation Schemes

AS Y CUDA: The automated system for customs data (AS Y CUD A) will not be implemented by Zambia. In its place an alternative system, TAXNET, which is compatible with ASYCUDA, will be introduced by the end of 1993.

Harmonised System: The Harmonised System of tariff classification is operational in Zambia.

Standardisation: The Zambia Standards Bureau (ZSB) is responsible for developing standards. The Bureau has very limited capacity for testing products and needs to be strengthened. Similarly, the Assize Department of the Ministry of Commerce, Trade and Industry needs to be supported in order to improve the quality of the goods produced in the country ,

PTA Harmonised Road Transit Charges: The PTA harmonised road transit charges were introduced in Zambia by Statutory Instrument No. 75 of 30 April 1992. However, apart from Zambia, only Malawi and Zimbabwe have been implementing these rates. Payment of road charges for foreign traffic is made in hard currency at the point of entry. The TWG recommends payment in UAPTA for PTA countries to be cleared through the PTA Clearing House. (BOZ)

The PTA Third Party Motor Vehicle Insurance Scheme is operational in Zambia. It is recommended that this scheme be extended to other non PTA countries in the region. (MF)

The Road Customs Transit Declaration Document (RCTD) has been approved but implementation is still pending because of the delays in printing. Instead, Zambia still uses customs form No. 30 (bill of entry for the removal of goods in transit through Zambia) for all transit traffic, whether PTA or not. It is recommended that this document be published and implemented as soon as possible. (MF)

3.8 Export Incentives

Zambia encourages the export of non traditional goods and provides a number of incentives to exporters of such goods. These incentives include 100% retention of foreign exchange earned from sales. Furthermore, export licences are now granted automatically and the export of only four items (white maize, fertilizer, petroleum and ivory) is restricted.

There are several financial institutions in the country that support the financing of exports through the Export Revolving Fund. These are: Export Board of Zambia (EBZ), Exim Bank, Zambia National and Commercial Bank, the PTA Bank and the Norsud Fund. However, most of the facilities in these institutions are under financed and as such have not been very helpful in promoting exports. The TWG recommends that more resources need to be put into these facilities. (MCTI)

The Export Retention Scheme offers 100% retention for exporters of non traditional commodities. The TWG feels that while a retention scheme is required, it should be extended to include services such as consultancy services which not only save foreign exchange but also have the potential to earn the country a lot of money. (MF)

4. PAYMENTS

4.1 PTA Clearing House

Zambia is one of the main users of the PTA Clearing House. However, Zambia has not been able to fully use the facilities of the Clearing House because most of the metal trade to the region does not go through the Clearing House. In addition imports through the OGL system, especially those that use the retention facility, are not processed through the Clearing House. The TWG feels that all exports to the region should go through the PTA Clearing House. (MF & BOZ)

4.2 Export Payment Regulations

Exports from Zambia are largely controlled through the issuance of letters of credit. The facilities available to support exporters are limited and, unlike large companies which have been trading for a long time, new exporters find it difficult to secure credit to finance orders. The TWG is of the opinion that the government should encourage innovative schemes to promote exports. Apart from the ordinary bank overdraft and loan facilities the following schemes can be considered :-

- Self-liquidating export-backed loan. This can be further strengthened by Government guarantee. (BOZ & Commercial Banks).
- An export revolving fund, supported by donors, could be set up and be targeted at the non traditional export sector. (Donors). The objective would be to get closer to the private sector through commercial banks. The fund could be selective and aim at improving exporters' competitiveness and their access to credit and to technical and marketing assistance. The funding could be made available by way of pre-shipment finance and post-shipment finance which could be achieved through the discounting of bills.
- Use of money market products traded in the inter-bank market (e.g. Banker's Acceptances) to fund imports and exports. (Commercial Banks).

To achieve the above monetary policies, governments should move towards money market liberalisation to include a stock market or a discount market. (MF)

4.3 Correspondent Banking Regulations

Intra-PTA trade can be promoted and facilitated by commercial banks and central banks only if correspondent relationships exist between these banks in the region and a certain level of risk is assumed. In addition, a lot needs to be achieved in the area of correspondent banking relationships. The following factors will encourage banks to establish relationships with other banks in the region:

- Profit motive arising from increased trade potential. Earnings by banks will be made from letters of credit processing charges and ancillary income from telex charges, etc.

- Cross-border and commercial risks and other trade-related risks have to be manageable. International banks are usually risk-sensitive and have little interest in assuming cross-border risks. They therefore tend to work with central banks instead of commercial banks. For example, it is not uncommon for say Barclays Bank Zambia to have no relations with another Barclays Bank in another country in the region. What this means is that central banks and governments in the region will need to put in place banking policies and controls which will ensure that commercial banks are creditworthy with sound liquidity positions and adequate capital. In this way confidence in the banking system will be built up.

It has been noted that cost is not really a major factor in correspondent banking relationships. These relationships are initiated to support and facilitate banking business. The major motive is income generation.

4.4 Export Credit Schemes

There are limited amounts of money provided to support pre- and post- export shipment credit schemes for exporters in Zambia through the Export Board of Zambia and the Exim Bank. However, these resources are insufficient. For example, the resources available to EBZ can only support a few exporters. The same is true of Exim Bank. More financing will be required to support these activities. (MF & MCTI)

- PTA Pre- and Post- Shipment Credit Scheme: There is no evidence that this facility has been used in Zambia.
- Sectoral Commercial Facilities: The exporters of traditional (metal) exports have arrangements with commercial banks for pre- and post-shipment credit. However, small exporters of non traditional exports find it very difficult to access such credit.
- Local money market credit facility: Zambia has no local money market. However, the country is in the process of establishing a local money market. So far, one merchant bank has been given a license to operate in the country. The TWG recommends that a local money market should be developed as soon as possible. (MF)
- Zambia Export and Import (Exim) Bank Finance: The Bank was established in 1987 to promote non traditional exports. The facilities offered are:
 - Project lending to enable exporters to meet the costs of capital, rehabilitation, expansion, and diversification export-oriented projects.
 - Pre-shipment credit to finance raw material or inputs for the execution of an export order and for the shipment of goods to foreign markets. The facility also includes credit for the purchasing, processing or packaging of goods after letters of credit have been opened in favour of an exporter by a foreign buyer.
 - Disbursement of foreign exchange under lines of credit where financing is obtained from a foreign line of credit such as the African Development Bank. These resources are limited and more funding is required to support export trade. (MF & MCTI)

4.5 Export Credit Insurance

The Zambia State Insurance Company provides cover for exporters who export their goods on a CIF basis. This cover is made in hard currency to ensure that exporters do not lose foreign exchange earnings in the event of loss or damage to the goods.

The TWG is of the opinion that the payment regime could be further liberalised by the introduction of foreign currency accounts by both companies and individuals. Such changes would necessitate the introduction of foreign exchange bureaux and foreign currency accounts.

A mini survey conducted on commercial banks, importers and exporters indicates that business has been adversely affected by the absence of foreign currency accounts. However, such accounts will be introduced next year as a follow up to the operations of the foreign exchange bureaux which have just been introduced.

Recognizing the fact that foreign exchange is still a rare commodity and that capital flight must be avoided, the TWG felt that adverse effects could be mitigated if residents (individuals and companies) were allowed to open foreign currency accounts. No cheque books would be issued. Instruction letters would serve the purpose. Fund transfers/payments would be made for approved purposes only and paid to the beneficiary. Only foreign currency could be deposited on the account.

The foreign exchange bureaux started operating on 14 October 1992. This is a positive step towards the liberalisation of the money market in Zambia. The TWG recommend that foreign exchange bureaux should also trade in regional currencies. In Zambia, this has been restricted by the amount of money permitted that each traveller can externalise.

5. INSTITUTIONS

The promotion of investments, trade and payments in the region will need a number of changes in some of the existing institutions, as well as the establishment of new ones. Some of the institutional arrangements required are national, while others are of a regional nature.

5.1 National institutions

5.1.1 Investment

The most important national institution for the promotion of investments in Zambia is the Investment Centre which Zambia is in the process of establishing. The Centre should be turned into a truly one-stop facility for all investors in the country. The Centre should be given powers to issue all investment-related licenses on behalf of the other institutions. Furthermore, it should be equipped with the necessary staff and equipment. (MCTI)

There is also a need to develop an institutional capacity to promote investment. This should take the form of an institution to undertake investment promotion by generating bankable projects which investors could pursue. The institutional framework for this should be located in the private sector, but funded from state or donor funds. (MCTI & ZACCI)

5.7.2 Trade

In the area of trade, The TWG feels that Zambia could achieve higher levels of trade through the establishment of private marketing companies. Unfortunately, the practice in Zambia has been to leave producers to find their own markets. It has to be recognized that marketing is a specialised field and that, therefore, companies specialising in selling Zambian goods to the region and beyond should be promoted. (ZACCI & MCTI)

5.1.3 Payments

Since access to foreign exchange is a major constraint, the TWG is of the opinion that at the national level, hard currency accounts and foreign exchange bureaux are necessary instruments for the facilitation of payments. (BOZ)

5.2 Regional

5.1.1 Investment

While the TWG accepts that the MIE Charter together with the association of chambers of commerce are reasonable instruments for facilitating regional investments, the TWG is also of the opinion that more investment could be fostered through joint venture relationships in the business community in the region. To this end, it suggested that efforts towards the formation of a regional investment centre as well as a regional stock exchange should be initiated. It is further suggested that facilities of the PTA Bank should be made more accessible to the business community in the region through the establishment of correspondent relationships with Development and Commercial Banks in the individual countries of the region. (PTA & SADC)

5.1.2 Trade

At the regional level, regional trade could be enhanced through a regional market information centre: It is recognized that elements of this exist at the PTA Secretariat, but such information is difficult to access in the individual countries. (PTA & SADC) More importantly, there is an urgent need to establish a regional institution to govern the various trade promotion activities in the region, such as the PTA Trade Fair. The practice of having these fairs organised by national governments has resulted in a situation in

which each country determines the ground rules. The fiasco at the recent OAU Trade Fair held in Bulawayo is a case in point. (PTA&SADC)

5.1.3 Payments

While the PTA Clearing House (PTACH) has done a commendable job so far, the issue of payments is still a difficult one in the region. The TWG considered the possibility of upgrading the PTACH to a regional central bank in which the UAPTA could become the convertible currency of the region and the currency of trade with other non PTA countries. (PTA) It was further felt that there was need to strengthen and further institutionalise the meeting or association of commercial banks in the region, i

5.3 Other Regional Institutions

The TWG were conscious that both PTA and SADC were still remote to the people of the region and that it took time for the well-meaning decisions of regional institutions to be translated into national policies. In this regard, a number of important institutional changes were considered and suggested.

First, and more immediately, there is a need to adopt an ES AMI model of country representation which would be at the ambassadorial level. In this way, regional institutions could easily follow up the implementation of decisions agreed upon by the governments. To begin with, such officers could be accredited to three or four countries. (PTA & SADC)

Secondly, it was suggested that regional institutions should devolve their focal points from heads of states to include the participation of other social actors like academics, professional groups and associations, etc. The association of chambers of commerce and of the trade union movement are pointers in the right direction. Other social movements and professional associations should also be included. The only proviso being that such participation should remain independent and not be financed from the budgets of the PTA or SADC.

Thirdly, the national focal points of the regional institutions is limiting. It is evident that the concerns of regional institutions go beyond the mandates of a single ministry. As such, and if decisions taken at regional level are to be implemented, they require the backing of an institution whose mandate cuts across ministerial boundaries. In Zambia, for example, the Division of Economic Affairs in the Office of the President is better suited to perform this function than a line ministry such as the Ministry of Commerce, Trade and Industry.

Lastly, and in the long term, it is suggested that, in order to make regional organisations relevant and accountable to the people of the region, steps should be made towards the formation of a regional parliament.

6. SUMMARY OF ACTION PLAN

Action	Responsibility	Timing	Assistance
Investment			
Amendments to the Investment Act	MCTI	ST	
Amendments to the Mines and Minerals Act	MM	ST	
Amendments to, or repeal of, the Exchange Control Act	MF	ST	
Investment Centre to be given the powers to issue all necessary licences and permits	MCTI	ST	
Staffing and equipping of the Investment Centre	MCTI	ST	Donor funds required
Compilation and publication of a monograph on investment opportunities in Zambia	MCTI	ST	Donor assistance required
Establishment of a Regional Venture Capital Fund	MF	ST	Donor assistance required
Revocation of the residency and work permits for nationals from the region	MHA & ML	ST	
Use of the UAPTA as the currency for regional travel	MF & MTC	ST	
Amendment of the Companies Act	MCTI	ST	

Zambia should ratify the PTAMIE Charter	MCTI	ST	
Trade	MCTI	ST	
Liberalise and improve trade documentation	MF & MCTI	ST	Donor assistance required
Campaign to ensure the acceptance of the EXD Form	MF & MCTI	ST	
Strengthen trade promoting institutions	MCTI	MT	Donor assistance required
Strengthen Market Information	MCTI	MT	Donor assistance required
Abolish State Trading Companies	MCTI	ST	
Strengthen the ZBS and Assize Department	MCTI	MT	Donor assistance required
Publish and implement the RCTD	MF	ST	
Establish a regional road transport insurance	MTC & MF	ST	
Set up an Export Revolving Fund	MCTI	ST	Donor assistance required
Rationalise the Export Retention Scheme	MF	ST	
Payments			
Process all regional trade in the PTACH	MF & BOZ	ST	
Introduce self-liquidating export-backed loan	BOZ & Commercial Banks	ST	

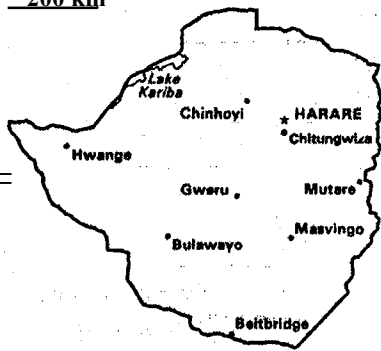
Establish an inter-bank money market	Commercial Banks	ST	
Provide more money to support the export credit scheme	MF & MCTI	ST	Donor funds required
Establish a local money market	MF	ST	Donor assistance required
Plan towards making the UAPTA a convertible regional currency	Central Banks	LT	Some donor support required
Institutions			
Establish the Investment Centre as a one-stop Facility	MCTI	ST	Donor assistance required
Promote venture capital companies	ZACCI & MCTI	ST	Donor assistance required
Promote private marketing companies	ZACCI & MCTI	MT	Donor assistance required
Establish a Regional Investment Centre	PTA & SADC	MT	Donor assistance required
Establish a Regional Stock Exchange	PTA & SADC	MT	Donor assistance required
Establish correspondent relations between the PTA Bank and Development Banks	PTA	ST	
Set up a Market Information Centre	PTA & SADC	MT	Donor assistance required
Strengthen the meeting of Commercial Banks in the region	PTA & SADC	MT	Donor assistance required
Introduce country representatives for PTA & SADC	PTA & SADC	MT	Donor assistance required

Support participation of social movements in regional affairs	PTA&SADC	ST	
Change the PTA/SADC national focal points	PTA/SADC	ST	
Plan towards a Regional Parliament	PTA/SADC	MT	Donor support ; required

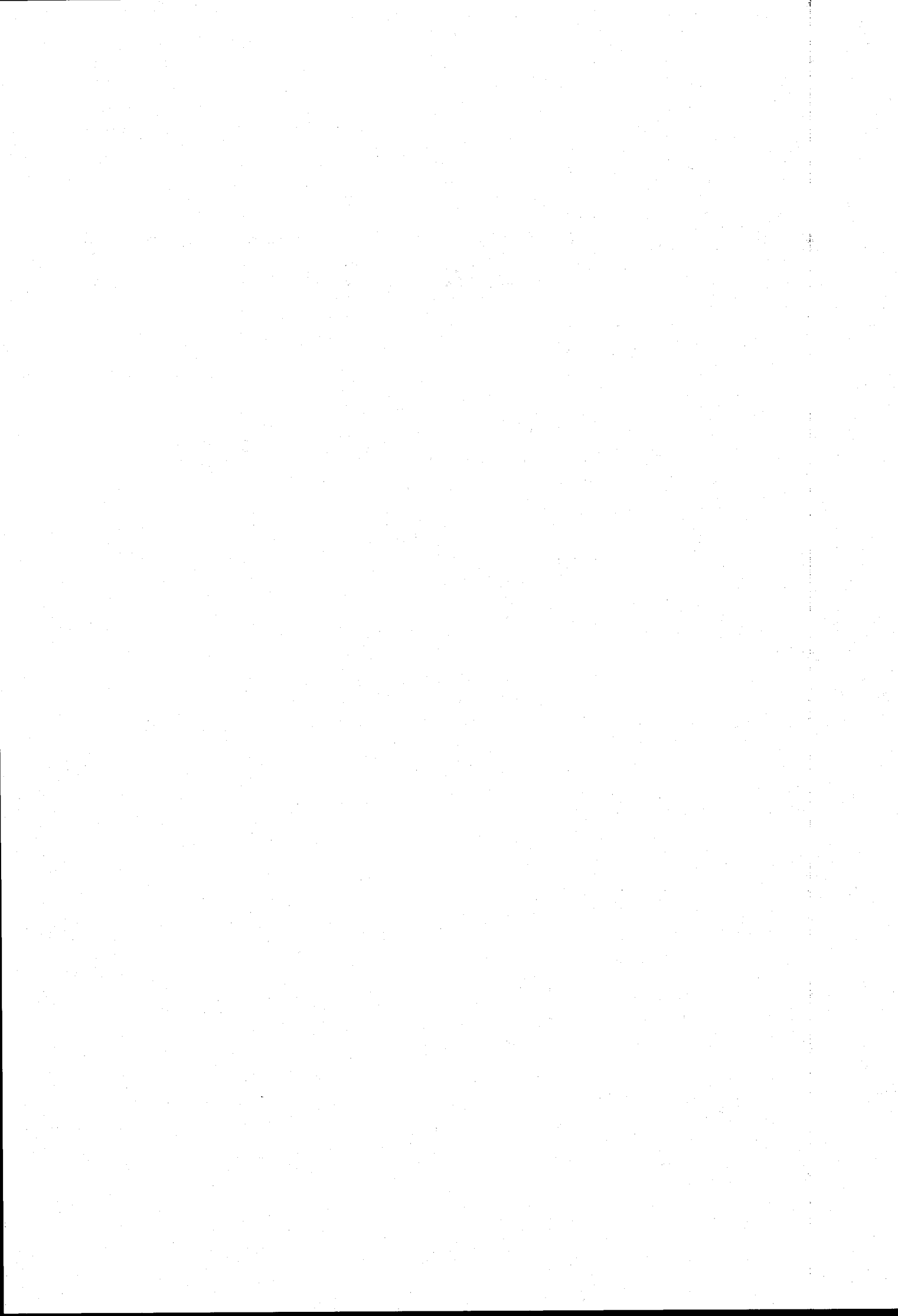
Abbreviations

MCTI	Ministry of Commerce, Trade and Industry
MF	Ministry of Finance
MHA	Ministry of Home Affairs
ML	Ministry of Labour
MM	Ministry of Mines
MMD	Movement for Multi-Party Democracy
MTC	Ministry of Transport and Communications

200 km



Zimbabwe



GLOSSARY OF ABBREVIATIONS

<i>CSO</i>	=	<i>Central Statistical Office</i>
<i>DIC</i>	--	<i>Department of Immigration Control</i>
<i>EIS</i>	=	<i>Export Incentive Scheme</i>
<i>ERF</i>	=	<i>Export Revolving Fund</i>
<i>ERS</i>	=	<i>Export Retention Scheme</i>
<i>ESAP</i>	=	<i>Economic Structural Adjustment Programme</i>
<i>GOZ</i>	=	<i>Government of Zimbabwe</i>
<i>MIC</i>	=	<i>Ministry of Industry and Commerce</i>
<i>MF</i>	=	<i>Ministry of Finance</i>
<i>MFA</i>	=	<i>Ministry of Foreign Affairs</i>
<i>MFN</i>	=	<i>Most Favoured Nation</i>
<i>MHA</i>	--	<i>Ministry of Home Affairs</i>
<i>MJLPA</i>	=	<i>Ministry of Justice, Legal and Parliamentary Affairs</i>
<i>MOT</i>	=	<i>Ministry of Transport</i>
<i>RBZ</i>	=	<i>Reserve Bank of Zimbabwe</i>
<i>SAZ</i>	=	<i>Standards Association of Zimbabwe</i>
<i>ZCIC</i>	=	<i>Zimbabwe Credit Insurance Corporation</i>
<i>ZIC</i>	=	<i>Zimbabwe Investment Centre</i>
<i>ZSE</i>	=	<i>Zimbabwe Stock Exchange</i>
<i>ZSTC</i>	=	<i>Zimbabwe State Trading Corporation</i>

I. INTRODUCTION AND EXECUTIVE SUMMARY

Regional integration has become an important issue for Zimbabwe. The OAU announced plans in 1991 for the establishment of the African Economic Community. The PTA has launched a strategy for the creation of a Common Market by the year 2000. The former SADCC has been formalised in a treaty and is now the Southern African Development Community (SADC) and aims to become an economic community. Zimbabwe is a member of all three organisations.

Zimbabwe therefore welcomed the initiative of the EC and World Bank to participate in a regional project to look at practical ways in which intra-regional trade and investment could be improved and constraints to such development could be removed. Zimbabwe participated in the workshop held in Mauritius in June 1992 which launched the second phase of this initiative. This phase required the undertaking of national level research to identify the precise obstacles to improved intra-regional economic relations and the development of an action plan to overcome those obstacles.

On returning from the Mauritius workshop, a national Technical Working Group (TWG) was established, with representatives of both the private and public sectors, under the Chairmanship of Mr Washington Chiwanza, Deputy Secretary, Ministry of Industry and Commerce. Imani Development provided the Secretariat. The TWG took on responsibility for the research in line with the terms of reference as determined at the workshop. Specific responsibilities were allocated between the members and the research begun in June 1992. Significant canvassing of opinion took place, amongst both government representatives and members of the business community. Data was collected from relevant sources, with analysis of information being undertaken by the Secretariat and TWG members. Recommendations were developed in the form of an action plan of measures which should be undertaken.

This report is the result of the TWG research and represents the private opinion of the members rather than any statement of government policy. The main report presents a brief synopsis of the key issues, covering investment, trade, finance and payments and institutions and gives details of the recommended measures. Fuller analysis of the issues and supporting data is contained in the relevant appendices.

The report concludes that whilst Zimbabwe has made some progress in overcoming the constraints to intra-regional economic activities, considerable changes still need to be made to the current system and practices. Recommendations have been made in this report as to what measures should be taken. The TWG believes that these changes can be made and that there is a willingness to see them occur. Considerable financial and some technical assistance will be needed from the donor community to assist with the implementation. A summary of the action plan measures, together with reference to responsibility, time frame and donor assistance required are given in Table 1.1.

Table 1.1 : Summary of Action Plan

ACTION	RESPONSIBILITY	TIMING	ASSISTANCE
INVESTMENT			
Promulgate Zimbabwe Investment Centre Bill	MF	ST	
Amend ZIC Bill	MF	MT	
Amend Mózambique Investment Agreement	MF	ST	

Issue revised guidelines for investments from the region	MF	ST	
Extend PTA MIE Charter or develop bilateral investment treaties with Botswana, Namibia and South Africa	MF	MT	
Issue revised guidelines for investments to the region	MF	ST	
Establish Cross-Border Investment Facility	SADC/PTA	MT	TA/FA
Facilitate cross listings on regional stock exchanges.	MF/ZSE	MT	TA
Issue administrative instructions re relaxation of visa requirements	MHA	ST	
Develop training programmes for border officials	MHA/MF	ST	FA/TA
Implement phase 2 of PTA visa protocol	MHA	MT	
Conclude double taxation agreements with other countries in the region	MF	S-MT	
Amend Exchange Control rules to conform with PTA MIE Charter	MF/RBZ	ST	
Amend Companies Act to conform with PTA MIE Charter	MF/MJLPA	ST	
Issue instructions re residence and employment permits to conform with PTA MIE Charter	DIC	ST	
Issue regulations regarding customs duties to conform with PTA MIE Charter	MF	ST	
Amend Income Tax Act to conform with PTA MIE Charter	MF	ST	

Amend Reserve Bank rules re treatment of MIEs to conform with PTA MIE Charter	MF/RBZ	ST	
Ammend Arbitration Act	MJLPA	MT	
Amend PTA MIE Charter	MIC/PTA	MT	
Get other countries to ratify and implement PTA MIE Charter	PTA	ST	
TRADE			
Place PTA imports on OGIL	MF	ST	FA
Continue regional trade development activities	Zimtrade MIC	ST-LT	TA/FA
Amend trade agreement with RSA	MIC	ST	
Ratify and implement trade agreement with Namibia	MIC	ST	
Remove surtax on imports from Botswana, RSA and Namibia	MF	ST	
All countries to implement PTA Trade Liberalisation Scheme	MIC/PTA	ST-LT	
Improve PTA Trade Liberalisation Scheme	MIC/PTA	ST	
Establish metereological department in SAZ	MIC	MT	TA/FA
All countries to implement PTA Trade Facilitation Schemes	MIC/PTA	ST	
Negotiate with non-PTA countries re PTA Trade Facilitation schemes	MIC/MOT	MT	
Improve working of Export Incentive and Duty Drawback schemes	MF	ST	

Amend Customs and Excise Act to provide for manufacture under bond scheme	MF	MT	
Establish EPZ scheme	MIC/MF	MT	TA/FA
Establish cost-sharing export grant scheme	MF	MT	TA
FINANCE AND PAYMENTS			
Establish UAPTA Bills of Exchange	MF/PTA	MT	TA
Establish second window at PTACH	MF/PTACH	MT	TA
Issue instructions to liberalise use of PTACH for service and investment transactions	MF	ST	
Implement payments agreement with Angola	MF/RBZ	ST	
Amend Exchange Control Rules to allow for 180 days' credit on regional exports	MF/RBZ	ST	
Develop scheme for forward cover for UAPTA	MF/PTACH	MT	TA/FA
Amend Exchange Control rules to allow commercial banks to maintain balances in correspondent banks	MF/RBZ	ST	
Amend Exchange Control rules to allow holding external accounts	MF/RBZ	LT	
Issue instructions for greater accessibility to UAPTA travellers	MF/RBZ	ST	
Arrange for trade finance facilities from PTA Bank	MF/ESATD B	ST	FA
Amend procedures for trade finance from Development Finance wing of RBZ	MF/RBZ	ST	FA

Establish regional export credit scheme	SADC/PTA	ST	TA / FA
INSTITUTIONS			
Re-organise regional chamber bodies	CZI / ZNCC	MT	TA/FA
Implement study re PTA/SADC harmonisation	MFA/MIC	ST	TA/FA

KEY

- TA= Technical Assistance required*
FA= Financial Assistance required
ST= Short term - by December 1993
MT= Medium term - by December 1994
LT= Long term - by December 1996

2. INVESTMENT

2.1 The Investment Code, Regulations and Climate

The Investment Code presently applied in Zimbabwe is contained in the publication: "The Promotion of Investment: Policy and Regulations" (September 1991) although this document is currently under review. Under the code, the Government of Zimbabwe (GOZ) encourages investment in the productive sectors of the economy i.e. manufacturing, agriculture and mining. Investment is particularly encouraged where there is decentralisation, establishment of consumer, intermediate and capital goods industries and export orientated industries. Government has developed specific project profiles which cover mostly productive and infrastructural sectors. These are contained in the "Investment Register".

The code covers a wide spectrum of matters pertaining to investment in the form of general statements of policy and specific administrative rules including those on export and investment incentives. However, the code is not legally binding in the sense of a "hard law" prescribing rights and obligations which are legally enforceable. The merit of this system is its inherent flexibility. Its obvious demerit is that it lacks the certainty and predictability that combine to render the investment climate more readily susceptible to accurate assessment and evaluation by prospective investors.

One major constraint concerns exchange control rules. These are restricting investment inflows because of the limited repatriation of dividends and disinvestment proceeds. Furthermore, these regulations are insufficiently precise to enable potential investors to know where they stand. Full details of these regulations are given in Appendix I. Dividend remittances can vary from as low as 25% of profits to a full

100%, depending on the nature of the investment and the ruling given by the Zimbabwe authorities. Most new investments would now be allowed 50% remittability. Not only is this figure itself an impediment, but too much is left to the discretion of the authorities. Salary remittances by expatriate staff are also at the discretion of the authorities with no firm rules.

The GOZ expects a majority Zimbabwean participation in new foreign investment projects. Whilst the GOZ is prepared to allow majority foreign ownership in high priority projects, it encourages arrangements to be negotiated for the eventual transfer of majority ownership to Zimbabwean entities. These arrangements are meant to be negotiated at the outset or after a stipulated period. This has acted as an impediment to foreign investment since it does not give the foreign investor any independent long term plans (ie. Without local influence). As a result most foreign investors have tended to shun such an arrangement. Whilst the benefits of joint ventures are acknowledged, the level of shareholdings should be left to the partners to best determine.

These constraints caused by exchange control rules and local equity holdings can best be dealt within the regional context by implementing the PTA MIE Charter.

2.2 Institutional Procedures

The coordination and promotion of private investment for local and foreign investors is done through the Zimbabwe Investment Centre (ZIC). The Zimbabwe Investment Centre Bill, 1992, is currently awaiting Presidential assent. The Bill, when enacted, will legally formalise the ZIC as a corporate body with statutorily defined functions and powers. We recommend that this Bill should be passed into law before the end of 1992.

The Bill makes it clear that ZIC is intended to constitute a "one-stop" institution for the approval of projects. ZIC will provide the mechanism through which all the necessary approvals, licences and permits will be granted or issued in respect of approved projects. In order to expedite project approvals, the Bill stipulates a maximum period of 45 days within which ZIC is obliged to make its decision to approve or reject any application. The Bill sets out the criteria to be applied by ZIC in making its decisions. All decisions of the ZIC Investment Committee relating to project approvals are subject to appeal before the ZIC Board. The Board is required to determine any such appeal within 60 days of its having been noted.

In theory, the Bill provides an adequate legal framework for the timely approval of project proposals. Additionally, after a project is approved, ZIC is enjoined "to ensure" that all the approvals, licences and permits necessary for the implementation of the project are granted or issued "without delay". The due application of the first phase, i.e. project approval, appears to be relatively well assured - assuming that the stipulated time limits are adhered to in practice. However, the operation of the second phase; i.e. the issue of permits; etc. for the implementation of an approved project, does not carry the same assurance of certainty and retains the possibility of undue bureaucratic delay falling outside the direct control of ZIC and its organs.

To overcome this possible problem of delay before start-up, we recommend that the ZIC Bill should be amended so that, subject to certain specified clearances, the ZIC will have the power to secure

the granting of all necessary approvals within a further period of forty-five days. These specific clearances would be in respect of environmental, planning, health and security implications, as well as for any restricted areas of business, such as banking and insurance. Furthermore, in the context of applications in conformity with the PTA MIE Charter from regional investors, we recommend that the Bill should be further amended to provide for automatic project approval unless notification is given by ZIC within forty-five days that the project does not conform with the criteria and amendments are required to the submission.

2.3 Investment Protection Guarantees

Legal guarantees for the protection of investments operate at two distinct levels, i.e. domestic and international. At the domestic level, apart from the due recognition of private property rights under the common law, the Constitution of Zimbabwe accords special protection against the deprivation of property. The compulsory acquisition of property is subject to compliance with specified requirements, including the giving of reasonable notice and the payment of fair compensation within a reasonable time.

At the international level, Zimbabwe has recently acceded to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, 1965, and to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 1958. Zimbabwe has also become a party to the Multilateral Investment Guarantee Agency Convention, 1985.

However, in the field of bilateral investment protection, the conclusion of treaties negotiated since 1980 has not progressed beyond the ratification of two such treaties, (one with the USA and one with Mozambique). The principal stumbling block is the question of repatriation of capital and returns. The treatment of this question is further complicated by the uncertain nature and application of the prevailing exchange control regime. If the matter is to proceed any further, it will be necessary to adopt a clear and consistent policy position as to the transferability of investments and their returns. In this respect, the existing 1990 Agreement between Zimbabwe and Mozambique, which refers in Article IV to "exportable" income and "re-exportable" capital without defining the relevant terms, is unsatisfactory and unworkable. We recommend that the investment agreement with Mozambique should be amended.

The question of free transferability in the regional context should not present any legal difficulty. Once a clear policy decision has been taken, all that is required is for Government to issue appropriate instructions to the Reserve Bank and for the Bank to implement those instructions through its administrative rules.

In order to provide the necessary legal assurance to regional investors, it is recommended that the PTA MIE Charter should be implemented and extended to other countries in the region. If this is not possible, bilateral investment protection treaties should be concluded with other States in the region, such as Botswana, Namibia and South Africa. Such treaties should incorporate clear stipulations governing on a reciprocal basis the full transferability of capital and returns, in accordance with the MIE Charter. Exemption from withholding taxes should also be specified.

2.4 PTA Charter on Multinational Industrial Enterprises (MIEs)

The PTA MIE Charter has been signed and ratified by Zimbabwe. The TWG endorses the concept of this Charter and believes that fully implementing its provisions will substantially alleviate many of the problems identified above and will provide considerable incentives for cross-border investment. Full analysis of the measures to be taken to bring Zimbabwe's law into line with the provisions of the Charter is given in Appendix I. We recommend that those countries which have not yet ratified the charter should do so immediately.

The Charter is viewed as a very useful tool for fostering intraregional investment, although certain modifications would make it more effective. Aspects which should be modified include the following:

- the requirement on nationality of ownership of equity of the investing company(ies) should be changed to conform with the new PTA rules of origin criteria for the trade liberalisation scheme;
 - the minimum capital value of 500,000 UAPTA (or 200,000 UAPTA in less developed States) should be significantly reduced or eliminated to encourage cross border investment by small and medium enterprises, rather than only encouraging the large scale sector (which is often foreign owned).
- O provision should be made for each member state to grant automatic approval for investment applications in conformity with the Charter, subject to the right of authorities to give substantiated rejections within a specified time limit, such as forty-five days.

2.5 Investment from the Region

Since independence, Zimbabwe has had very little investment coming from the region. The only source of regional investment has been South Africa, and even that has been very limited. The value of South African investments in Zimbabwe which have come through the ZIC since its inception in 1989 is around Z\$3 million (US\$600,000) although it is believed that a number of other investments have been made by South Africans without going through the ZIC system. ZIC has also received enquiries from Zambia, Kenya and Malawi, but no actual investment has taken place. Reasons for this lack of investment include the fact that a number of enquiries have been in the sectors which are effectively prohibited to foreign investors. The authorities have generally looked at foreign investment in terms of technology transfer and expertise. Regional countries, apart from South Africa, have not had much to offer in this regard. Ninety percent of the total projects approved by ZIC have been termed as hard core, industrial projects and high technology projects.

Zimbabwe has not given any preferential treatment to investment enquiries from the region. Such enquiries have included potential investments in farming, commercial activities and assembly of components.

We recommend that more flexibility should be given to investment enquiries from the region in accordance with the PTA MIE Charter. This would include lowering the minimum level of foreign currency inflow, the opening up of certain sectors to competition from within the region and automatic approval procedures.

2.6 Investment to the Region

Cross-border investments from Zimbabwe to the region between 1986 and mid 1992 for which foreign exchange has been made available from Zimbabwe have totalled Z\$26,6 million (US\$5,3 million), representing fourteen actual investments, although half this amount is in respect of one investment in the banking sector in Botswana. Investments have been made in Botswana, Malawi, Mozambique, Namibia and South Africa. The sectors in which investment has taken place include Banking and Finance, Transport, Storage and Freight, Manufacturing, Mining, Hotel Industry, Building, Construction and Architecture, Retail and Marketing and Advertising. Full details of these investments are given in Appendix I.

There have been many other applications made to the Reserve Bank which have not been approved. A number of Zimbabweans have, however, invested in other countries in the region utilising off-shore funds, but this means that Zimbabwe does not benefit from dividend flows.

The Reserve Bank does not generally look favourably upon outward cross-border investments due to balance of payments implications. There are no clear regulations concerning outward investment approval criteria. The main criterion is usually the payback period of the project in foreign exchange terms. Projects should have a foreign currency payback period of 3 years. Other criteria are detailed in Appendix I. The Reserve Bank generally puts a ceiling of Z\$300,000 (US\$60,000) on equity funded from Zimbabwe for those projects it approves.

There is nothing in Zimbabwe's legislation preventing cross-border investments, only administrative criteria, which need to be relaxed. Since the major restricting factor is foreign exchange, ways must be developed to overcome this problem. One such possibility is the establishment of a Cross-Border Investment Facility, as proposed by SADC. This facility would make foreign exchange available to approved investors. Another option would be to link such a facility to the PTA MIE Charter, possibly through the PTA Bank. Ways should also be found for utilisation of the PTA Clearing House for such investments. One such possibility would be to open a second window at the PTACH for free market trading in regional currencies, operated by authorised dealers. There would then be no need for convertible currency settlement for such transactions. The Zimbabwe Treasury should allow such transfer of funds through the Clearing House for cross-border investment. We also recommend that the Zimbabwe Stock Exchange should be allowed to develop cross listings with the other stock markets in the region.

2.7 Movement of Persons

Visas are not required by citizens of Lesotho, Swaziland, Botswana, Namibia, Zambia, Mauritius, Malawi, Tanzania, Kenya, and Uganda when visiting Zimbabwe. Citizens of all other countries in the region require visas.

The PTA Protocol on Relaxation and Eventual Elimination of Visa Requirements was ratified by Zimbabwe in 1991. Under the Immigration Act, 1979, visas may be "dispensed with in pursuance of an arrangement to which Zimbabwe is a party". There is therefore no legal impediment to the full implementation of the Protocol. The Ministry of Home Affairs needs to issue the necessary administrative arrangements so that the protocol can be implemented. We also recommend that those countries which have not yet ratified the protocol should do so immediately. This protocol also states that within eight years from entry into force, PTA nationals should be able to enter other PTA countries for up to 90 days without any visa requirement. The PTA Council should take steps to introduce this second phase immediately upon entry into force of the protocol, rather than waiting for up to another eight years.

This protocol does not however cover the non-PTA members. Of these the most significant regional country still requiring visas by Zimbabwe is South Africa. Given the changing nature of relationships with South Africa, the time is now opportune for changing this situation. The Ministry of Home Affairs should take the necessary administrative action to remove South African citizens from requiring visas.

Even for travellers who do not require visas, they often encounter bureaucratic difficulties at border posts. We recommend that customs and immigration officers should undergo training activities to improve procedures.

2.8 Double Taxation Agreements

Zimbabwe has one double taxation agreement with another country in the region, namely with South Africa. However an agreement has been concluded with Mauritius and it is awaiting entry into force. Similar agreements should be concluded with other countries in the region.

3. TRADE

3.1 Main Macro-economic Constraints

The exchange rate regime within the country is of major concern to the private sector especially in light of the large depreciation of the Z\$ which took place in 1991. This meant that import costs increased before industry had the chance to re-equip. The increase in costs due to depreciation was further compounded by the increase in surtax by 10% for all imported goods and a further 10% increase in import duty for goods on OGIL. In order to curb the rate of inflation the central bank introduced a tight monetary policy which led to an increase in the rate of interest. The liquidity squeeze which emerged led to suspension of a number of investment projects.

There has however been a positive impact on exports from the devaluation, particularly in the early months following the devaluation. Primary goods exporters benefitted. Furthermore a number of manufacturing exporters were able to penetrate new markets or expand on previous volumes of business.

This benefit was however rather short-lived and the impact as shown above has since eroded much of the advantage for the manufacturing sector. There has been high inflation but no further depreciation of the currency.

The tight monetary policy has tended to not only depress investment levels but has also contributed to a recession. The rate of inflation has increased to levels in excess of 40%. This fact coupled with the drought has significantly dampened domestic demand as incomes have been eroded and production costs and prices have been raised. As a result of this, stocks have increased thereby putting a further strain on the resources of companies and inflation has spiralled. The inflation rates can best be stabilised and lowered through, among other things, a reduction in credit creation, diversifying to export markets, and most importantly a meaningful reduction in government expenditure, to reduce the budget deficit, which for the current fiscal year is planned to be over 9%. It may well exceed that level in reality. There therefore has to be an improvement in the inflationary position and improvement in liquidity before further benefits of devaluation can be realised. However, the Zimbabwe dollar is still overvalued against some other regional currencies, such as the SA Rand and further adjustment will be necessary.

The Government has recently stated that the Economic Structural Adjustment Programme (ESAP) is on course, even if a little slow. Provided the programme is maintained, significant improvements should be realised for intra-regional trade as it becomes easier to import and the competitive position of Zimbabwean goods is enhanced. We therefore recommend that the government adheres to the ESAP programme.

3.2 Zimbabwe's Trade with the Region

Zimbabwe's trade with the region has grown significantly in recent years. Exports to PTA countries grew from US\$131 mn in 1987 to US\$176 mn in 1991, representing a 34% increase in US doM terms. Intra-PTA imports increased from US\$32 mn to US\$51 mn during the same period, reflecting a real increase of 60%. When including trade with Botswana, Namibia and South Africa (RSA) it seems that there has been an even greater growth in regional imports than in regional exports. Total exports to the region grew from US\$305 mn in 1987 to US\$421 mn in 1991, showing a total increase of 38% in US dollar terms, whilst imports grew from US\$309 mn to US\$715 mn during the same period, reflecting a growth of 131%. This shows that the nature of Zimbabwe's total intra-regional trade has changed since 1987 from being very well balanced (between imports and exports) to being more biased towards imports, which in 1991 were 70% greater than exports. This dramatic change in 1991 was primarily caused by the introduction of trade liberalisation under ESAP, which saw a substantial increase in imports, particularly from RSA.

Zimbabwe's total exports grew from US\$1,425 million in 1987 to US\$1,640 million in 1991 (15%) whilst total imports grew from US\$ 1,047 to US\$1,900 (81%) during the same period. Intra-regional trade substantially increased its importance during this period from constituting 25% of worldwide trade in 1987 to 32% in 1991.

Zimbabwe's rate of growth of exports during this period to the PTA region (34%) and to the total region (38%) was greater than worldwide growth (15%). Its growth of imports from the PTA region (60%)

was however less than its import growth from both the total region (131%) and worldwide import growth (81%).

Exports to the PTA and the whole region as a percentage of total exports grew between 1987 and 1991 from 9% and 21 % to 11 % and 26% respectively . Intra PTA imports remained at 3% of total imports between this period whilst total intra-regional imports grew from 30% to 38%.

3.3 Import and Export Regulations and Practices

Until October 1990, when it embarked on an ESAP Zimbabwe had a very rigid import control system. In October 1990 some items, mainly raw materials, were placed on Open General Import Licence (OGIL), thereby removing the need for an import licence and guaranteeing availability of foreign exchange for the import transaction. The list of items on OGIL was progressively expanded until by October 1992 approximately 15% of imports were on OGIL with a further 10% restricted to specifically approved importers for raw materials for industry. By 1995 all goods with the exception of a few, excluded on the grounds of defence, safety or overwhelming public interest, should be importable without a licence. The rate of expansion of the OGIL has been considerably slower than the original ESAP plan. One reason for this was the great drain on resources in the early days of OGIL. Given the current much tighter monetary position, a repeat of past performance is very unlikely. We therefore recommend that the rate of OGIL expansion should be quicker than the current programme.

Foreign exchange for imports is also now available under the Export Retention Scheme (ERS). Exporters are given a forex allocation, stated in Zimbabwe dollars, equal to 30% of their foreign exchange earnings. Import licences are freely issued for imports financed with ERS funds. These funds are transferable at exchange rates determined by the free market.

The issuing of allocations for regular import licences is done on a half-yearly basis. However the allocations are often very late. We recommend that the system be improved to ensure allocations are issued at the beginning of each quota period. The actual issuing of the licence thereafter is also a tedious process. We recommend that this process should also be improved.

Although there is a PTA import licence, which is given somewhat more liberally than regular licences, many applications to import from PTA countries are turned down due to balance of payments implications. We therefore recommend that the Ministry of Finance should develop a new category of OGIL goods to cover all goods imported from PTA countries, which are accompanied by a PTA certificate of origin. Payment would automatically be made through the Clearing House. This is in line with the PTA Monetary Harmonisation Programme which calls for such action in 1992-93.

Zimbabwe's export regulations are not a serious impediment to intra-regional trade.

3.4 Regional Trade Development Activities

For many years Zimbabwe has exhibited at numerous trade fairs in the SADC/PTA region. Furthermore the annual Zimbabwe International Trade Fair attracts many exhibitors and visitors from the

region. Numerous inward buyers programmes from, and outward trade missions to, SADC/PTA countries have been organised, particularly since 1987 under the auspices of the EC funded Zimbabwe Export Promotion Programme (ZEPP). Countries covered include Namibia, Mauritius, Kenya, Tanzania, Botswana, Mozambique, Malawi and recently South Africa. Orders and anticipated orders within 12 months, placed during these ZEPP activities, are thought to have resulted in additional export sales to regional markets of approximately Z\$ 170 million. Programmes have also previously and are currently being developed to help other countries in the region suffering from a trade deficit with Zimbabwe to improve their exports to Zimbabwe. Many business people from Zimbabwe have participated in Buyer-Seller meetings organised under the auspices of the PTA and SADC. These have also helped in creating an awareness of new trade opportunities.

We recommend that ZimTrade should continue in its programme of trade development activities in the region, covering market research, trade missions, exhibitions, and inward-buyer programmes. The should also continue to promote regional imports from trade deficit countries.

From the various activities undertaken to promote intra-regional trade, it is apparent that there are a number of other constraints, irrespective of tariff barriers and import licencing problems. These include:

- high uncompetitive prices
 - poor quality products
 - inadequate communication between businessmen
 - failure to deliver goods after business was concluded
 - poor transport systems leading to delivery delays
- insufficient effective production capacity.

3.5 Regional Trade Potential

It has been shown above that Zimbabwe is a major player in intraregional trade. We believe however that considerably more could be achieved both in exports to and imports from the region. Sectors with particularly good export potential include packaging materials, agricultural equipment and implements, processed foods, pharmaceutical products, clothing, furniture, mining equipment, engineering products and services. Sectors with strong import potential include intermediate goods, paper products, engineering goods, builders' hardware and certain consumer goods.

3.6 State Trading Companies

There are not many state trading companies which impact on regional trade opportunities, since they are mostly concerned with bulk commodities. The only one to have any real impact is the Zimbabwe State Trading Corporation (ZSTC), although its negative impact has been reduced in the last couple of years. There have been occasions when the ZSTC has been given monopoly rights over certain imports, including those from the region, such as light bulbs imported from Kenya and Mauritius. We recommend that the Government should review the position of the ZSTC to ascertain whether it serves any useful purpose and whether it is a constraint to developing intra-regional trade.

3.7 Bilateral Trade Agreements

MFN agreements exist with a number of countries in the region, but these have little real impact on the trade regime. Zimbabwe, however, has substantive bilateral trade or customs agreements with Botswana and South Africa and one with Namibia which is expected to enter into force in the near future. The Botswana and Namibia agreements give reciprocal duty-free and import-licence-free access to qualifying locally produced goods. It is interesting to note that trade between Zimbabwe and Botswana accounted for 14% of the total intra-regional trade in 1991, much higher than trade with any other country apart from South Africa. This bilateral trade accounted for over one-third of intra-regional trade. Without the agreement very little of this trade would take place. Trade with South Africa is helped by the relevant agreement, but this agreement is now in need of significant changes. Renegotiation is currently underway which should lead to much easier access for qualifying goods;

We recommend that the agreement with South Africa should be substantially improved in terms of greater access for a larger number and quantity of goods and that the renegotiations should be completed in the near future. One stumbling block with all three agreements is in respect of the surtax which is charged by each country. Agreement has been reached in principle to remove the surtax on trade with South Africa and Namibia for goods covered by the agreements. We recommend that this agreement be implemented in the near future. We also recommend that surtax should be removed on trade with Botswana, since this aspect is significantly restricting trade with that country. The Customs and Excise Regulations would need to be amended to effect these changes.

3.8 PTA Trade Liberalisation Scheme

Zimbabwe has implemented all its commitments regarding tariff reductions under the PTA trade liberalisation scheme. The majority of member States are however behind the timetable for tariff reductions. One reason for this is that the scheme is administratively very complicated to implement. We also believe that the Common List is itself a trade barrier. We therefore recommend that those countries which are behind in their implementation should fulfill their obligations straight away and further that the PTA should implement the agreed amendments to the scheme, namely to abolish the Common List and to have a simplified programme for the complete elimination of tariffs.

Zimbabwe has however been slow to remove all NTB's and still has import licencing restrictions on PTA imports. However, the recommendation given above will overcome this barrier;

3.9 Trade Facilitation Schemes

ASYCUDA: The Zimbabwe Customs Department has completed installation of the Automated Systems for Customs Data (ASYCUDA) scheme and training of its officers. Training of the business community in completing the new format Bill of Entry finished in August 1992. The system itself is due to become operational in November 1992.

Harmonised System: The Harmonised System of tariff classification is operational in Zimbabwe.

Standardisation: The Standards Association of Zimbabwe (SAZ) is responsible for developing standards. Zimbabwe currently works to its own 365 standards which aim, as far as possible, to conform to those of the International Standardization Organisation (ISO). In addition, a quality management systems standard - SAZ 300 based on the ISO 9000 - 9004 has just been introduced. This was first published by the ISO in 1987 and has since been adopted by 49 countries including South Africa as SABS0157. It has also been recently adopted by Tanzania. The standard is applicable to both goods and services.

Zimbabwe currently has limited facilities for standards testing. Standards needing more complex tests are sent to either UK or Kenya (which has full testing capabilities). This local capability can only be achieved by having a fully equipped meteorological department. A project has been submitted to UNIDO and it is expected that such a department could be built within the next 2 years. Zimbabwe has taken part in initiatives undertaken by both SADC and PTA for harmonisation of standards in the region.

We recommend that the meteorological department should be established and that its facilities should be offered to other countries in the region.

3.10 PTA Trade Facilitation Schemes

Zimbabwe is applying the PTA harmonised transit charges. Several other PTA countries are either not using them or are using them in conjunction with other charges.

The PTA Third Party Motor Vehicle Insurance Scheme (Yellow Card) is operational in Zimbabwe but settlement of claims have been held up by Central Banks in some countries.

The Road Customs Transit Declaration document is currently being satisfactorily utilised in Zimbabwe and certain other countries, but is not adequately accepted in all countries.

We would urge all other PTA countries to correctly implement these schemes. We would further recommend that negotiations be held with other non-PTA countries in the region (Botswana, Namibia and South Africa) towards implementation of the PTA schemes.

3.11 Export Incentives

In order to promote exports, the government has introduced a number of export incentive schemes:

- the Export Revolving Fund (ERF), which provides foreign exchange for imports against export orders;
- the Export Retention Scheme (ERS) whereby exporters are entitled to a forex allocation based on a proportion of foreign currency earnings and use it for financing of imports or selling to others at a premium;

- the Export Incentive Scheme (EIS) whereby exporters receive a 9% tax-free rebate on the FOB value of authorised manufactured exports;
- the Duty Drawback Scheme, whereby exporters can claim a refund of import duties paid on materials used in the manufacture or packaging of goods subsequently exported;
- the Bonded Warehouse Scheme, whereby manufacturer's can import goods and withhold paying import duties until such time that the goods are drawn down from the bonded warehouse for manufacturing purposes;
- the Duty Rebate Scheme, whereby duty can be rebated on goods imported or withdrawn from bond by manufacturers for inward processing and re-export.

These schemes are all very worthwhile and are often the only reason why manufacturers have been able to export competitively. However the schemes are not all working as well as they should be. The ERF and ERS function reasonably well for manufacturers. Payments under the EIS are very slow. It usually takes between 3-6 months and sometimes longer for firms to receive their payment. It is recommended that if the speed of payment cannot be improved, then tradeable tax certificates equivalent to the value of their payments should be issued to exporters. These certificates could then be traded, at a discount, and the funds received immediately.

A major problem with the Duty Drawback Scheme is that there is no time limit set for the duty to be repaid to exporters and delays of up to 12 months have often been experienced in receiving rebates. Such delays raise the working capital requirements and transaction costs of exporters, thereby reducing their competitiveness in international markets. We recommend that a time limit (two months) should therefore be set for repayment of rebates and the relevant administrative procedures should be put in place to achieve this. If this is not possible, a system of issuing tradeable tax certificates should be instigated.

Currently, only local companies can use the bonded warehouse facility. New regulations have been drawn up which will allow foreign companies to establish bonded warehouses in Zimbabwe. Such regulations should be implemented. The bonded warehouse system imposes higher transaction costs than does a bonded manufacturing scheme whereby inputs are imported duty free, processed into final products under bond and exported duty free. Steps should be taken to establish a manufacturing under bond scheme. This would require amending the Customs and Excise Act.

The government has during the past two budget speeches made reference to establishing Export Processing Zones. A study has been undertaken and recommendations are before a cabinet committee but no decisions have been made regarding implementation. Necessary decisions need to be taken and actions put in place to establish such a scheme.

To further encourage exports to the region, we recommend that a donor-assisted cost-sharing grant scheme should be established under which cash grants would be given on a reimbursement basis to firms to assist them with the costs of developing new export markets and products.

4. PAYMENTS AND FINANCE

4.1 PTA Clearing House

The multilateral PTA Clearing House (PTACH) was set up to promote intraregional trade by offering a mechanism to effect payments in a more efficient way. Zimbabwe has been the largest user of the Clearing House with total transactions, excluding travellers cheques transactions, amounting to 546 million UAPTA, since the start of the Clearing House in 1984 up to June 1992. This represents 29% of the total value of transactions. Zimbabwe has always been in a surplus position, with total receipts during this period amounting to 341 million UAPTA, compared to total payments of 206 million. Zimbabwe's transactions, like the other countries' however started going down in 1989.

The restrictions on PTA import licences mentioned above have prevented greater utilisation of the PTACH. Another significant problem has been the fact that several countries have insisted that certain export commodities, usually traditional exports, should be paid for in convertible currency. This practice should stop.

The Clearing House is not being used for investment transactions, because of exchange control regulations. Liberalisation of access as proposed in Chapter 2 above would help. It is similarly rarely being used for service transactions, although some such transactions do use the Clearing House. We therefore recommend that Exchange Control rules should be amended to liberalise all service payments through the Clearing House.

4.2 Export Payment Regulations

Under existing exchange control regulations, the maximum credit which exporters can offer for regular exports, as opposed to capital equipment exports, is 90 days, although extensions can be requested. Furthermore, regulations stipulate that payment under open account or by bills of exchange is not permitted for exports to most countries in the region, the exceptions being Botswana, Malawi and South Africa. Payment from the other countries has to be confirmed, by irrevocable letters of credit. These constraints put Zimbabwe at a disadvantage as compared to other exporting countries. To improve trade settlements we recommend that UAPTA Bills of Exchange should be issued.

Zimbabwe has signed a bilateral payments agreement with Angola to facilitate bilateral trade. Each government will guarantee payment after 180 days. In order to effect this agreement each country's central bank needs to deposit US\$30 million with its counterpart to act as a guarantee. We recommend that such deposits be paid.

Zimbabwe should amend the Exchange Control rules to allow exporters to extend 180 days credit to remove the need for confirmed, all countries in the region, and irrevocable letters of credit. V

4.3 Correspondent Banking Relationships

Zimbabwe has traditionally had close banking relationships with neighbouring countries. Correspondent relationships have also been developed with most other countries in the region during the last few years. However, there are a number of constraints which affect these relationships:

- the volume of business with some countries is so low that charges are relatively high;
- communication is difficult and complicated with some countries and therefore transactions are not speedily handled thus increasing bank's costs;
- the relationship is affected by the fact that whilst in Zimbabwe it is possible to hedge against exchange risk in convertible currencies, it is impossible to cover forward for imports or exports relating to intra regional trade if payment is in national currencies, except for payments in Rand;
- inability to maintain credit balances in accounts with regional correspondent banks means that every transaction, no matter how small, has to be funded at the time the transaction is done. Whereas if banks were allowed to keep working balances they would only need to fund their accounts periodically as opposed to when required thus cutting down on costs;
- business people are not allowed to maintain external, convertible accounts. If this were possible, external transactions would be simpler and cheaper. Furthermore, it would be easier for commercial banks to issue travellers cheques thereby reducing the paper work and therefore cost.

The following measures would assist in the expansion of correspondent banking relationship:

○ exchange risk - banks in Zimbabwe should be allowed to hedge against foreign exchange risks for regional currencies. The Reserve Bank should develop a scheme for forward cover of the UAPTA;

- the Reserve Bank should amend the exchange control rules to allow commercial banks to maintain working balances in their correspondent banks' books, which balances should be able to earn interest; this issue would need to be agreed at the regional level through the meeting of the PTA Governors of Central Banks and on a bilateral basis with Botswana, Namibia and South Africa;

- exchange control rules should be amended so that firms which are entitled to foreign exchange under the Export Retention Scheme for exports to the region, should be able to retain a proportion of their foreign earnings in an external account;

○ business and holiday allowances for travel to the region should be more liberal than those to overseas; travellers' cheques up to an agreed amount (say 350 UAPTA per day) should be automatically issued to bona fide travellers by commercial banks with no other restrictions for travel to regional destinations.

4A Export Credit Schemes

Zimbabwe has put in place a number of pre- and post- shipment credit schemes available for exporters.

PTA Bank

There has been one pre- and post-shipment finance scheme from the PTA Trade and Development Bank. It was negotiated with a local commercial bank (Zimbank). The amount involved was US\$10 million. Disbursements of the loan commenced in March 1991 and by June 1991 the facility had been fully utilised, with the lowest amount disbursed to a single client being US\$35,000 and the highest US\$2,000,000. Considerable interest continued to be shown by the business community well after the funds were exhausted.

Approaches have been made to the Reserve Bank and other authorities for approval of negotiations for another tranche from the PTA bank. We recommend that such approval should be given quickly for further such facilities, which should be considerably greater in value than the previous one.

SADC Comprehensive Export Financing Scheme

Under the SADC scheme, it had been agreed that national schemes should be expanded as necessary to cover pre- and post-shipment services as well as credit guarantee and insurance facilities. Whilst this has been done in Zimbabwe, we recommend that SADC should continue its efforts for the establishment of a foreign currency revolving facility operated at the regional level.

Sectoral Commercial Facilities

Some sectors of the economy in conjunction with the local commercial banks and the Reserve Bank have set up external credit facilities for pre- and post-shipment credit for exports. Current schemes cover the tobacco, horticulture, other agriculture and minerals sectors.

Local Money Market Credit Facility

The local money market plays an important role in the provision of pre- and post-shipment finance through the issuance of bankers acceptances. Currently it provides 80%-90% of total export credit requirements for the country. Credit available in this market has an average life span of 90 days and the bills are normally liquid and tradable in the local market. Such facilities are however only suitable for large-scale exporters.

Reserve Bank: Development Finance Wing

The Development Finance Wing within the Reserve Bank specialises in the financing of pre- and post-shipment for small scale enterprises. This scheme provides funds to the commercial banks for on-lending to small and medium scale enterprises. The funds are provided to the commercial banks at an interest rate of 13.5% and they are to be on-lent at a rate of 15%. However, the commercial banks are not

keen on this facility because of the small margin, which makes it unprofitable for them. We recommend that this scheme be revised and the funds made available at lower rates to the commercial banks, so that they can make an economic margin and still on-lend at subsidised rates to the she exporting sector. Furthermore, we recommend that this scheme should be boosted with additional resources.

Export Credit Insurance

The Zimbabwe Credit Insurance Corporation (ZCIC) provides comprehensive export insurance cover, provides advice on export financing and investigates the creditworthiness of buyers. Cover is given for both commercial risk and, in collaboration with the Government, political risk. It is a member of the Berne Union and thereby has access to international resources regarding export insurance. Recently a scheme for pre-shipment financing in collaboration with commercial banks has been introduced. The ZCIC also offers cover for the supply of capital goods and related services involving long-term finance.

5. INSTITUTIONS

Zimbabwe has a number of private sector institutions which have participated in initiatives to improve intra-regional trade, investment and payments. They have participated in the PTA Federation of Chambers of Commerce and Industry (PTAFCCI) and the SADC Regional Business Council. Both of these bodies have however not been very fruitful in their endeavours to improve economic cooperation. They have both suffered from lack of support from the constituent members and too much interference from their intergovernmental counterparts. There is, however, an initiative underway to restructure these organisations into a single new, independent body to represent the business community in Eastern and Southern Africa. This body should be owned by the constituent members and should be a voluntary body. We endorse this initiative and recommend that CZI and ZNCC should actively work towards this aim.

At the inter-governmental level, we believe that there has to be harmonisation of the activities of the PTA and SADC. Both bodies are now working towards a Common Market. At the PTA Summit meeting in January 1992 it was agreed that these two organisations should merge. Nothing has been done in this regard. Zimbabwe can only be a member of one viable and properly functioning common market. We therefore recommend that a joint and independent study, as agreed at the last SADC summit meeting, should be initiated to recommend the best future relationship between these organisations.

Appendix I: Investment

1. The Investment Code and Regulations

The investment incentives offered include:

- reduced income tax for corporate bodies which now stands at 42.5%;
- the suspension of surtax and import tax on imported capital goods whose projects are approved by the Zimbabwe Investment Centre (ZIC);
- special initial allowance tax relief on most plant, equipment and buildings on a straight line basis over a period of 3 years at successive rates of 50%, 25% and 25%.

2. Exchange Control Regulations

The following is an outline of the major exchange control provisions which apply to foreign investors:

- a) Foreign investors who make «new» investments - defined as foreign capital introduced in Zimbabwe after 1st September 1979 are allowed to remit 50% of their net after tax profits arising out of such an investment, while investors with old investment (i.e. capital invested prior to 1979) are allowed to remit 25% and 50% of net after tax profits for old and new investment respectively subject to the discretion of Exchange Control. Investors who have reinvested their blocked funds with Exchange Control are allowed to remit 50% of their net after tax profits. Government also grants the incentive of up to 100% remittability of dividends and profits for a stipulated period to high priority projects. 100% remittance will be granted for projects which are self-financing in terms of foreign exchange earnings subject to satisfactory consideration of the following criteria:
 - amount of foreign exchange to be generated by the project;
 - the degree of high technology transfer;
 - volume of additional employment created;
 - the degree of Zimbabwean participation in the project.
- b) Two years after the date of their new investment, investors may disinvest and remit the proceeds from such disinvestment equal to the amount of their original investment less a deduction of the amount of income from the investment remitted before disinvestment.
- c) Dividends declared by foreigners in Zimbabwe in excess of 25% and 50% of net after tax profits in respect of old investments and new investment respectively do not qualify for immediate remittance under the current exchange control regime. These are credited to blocked accounts with authorised dealers (banks) in Zimbabwe, authorised by the Reserve Bank to open and operate blocked funds. The funds in such accounts are referred to as blocked funds and may not be reinvested without the prior approval of Exchange Control. Prior to

1987, the Exchange Control gave such an approval on condition that the foreign shareholders matched the value of any reinvested blocked funds with new investment funds from external sources on a 50/50 basis. Depending on the nature of the project and its contribution to exports, import savings and employment, the additional external funds required may now vary from 50% to zero. Blocked and matching funds invested in this way are accorded venture capital status, carrying 50% profit remittability and disinvestment rights. However, such blocked funds must remain invested for a period of 5 years before they are eligible for disinvestment rights.

d) Where the majority of the equity of a corporate body or partnership with investment in Zimbabwe is owned by a foreigner, that part of its after tax profits which is not declared as dividends is referred to by Exchange Control as surplus funds. Such funds may be used to conduct normal business operations or to finance expansions of existing business operations in Zimbabwe. These funds however, may not be reinvested in other projects without the permission of Exchange Control. Such investments are not given venture capital status (i.e. they do not qualify for the remittance of 50 of net after tax profits).

e) Remittances by expatriate personnel are controlled by Exchange Control regulations. Remittance of salaries is limited to one third of their salaries; but even this is not automatic and specific approval is required. If they emigrate from Zimbabwe within two years of their arrival, they are permitted to «externalise a reasonable proportion of their earnings determined on a case by case basis.»

The interest earned on savings by foreign investors and the maximum amount they can borrow on the local market is also a major impediment to foreign investment. The rate of interest on savings is 5% against an inflation rate of about 40%. Borrowing restrictions are related to the level of foreign shareholding. The larger the proportion of foreign equity, the lower the level of permitted foreign borrowing.

3. Investment from the Region

Reasons given for the lack of investment from the region by the authorities include: >

a) Lack of foreign currency to finance investment. Investors coming into Zimbabwe would need to have a substantial inflow of foreign currency in terms of capital and equipment before actually setting up business.

b) Broad sectors have been closed to foreign services and farming. Most inquiries from the region have actually related to these prohibited areas.

■ c) The tendency has been to look at foreign investment in terms of technology transfer and expertise. Apart from South Africa, countries in the region have not had much to offer in this regard. South Africa has been the only country from the subregion to invest in Zimbabwe due to its higher level of development. In terms of technology and expertise it has more to offer than the other countries.

4. Investment to the Region

Zimbabwe has had the advantage of a better infrastructure and better technological development than many of its neighbours. However, the extent to which it has been able to invest across the border has been limited by the capacity of foreign exchange available for such investments. Due to this limited capacity, the major criteria for assessment by the Reserve Bank for outward investment, to whom all applications must be directed, has been in terms of what foreign exchange benefits would accrue to Zimbabwe. The relationship between the exportation and the importation of foreign currency is carefully considered. Table A1 gives details of cross border investments by Zimbabwe from 1986 to 1992.

Table A 1.1: Cross Border Investments (1986 to 1992)

Sector	Year	Country	Capital transferred Z\$
Banking & Finance	1989	Botswana	14,232,420
	1990	Mozambique	121,700
	1991	Botswana	3,250,882
Transport Storage & Freight	1989	Botswana	469,150
	1991	Mozambique	1,318,978
Manufacturing	1990	Botswana	63,436
	1990	Mozambique	500,000
	1992	Namibia	700,000
	1992	South Africa	5,250,000
Mining	1990	Mozambique	145,094
Hotels	1990	Mozambique	243,333
Construction	1989	Botswana	9,839
	1990	Botswana	2,830
Retail	1991	Malawi	305,030

Source: Reserve Bank of Zimbabwe

An analysis of the information in this table is interesting. The services sector has been strongly represented, partly because of the generally lower capital and therefore foreign exchange requirements, but a wide cross section has been evident. The investments in the manufacturing sector have been as shown in Table A 1.2.

Table A 1. 2 : Manufacturing Cross-Border Investments

Year	Country	Product
1990	Botswana	Knapsack sprayers
1990	Mozambique	Industrial and commercial refrigeration, radios, TVs, brushes
1992	South Africa	Fuel stoves, cooking ware
1992	Namibia	Plastic and electrical products

Botswana has been the major recipient of Zimbabwe investment, although a number of investments have also been made in Mozambique. The investment amounts have generally been small, with only five investments being above Z\$500,000 (US\$100,000). Over half of the investment capital is accounted for by one investment, namely an investment in the banking sector in Botswana. It is to be noted that the Zimbabwean bank making the investment is government-owned. Actual private sector investment has therefore been very limited because of non-approval by the Reserve Bank.

Zimbabwe has tended to rank countries for cross-border investment. Botswana has been found favourable because of its unique balance of payments position. Swaziland, Kenya, Lesotho, Malawij Mauritius, Namibia and South Africa have also been considered as suitable. Botswana, Lesotho, and Mauritius have relatively low corporate and withholding tax rates. Furthermore this group of countries permits remittance of 100% of after tax profits.

The Reserve Bank follows the following criteria in assessing applications:

- a) Viability of projects in terms of profitability. In this regard. Applicants are requested to submit projected profitability figures.
- b) Payback period of the project in foreign exchange terms applicants are required to submit projected foreign currency earnings in terms of dividends, profits, management and technical fees and any other income to be repatriated to Zimbabwe. Projects should have a payback period of 3 years in foreign currency.
- c) Another consideration is whether the proposed investments will source any inputs in terms of plant and equipment and raw materials from Zimbabwe.
- d) Projects which will produce goods for exportation to Zimbabwe are not acceptable.
- e) Only locally owned companies, defined as those companies in which at least 75% of the equity is held by residents of Zimbabwe are considered for the purpose of cross-border investments.

- f) A ceiling of Z\$300,000 (US\$60,000) has been set as a contribution to equity funded from Zimbabwe. However, applications in excess of this amount do not get considered, as evidenced by the above figures.
- g) Exchange control prefers that the Zimbabwean company acquire the maximum equity holding permissible by the authorities of the host country.

Unsuccessful applications for cross-border investment have been rejected by the Reserve Bank for the following reasons:

- a) Non-viability of project in terms of profitability and generation of foreign currency for Zimbabwe. Unprofitable investments with very long payback periods in foreign exchange terms are generally not considered. Furthermore, remittance of funds to finance working capital requirements is not normally permitted.
- b) Wrong sector. Merchant types of businesses such as import and export and small retail operations are generally not approved: Projects resulting in production of goods in critical shortage in Zimbabwe are not approved. In these cases the applicants are encouraged to invest locally. Proposals resulting in the manufacture of goods for export to Zimbabwe are also rejected.
- c) Wrong ownership. Proposals by non-resident controlled companies to transfer capital from Zimbabwe and invest elsewhere are rejected. Such companies are authorised to invest outside Zimbabwe provided the funding requirements are met from their overseas parent organisations.
- d) Wrong project. Proposals to invest in companies outside Zimbabwe facing financial problems are not entertained.

5. PTA Charter on Multinational Industrial Enterprises

Article 28.1 of the Charter calls upon States parties to «take measures including, where necessary, the adjustment of their legislation» to ensure the effective implementation of the Charter.

The relevant provisions of the Charter which require internal legal application may usefully be categorised as follows :

- i) Formation and registration of MIEs and their subsidiaries and branches (Articles 3 to 14).
- ii) Supervision of the activities of MIEs, etc. to ensure compliance with the Charter (Article 18).
- iii) Revocation of registration for violation of the Charter or the governing performance agreement (Articles 20 and 21).

- iv) Free transfer of funds required for capital purposes (Article 15.1).
- v) Repatriation of capital and profits by MIEs, etc. and their shareholders (Article 15.2 to 15.4).
- vi) Issue of residence and work permits for employees and the repatriation of their salaries (Article 15.5).
- vii) Exemption from customs and import duties (Article 15.6).
- viii) Exemption from income tax for MIEs, etc. for the first five years of operation (Article 15.7).
- ix) Issue of licenses and permits required to carry out operations (Article 15.8).
- x) Equality of treatment in relation to taxation, procurement procedures and access to local credit (Article 15.9 and 15.10).
- xi) Provision of infrastructural support (Article 15.11).
- xii) Conferment of preferential tariff and non-tariff treatment for the products of MIEs (Article 15.12).
- xiii) Guarantee of compensation in the event of nationalisation or expropriation (Article 16).
- xiv) Payment, collection and transfer of the Special Development Tax (Article 19).
- xv) Enforcement of arbitral awards rendered in disputes arising under the Charter or from performance agreements (Article 23).

There are two basic approaches available for incorporating the above-mentioned provisions of the Charter into Zimbabwe law. The first is to enact an entirely separate statute governing these matters. The second is to modify existing legislation, where necessary, and to provide for the remaining matters through subordinate legislation under enabling legislation already in force. The first option does not seem entirely necessary inasmuch as the domestic operation of the Charter provisions does not entail any fundamental departure from the existing law. In any event, the adoption of this approach will not wholly exclude some measure of reliance on existing legislation. Accordingly, the second option appears to be preferable.

- (i). (ii) and (iii) - The Charter envisages several distinct stages : firstly, the formation of an MIE in terms of its own constituent instruments; secondly, the registration of the MIE in a special register reserved for MIEs; thirdly, the conclusion of a performance agreement; and, fourthly, the supervision of the MIE ' s activities and the possibility of its deregistration in the event of any material breach of its performance agreement or the Charter. The administration of all of these matters involves more than the mere formal incorporation of a species of limited liability company. It entails a detailed consideration of the industrial

potential of an applicant enterprise for attaining the economic and developmental objectives of the Charter. On this basis, the registration of MIEs should be provided for within the framework of the Companies Act (which would need to be amended for this purpose), while the process of approving applications for registration and monitoring the performance of MIEs should be assigned to ZIC in terms of regulations made under its enabling statute.

- (iv), (v) and (vi) - This falls within the province of the Exchange Control Act. Although an entirely new set of regulations prescribing precise rules governing transfer and repatriation may be considered preferable, it seems equally feasible to regulate these matters through the administrative powers conferred by the existing Exchange Control Regulations. (The same applies to the repatriation of employees' salaries).
- (vi) - This does not call for any new legislation, the matter being adequately covered by the issue of temporary employment permits in terms of the existing Immigration Regulations.
- (vii) and (xii) - The requirements of the Charter relating to customs exemptions and preferential tariffs could readily be provided for in terms of specific regulations appropriately framed under the Customs and Excise Act.
- (viii) - The scheduled exemptions under the Income Tax Act presently cater for the exemption of receipts and accruals which are exempted under any international agreement. All that is required is an appropriate notice in the Gazette approving the exemption in accordance with the requirements of the Charter.
- (xiv) - The implementation and administration of the Special Development Tax cannot be accommodated within the existing legislation. It probably requires special legislation in the form of an amendment to the Income Tax Act providing for the imposition, collection and disbursement of the Tax.
- (ix), (x) and (xi) - These matters do not appear to be readily amenable to legislative provision and are probably best left, as at present, to the administrative domain. Where necessary, prevailing administrative practices should be modified in order to ensure compliance with the requirements of the Charter.
- (xiii) - Traditional international customary law enjoins the payment of prompt, adequate and effective compensation in the event of expropriation. The Constitution of Zimbabwe, as amended, guarantees the payment of fair compensation within a reasonable time. In essence, this is not at variance with the position under international law. Accordingly, our domestic law, insofar as concerns the amount and mode of compensation, does not appear to be incompatible with the requirements of the Charter.
- (xv) - The enforcement of arbitral awards raises complex questions of jurisdiction, recognition and enforcement. Draft legislation is currently being prepared to provide for the internal application of awards covered by the 1965 ICSID and 1958 New York Conventions

(referred to above) and also to update existing legislation on the enforcement of foreign judgments and awards. This legislation is principally concerned with enforcement on the basis of reciprocity.

The arbitral awards referred to in Article 23 of the Charter are essentially in the nature of international awards, as distinct from foreign awards rendered within the national jurisdiction of foreign countries. Our Arbitration Act applies to any agreement, wherever made, to submit present or future differences to arbitration, and provides for the recognition and enforcement of arbitral awards. In terms, the Act is not confined to exclusively domestic awards and is, therefore, capable of being extended to international and foreign awards. Reading the Act as a whole, however, it is apparent that it was conceived primarily for domestic purposes. Moreover, it is a statute of appreciable vintage (first enacted in 1928) and this fortifies the case not only for expanding its scope but also for modernising its provisions.

APPENDIX II: TRADE ISSUES

1. Zimbabwe's Trade with the Region

Appendix III shows Zimbabwe's exports to and imports from each country in the region with sub-totals for intra-PTA trade and other countries, (Botswana, Namibia and South Africa) for the period 1987 to 1991. Unfortunately the CSO has not produced any import figures for 1988.

Major PTA destinations for exports in 1991 were Zambia, Malawi, Mozambique, Kenya, Angola, Tanzania. Zimbabwe has exported to all the PTA countries, although the first recorded exports to Comoros were only in 1991. The traditional markets of Zambia, Malawi and Mozambique still account for the largest proportions of exports, but other countries, such as Angola, Kenya and Tanzania have all become important of late.

Major PTA suppliers for the same period were Zambia, Swaziland, Mauritius, Kenya, Mozambique, Malawi, Tanzania. Zimbabwe has imported from all PTA countries at some stage, although it has only started importing from some of them recently. Swaziland, Mauritius, Kenya and Mozambique have all become significant suppliers in recent years, together with the traditional suppliers of Zambia and Malawi.

It is interesting to note that there have been significant increases in both imports and exports with a number of countries, with which Zimbabwe used to have very little trade.

Trade with non-PTA regional countries, i.e. Botswana, Namibia and South Africa has been much higher than that with the entire PTA region. 1991 imports from these three countries accounted for 93% of total regional imports. South Africa was by far the largest supplier (81% of total regional imports) followed by Botswana (12%). Namibia was a very minor supplier. Exports to these three in the same year

represented 58% of total regional exports. South Africa accounted for 35% of total regional exports whilst Botswana accounted for 22%. Zimbabwe's imports from and exports to regional countries represent 98% of total imports and exports from African countries.

2. Import Regulations and Practices

Since 1985 Zimbabwe has made a special allocation of foreign exchange for imports from PTA countries; In 1992 the allocation was Z\$80 million. In most cases these allocations have to be used to source raw materials such as chemicals, iron and steel, textiles, motor vehicle spares and hardware. Furthermore there is usually a bias in favour of certain PTA countries regarding source. The authorities particularly aim to favour countries with which Zimbabwe has a large trade surplus, so as to reduce the surplus. Applications for imports from those countries which do not buy significantly from Zimbabwe are therefore less likely to be approved. Although these licenses are issued somewhat more readily they are still inadequate to meet demand. Consequently many applications to import from the PTA are rejected or reduced in value. !

All items which remain under the normal import control system continue to require an import license issued by the Ministry of Industry and Commerce. While the system is time consuming and allocations are generally not given on time, once an importer has an allocation for a specific commodity the issue of the license is routine. However, the forex value of the Direct Local Market Allocations (DLMA) has fallen dramatically since 1980. In nominal US dollar terms the value in 1991 of total allocations was approximately 20% of the value in 1980.

3. Export Regulations

Most goods originating in Zimbabwe (with a 20% or more local content) do not require a specific export license as they are covered by Open General Export License (OGEL). The major exceptions are ammunition and scrap metal, livestock, precious metals and precious stones, which need export licenses. Several bulk commodities such as minerals, cotton and cereals are subject to control. Re-exports also need licenses. From time to time however it becomes necessary to temporarily stop exports of a commodity when local supplies are insufficient to satisfy domestic demand. As an example, because of the current drought, exports of maize have been stopped to protect dwindling stocks. ,

All exports above Z\$200 need a CD1 form to be completed, which is submitted to the Reserve Bank and eventually acquitted when the foreign exchange proceeds have been received. Customs documentation is also required.

4. Regional Trade Development Activities

The results of various missions are summarized in table A 2.1. Sampling follow-ups of the anticipated business over the following twelve months revealed that a reasonably high percentage of the orders did take place.

Table A 2.1 : Schedule of Regional Export Programmes under ZEPP

Country	ZEPP activity	Orders (Z\$ millions)		
		Placed During Activity	Anticipated over, next 12 months	Total
Botswana	Inward buyer visit - Oct' 88	1.0	11.3	12.3
	Inward buyer visit - Mar' 90	2.9	15.1	18.0
	Trade mission	0.5	5.1	5.6
Mozambique	Inward buyer visit	1.7	11.3	13.0
	Trade mission	0.2	6.8	7.0
	Trade exhibition	-	6.1	6.1
Zambia	Inward buyer visit	0.4	3.0	3.4
	ZPS/ZCCM	27.5	-	27.5
Mauritius	Trade Mission	0.2	3.3	3.5
	Inward buyer visit	0.1	3.2	3.3
Kenya	Inward buyer visit	0.8	6.2	7.0
	Trade mission	0.4	2.6	3.0
Tanzania	Inward buyer visit	3.1	10.0	13.1
	trade exhibition	2.8	34.3	37.1
Namibia	Inward buyer visit	0.1	2.8	2.9
	Trade exhibition	0.4	5.7	6.1
Total		42.1	126.8	168.9

Source: Ministry of Industry and Commerce

Prospects for further export penetration in the PTA region are constrained by the very real resentment felt by many of the regional partners. This has arisen due to Zimbabwe's persistent trade surpluses with most of these countries and restrictive import policies. In 1990 Zimbabwe imported Z\$262 million from the PTA and Botswana, while it exported Z\$797 million to them. A Buyer-Seller meeting was held in Zimbabwe in 1988 specifically to promote exports from the region into Zimbabwe. Considerable interest was shown by Zimbabwe importers, with pro-forma invoices of around Z\$120 million being issued. Unfortunately only a small proportion of this was turned into actual business. One of the main reasons for this was the non-issuance of import licenses, because many of the goods were not considered «essential» imports by the authorities. Z\$25 million was allocated for PTA licenses after the event for the first quota period for that year, with Z\$30 million being allocated for the second quota period. It must be stated however that even if licenses were not a problem it is highly unlikely that all those proforma invoices would have been translated into actual business. The importers would have canceled some orders whilst some exporters would not have been able to deliver the quantities.

ZimTrade is now in the process of developing a programme to assist the countries that have regular deficits with Zimbabwe to export more to Zimbabwe, provided the regional products are price and quality competitive with similar products obtainable in the world market.

Zimbabwe has participated in a number of other PTA/SADCC BuyerSeller meetings held in recent years.

5. Regional Trade Potential

From an exercise undertaken to identify goods which Zimbabwean businessmen would like to import or are importing from the region, it is apparent that there are many products which could be imported into Zimbabwe from the region. These include:

- Agricultural equipment and machinery
- Aluminium intermediate and finished goods
- Bandages
- Batteries and cells
- Bicycles and parts
- Blankets
- Brushes
- Builders hardware
- Chemicals
- Ceramic products
- Clothing and accessories
- Common salt
- Copper bars and intermediate products
- Cotton and other yams
- Cotton and other fabrics
- Domestic equipment

- Electric lamps
- Fish
- Footwear and parts
- Generators
- Hand tools
- Hides and skins
- Leather
- Machine tools
- Motor vehicle parts
- Office equipment and supplies
- Paper and pulp
- Pharmaceutical products
- Plastic products
- Printing inks
- Pumps
- Sewing machines
- Spectacles, lenses and frames
- Steel plate
- Switchgear
- TV sets
- Tyres and rubber products
- Zinc

6. State Trading Companies

There are not many state trading companies in Zimbabwe, which impact on regional trade opportunities. They are mostly involved with export of bulk commodities, which have only a very limited market in the region. The Minerals Marketing Corporation has a monopoly on exports of virtually all minerals. The Grain Marketing, Dairy Marketing and Cotton Marketing Boards and the Cold Storage Commission have monopolies in exports of certain controlled products, but there is a move under ESAP to liberalise some of these monopolies.

The Zimbabwe State Trading Corporation deals in both imports and exports. It was originally set up to handle countertrade deals with the former socialist countries. This role has fallen away with the changes in Eastern Europe. Its business is currently split almost equally between imports and exports. However, approximately 30% of its imports are purchased on behalf of Government Departments. From time to time the Corporation also imports in bulk on behalf of Government, commodities which may be in short supply (as an example the recent local cement shortage). Until recent developments under ESAP, it had a de facto monopoly position on certain imports, including some imports from the region, since other importers were not given import licenses. One example of this concerns light bulbs. Private electrical wholesalers had been importing light bulbs with PTA import licenses from Kenya and Mauritius. These importers then were not given such licenses and were directed to buy through the ZSTC. This practice has now stopped, since light bulbs are on OGIL. There is however a risk that a similar position may occur with other products until such time that all goods have been liberalised. The ZSTC has not proven to be very good at judging market requirements in this area.

In the export field it is supposed to assist small to medium firms, who do not have their own exports sales departments, to find export markets. This has not been a very successful programme, and will be superseded by ZimTrade's New Exporters' programme.

The ZSTC's impact on local business has generally not been very significant. It operates in the commercial field and is expected to run on a profitable basis. Its turnover in the 1990/91 financial year was a little over Z\$ 27 million with a profit of Z\$3.8 million. The performance of this institution has been very unsatisfactory, and it is strongly felt that the ZSTC has outlived what little usefulness it may have had.

7. *Standardisation*

Zimbabwe currently has limited facilities for standards testing. Standards needing more complex tests are sent to either UK or Kenya (which has full testing capabilities). Tanzania, although it has a fully equipped testing centre, seems reluctant to undertake work on behalf of other countries. Full testing capabilities also exist in South Africa. Zambia has just completed building its own meteorological centre and is in the process of acquiring equipment. When complete, Zambia will also have full testing capabilities.

Particular standards are not insisted upon to any significant extent in the region, except in South Africa. South Africa insists on the ISO Quality Management System as well as the South African own standard. This has not apparently hampered Zimbabwean exports to that country. Elsewhere in the region, Zimbabwean products do not appear to be disadvantaged by the standards aspect.

On the imports side, Zimbabwe's biggest supplier is South Africa and because of its insistence on the ISO standards, imports from that country have been of acceptable quality. Zimbabwe's imports from other countries in the region are severely limited by Zimbabwe's import controls and the underdeveloped industries elsewhere. Because of these factors, there have not been sufficient imports from within the region, outside South Africa, to enable realistic assessment of the standards impact on trade.

Current efforts to harmonise standards in the Southern African region are taking place in the context of SADC. Sponsored by NORAD, a committee - Experts Committee for Standardisation in SADC - was set up with the objective of training National Standards bodies as well as the business community in the SADC region. The main thrust of the training, apart from creating quality consciousness, is to achieve standards that are equal to or compatible with ISO standards.

The project has so far held 4 seminars aimed at officials of the national standards associations (of which there are only 4 in the SADC region). The seminars not only aim to raise the quality consciousness of the national bodies, but to also train them as trainers. This will enable on-going training of the business community. The next phase of the project targeted at the business communities is scheduled for November 1992.

The second effort at standardisation is taking place in the context of the whole African continent under the auspices of the African Regional Standardisation Organisation (ARSO) based in Kenya. This is an African Intergovernmental organisation made up of member states of the United Nations Economic

Commission for Africa (UNECA) and the Organisation of African Unity (OAU). ARSO is operating in response to one of the requirements under the Lagos Plan of Action, namely the operation of a regional certification system with a view to promoting the quality of African products. Its main function is thus to certify products as conforming to the (African Regional Standards which in turn conform to the ISO standards. A number of African national standards bodies including Zimbabwe are members of ARSO. However, there is a feeling that this body is duplicating the functions of the ISO and is therefore unnecessary.

Appendix III: Zimbabwe's trade with regional countries (Z\$,000)

Country	1987		1988		1989		■■■, 1990		1991	
	X	M	X	M	X	M	x	M	X	M
A. PTA Region										
ANGOLA	6,366	0	5,381	NA*	5,793	1,516	28,320	155	26,405	24
BURUNDI	2,060	0	3,714	NA*	5,617	500	7,295	2,329	8,671	1,500
COMOROS	0	0	0	NA*	0	0	0	0	67	9
DJIBOUTI	5	0	26	NA*	1	0	5	10	156	4
ETHIOPIA	7,271	16	4,907	NA*	2,688	23	3,232	151	668	234
KENYA	22,896	10,447	29,457	18,142	3,982	26,850	44,374	31,084	48,159	21,955
LESOSTHO	5,456	135	2,774	NA*	3,542	198	6,072	1,481	3,933	1,060
MALAWI	29,132	5,151	74,854	NA*	80,086	8,347	174,253	11,712	154,314	10,528
MOZAMBIQUE	70,280	818	75,591	NA*	90,278	NA*	132,755	1,739	127,901	18,563
MAURITIUS	2,094	925	3,155	NA*	1,053	8,271	2,479	12,742	2,514	25,695
RWANDA	2,235	0	2,554	NA*	1,331	4	2,858	0	577	0
SOMALIA	1,536	0	5,275	NA*	40	2	132	0	176	4
SUDAN	2,256	0	2,115	NA*	1,861	3	1,291	2	5,781	4
SWAZILAND	3,500	8,550	4,363	NA*	1,541	18,142	2,127	26,969	2,641	31,900
TANZANIA	7,007	818	8,822	NA*	18,086	4,436	29,183	4,358	13,436	10,185
UGANDA	1,477	0	1,284	NA*	3,070	18	13,919	4	6,795	1,038
ZAMBIA	53,717	26,513	111,153	■ 12,038	126,936	25,239	126,251	26,645	447,703	41,367
SUB-TOTAL PTA (Z\$)	217,288	53,373	335,425	NA*	345,905	93,549	574,546	119,381	849,897	164,066
SUB-TOTAL (US\$,000)	130,655	32,093	172,643	NA*	163,129	44,117	217,928	45,282	263,976	50,959
B. OTHER										
BOTSWANA	104,859	99,201	128,644	168,198	185,745	232,827	213,827	159,236	299,589	266,579
NAMIBIA	240	6	NA*	NA*	2,926	357	3,690	400	10,775	246
SOUTH AFRICA	185,427	361,457	248,108	393,535	289,781	691,410	321,667	902,074	477,703	1,871,973
SUB-TOTAL OTHER (Z\$)	290,526	460,664	376,752	561,733	478,452	924,594	538,899	1,061,710	788,067	2,138,798
SUB-TOTAL (US\$,000)	174,693	276,997	193,915	289,124	225,638	436,039	204,407	402,712	244,772	664,305
TOTAL REGIONAL (Z\$)	507,814	514,037	712,177	NA*	824,357	1,018,143	1,114,445	1,181,445	1,637,964	2,302,864
TOTAL REGIONAL (US\$,000)	305,349	309,090	366,558	NA*	388,767	480,156	422,715	447,994	508,748	715,264

Key:

X = Exports
M = Imports
NA* = Figures not available

Source: Central Statistical Office - Harare

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5. Conclusion

6. Acknowledgments
7. References
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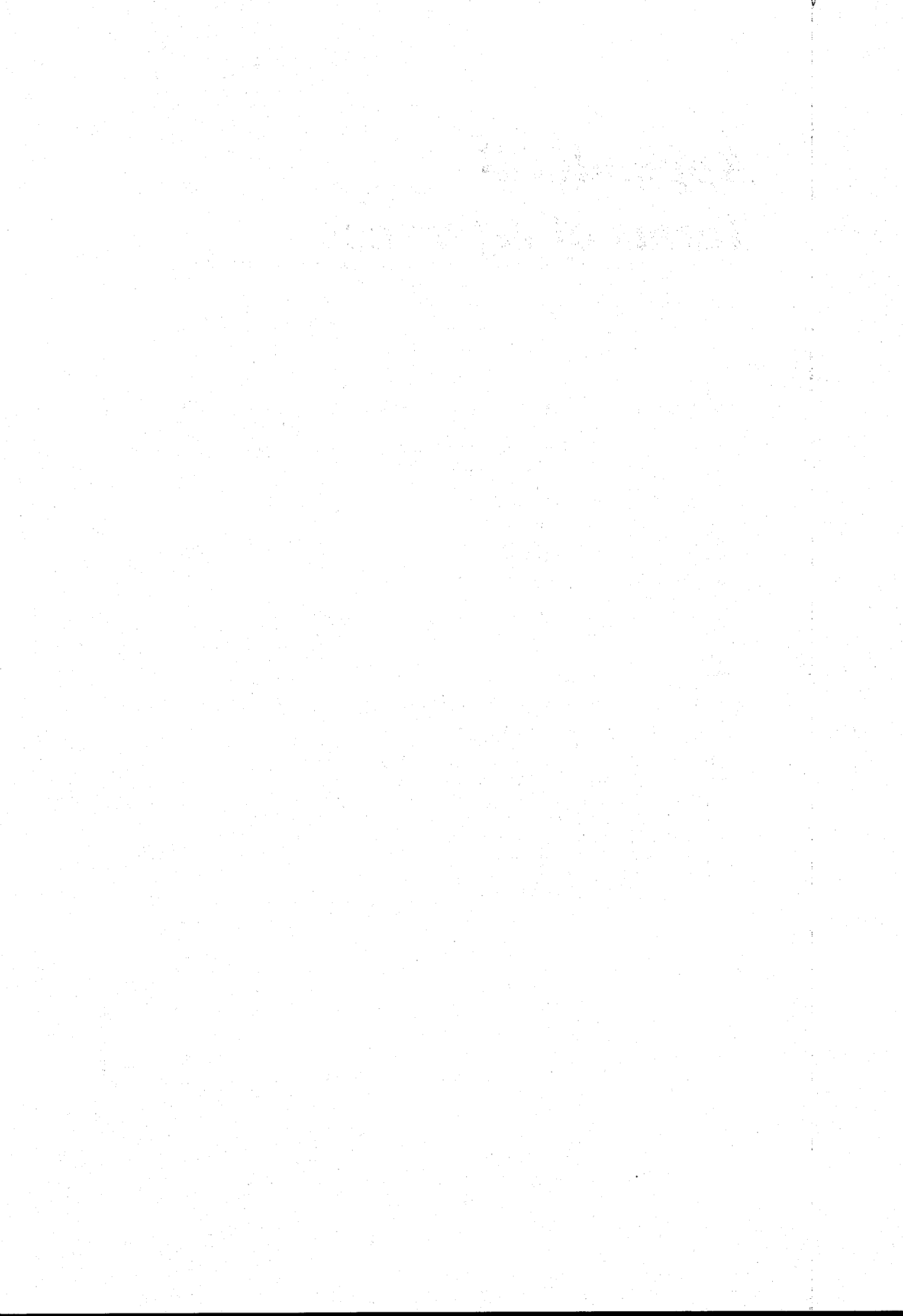
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Ms. G. SUMAILI - Standard and Chartered Bank
Mr. David DIAGAMO - Central Statistical Office
Mr. Gordon MURRAY - Ministry of Finance
Mr. Emmanuel NGULUBE
Mr. Gideon CHOOLWE MUDENDA - Institute for Policy Studies

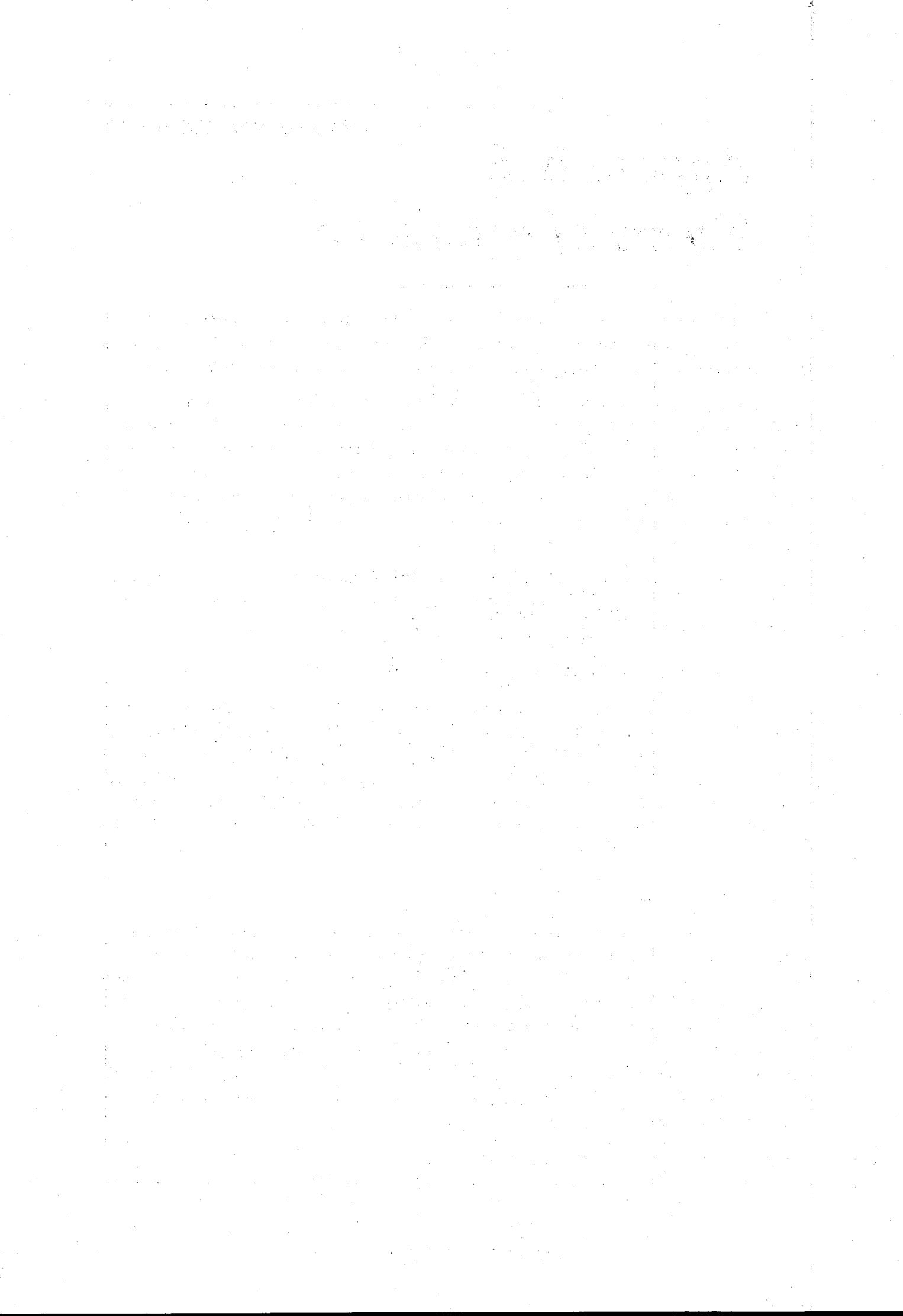
ZIMBABWE

Mr. W. CHIWANZA - Chairman of the group - Deputy Secretary, Ministry of Industry and Commerce
Mr. R. HESS - Secretary of the group - Imani Development
Mr. M.K. NDIWENI - Chief Economist - Confederation of Zimbabwe Industries
Ms. Y. NXUMALO - Senior Economist - Reserve Bank of Zimbabwe
Mr. B. PATEL - Chief Law Officer - Attorney General's Office
Mr. T.T. CHIFAMBA - Under Secretary - Department of Regional and International cooperation
Mr. M. SIFELANI - Chief Executive - ZimTrade
Mr. N. NCUBE - Zimbabwe Investment Centre
Mr. G. MOMBESHORA - Syfrets Merchant Bank
Mr. M. MZUMARA - Ministry of Industry and Commerce
Ms. R. CHOTO - Imani Development



Appendix B

Terms of reference



TERMS OF REFERENCE (I)

These terms of reference are the bases of the work for all Technical Working Groups (TWGs) in order to guarantee a common structure of their reports. However, according to the specific circumstances in the individual countries, the TWGs may need to set different priorities or even add supplementary points.

This initiative aims at mobilising national, regional and donor support to work towards the long-standing objectives of African governments to facilitate trade and investment flows in the context of accelerating the process of economic integration in Eastern and Southern Africa and in the Indian Ocean island states. It is therefore expected that governments will demonstrate their commitment and the importance they attach to regional integration by ensuring that the public sector nominees of the TWGs will be given enough time away from their normal duties to be able to implement the Terms of Reference (TOR) for the TWG.

In the same spirit, it is expected that the private sector nominees will serve on a voluntary basis arising from their belief and commitment to the importance of regional integration for business community, their country and Africa.

Role of the regional organisations

This initiative has been developed by the African Development Bank (ADB), the European Community (EC) and the World Bank in consultation with the OAU, the EGA, the PTA, the SADC and the IOC. In order to avoid duplication and to ensure consistency with the objectives and programmes of the above organisations, the TWGs will utilise any relevant material and technical advice available from these organisations. Furthermore, the TWGs will emphasise implementation of decisions already adopted under the aegis of the above organisations. The follow-up activities under this initiative will be fully coordinated with these organisations.

Work Programme

The task of the TWGs is to identify the decisions and agreed programmes of sub-regional organisations that have not been implemented and propose specific recommendations for implementation. In this regard, the TWGs will also identify the relevant laws, regulations, policies and practices under each of the following items and make specific recommendations as to how these should be modified, substituted or abolished. These recommendations should be presented in the form of an Action Plan. The Action Plans should cover the following elements for each recommendation : (i) by when, (ii) by whom, (iii) how to make it happen, (iv) its priority, and (v) the financial and institutional resources required. Supporting information and analysis should be presented as an annex. The main recommendations may be ranked by order of priority and ease of implementation.

The specific tasks of the TWGs are :

a) in the area of Investment

1. to analyse the investment code and investment incentive schemes, wherever they exist, in conjunction with the PTA study team on harmonisation of trade and investment laws, and to generally assess the investment climate;
2. to assess the foreign investment regulations and procedures in order to determine the major bureaucratic impediments to a speedy response; this will involve identifying the exact legal and administrative sources of these impediments (specific laws, decrees, regulations, practices);
3. to identify the extent of investment from other countries in the sub-region and its future potential with, wherever possible, estimates of orders of magnitude of (i) investment value, (ii) import content, (iii) job creation, and (iv) anticipated output;
4. to identify the extent of investment flows to other countries in the sub-region and its future potential with, wherever possible, estimates of orders of magnitude of the (i) investment value, (ii) import content, (iii) job creation, and (iv) anticipated output;
5. to assess the implications of exchange control regulations regarding investment flows to the sub-region and elsewhere;
6. in the PTA member states, to identify the status of ratification of the PTA Multinational Industrial Enterprise Charter;
7. to identify the nature of investment guarantees required by potential investors in the sub-regions;
8. to determine the extent of existing double-taxation agreements with other countries in the sub-region;
9. in the PTA member states, to ascertain why the PTA Protocol on relaxation and eventual elimination of visa requirements has not been ratified by some member states and to discuss the potential for immediate implementation of the second phase of the Protocol;
10. to identify other constraints to cross-border movement of persons, in the context of investment, trade and business operations (e.g persons providing professional services), including issuing of residence and work permits;
11. to ascertain why the SADCC Comprehensive Export Financing, Cross Border Investment Facility, and other Trade and Investment schemes on the SADCC Programme of Action have not been implemented.

b) in the area of Trade

1. to obtain and analyse trade statistics for the country's trade (imports and exports) with the other countries in the sub-region for each year to 1990, disaggregated by country and if possible by SITC classification at the 5 digit level (or the greatest level of disaggregation possible).The value of the exports and imports covered by the PTA Common List also should be explicitly identified, if possible. Indications on unrecorded trade flows should be given, where available. Total external trade and main traded products should be given as a reference;

2. to give a short assessment of the main macro-economic constraints as felt by the private sector (e.g. exchange rate, interest rate, inflation rate);
3. to investigate the nature of import licensing regulations and practices and to research the different types of administrative controls, bureaucratic procedures and corrupt practices regarding import procedures which exist at all stages of the import life cycle. Recommendations should be given on ways to simplify these procedures and overcome the constraints. Experience with liberalisation measures already carried through should be summarized;
4. to identify the nature of export licensing regulations and assess their impact on restricting exports;
5. in the PTA member states, identify the status of implementation of the PTA trade liberalisation scheme, including implementation of tariff reductions according to the timetables agreed upon by the policy organs on Common List goods and removal of NTBs, and give the reasons for lack of full implementation of the scheme;
6. in the PTA/S ADCC/IOC member states, follow up the various Buyer-Seller meetings and trade fairs to determine how much trade was contracted, how much was actually effected and the value of trade which did not actually materialise;
7. to collect information On goods and services on a sector and/or product basis that firms would like to import from and export to other countries within the sub-region, with estimates of the order of magnitude where possible. Obstacles that have frustrated these transactions, whether fully or partially, should be identified (for example, lack of information, inadequate quality/specifications, non-competitive pricing, lack of competitiveness after allowing for transport costs and/of delays, non-availability of foreign exchange/import licenses, administrative bottlenecks, etc)
8. to identify the impact of state trading agencies on restraining imports and exports;
9. to ascertain when the Harmonised System of tariff classification will be introduced in those countries which have not yet done so and indicate reasons for the delay in introduction;
10. to indicate progress made to date by the Customs Department to introduce the Automated Systems for Customs Data (ASYCUDA);
11. in the PTA member states to ascertain whether the PTA harmonised road transit charges are being applied and if not, to identify what other road transit charges are in place;
12. in the PTA member states, to assess whether the PTA Third Party Motor Vehicle Insurance scheme is in operation and if so, whether it is adequately functioning;
13. in the PTA member states to assess the effectiveness of the Road Customs Transit Declaration (RCTD) document, where it is used, and identify other documentary requirements which may hinder transit and border procedures, for both inward and outward freight movements;
14. to assess the impact of existing norms and standards on external trade and to give a short assessment of regional harmonisation efforts already taking place in the goods and services sectors.
15. to assess other relevant constraints on transport and communications.

c) in the area of Finance and Payments

1. in the PTA member states, to identify the current constraints to utilising the PTA Clearing House for trade and investment transactions as well as transport services and recommend ways to overcome them;
2. to assess the extent to which central and commercial banks have correspondent relations with other banks in the sub-region and to discuss options for reducing the costs associated with maintaining correspondent relationships and the scope for expanding these relationships;
3. to identify the effectiveness of pre- and post-export credit schemes where they exist and assess the potential for their implementation in those countries where they do not exist;
4. to assess the current regulations concerning holding foreign currency accounts by the business community and to recommend changes to allow greater ease in establishing such accounts, including currency accounts in the currencies of the region;
5. to assess the adequacy of existing insurance instruments in the context of regional trade;
6. to study whether the business community has utilized effectively the credit facilities available at the PTA Bank.

d) in relation to Institutions

1. to identify existing trade, specialised financial and investment institutions, at national and regional levels, and assess their capability to facilitate cross-border investment and trade flows;
2. to submit proposals for the strengthening and/or creation of institutions

Guidelines for TWGs

Membership

The TWGs may coopt members as necessary. It is suggested that Membership should be between 6 to 12 people, selected from both the private and public sectors, with due consideration to the mix of skills required. In PTA Member States one possible member would be the specialist responsible for the PTA study on harmonisation of trade and investment laws.

Status of TWGs

TWGs will operate within the TOR of the Study and will evolve such dialogue as may be required in ensuring effective participation of both the public and private sectors.

Duties

Each TWG should appoint a Chairman and a Secretary (who will usually be the consultant providing the services of a Secretariat). Responsibilities and duties for implementation of the TOR should be allocated among members of the TWG.

The TOR should be prioritised and a time-frame established for completion.
It is recommended that the TWG should meet once every two weeks.

Publicity and Suggested Methodology

The draft press communiqué prepared at the Workshop held in Mauritius (3-5 June 1992) should be suitably modified and extensively distributed throughout the media.

It is important that there be extensive collection of facts from relevant sources. This should be done by way of personal interviews, being supplemented, wherever possible, with surveys administered through a questionnaire. Business organisations (e.g. Chambers of Commerce, PTA Federation of Chambers of Commerce and Industry, SADCC Business Councils, etc.) should be asked to facilitate this. Consultations should also be made with other groups or committees interested in trade and investment in the region such as the UNCTAD Trade Facilitation Committees. This canvassing should be undertaken in the early stages of implementation.

Support from Donors

The co-sponsors of this initiative (ADB, EC, World Bank), recognize that, in addition to the time of the members of the TWGs, additional resources may be required to implement the TOR. In this regard, Imani Development has been designated to act as the central secretariat to the TWGs on behalf of the co-sponsors. The main function of this secretariat will be to coordinate the work of the TWGs as defined in these terms of reference. Imani Development will also arrange for the provision of the services of a national secretariat where appropriate.

Relationship with CEC Delegations and ADB and World Bank Resident Missions

The Resident missions and Delegations of the African Development Bank, the Commission of the EC and the World Bank will support the efforts of the TWG.

Reporting

A brief interim report should be submitted to Imani Development by 31 st July, 1992. This report should cover :

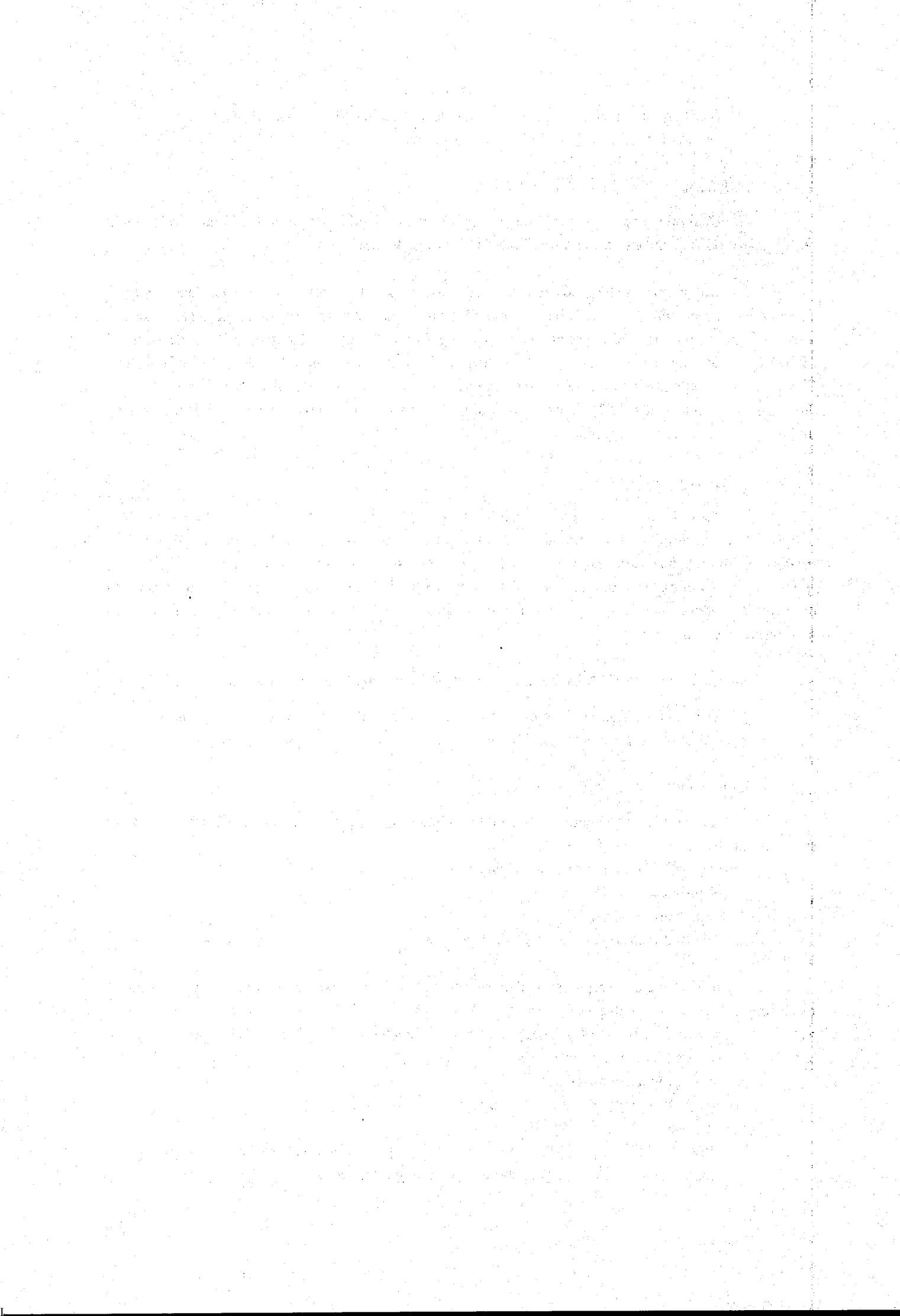
- (a) prioritisation and time schedule of TOR
- (b) progress to date
- (c) plans for completion
- (d) initial ideas on an action plan.

The draft of the main report should then be submitted to Imani Development by end-September, 1992. Imani Development will give comments on the draft report and guidelines for further work to allow refinements prior to the second Workshop. The second Workshop will be held in November 1992. All reports should be sent by courier service to :

- (a) Sub-regional organisations
- (b) Imani Development (Attn : Richard Hess)
ZDB House, 99 Rotten Row - Harare

Tel: 263 - 4 - 707 072/728 412 - Fax : 263 - 4 - 728 412 - Telex : 22706 IMANI ZW

The main report without annexes should not be more than 20 pages.



Appendix C
Lists of Participants

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that this is crucial for ensuring transparency and accountability in the organization's operations.

2. The second part of the document outlines the various methods and tools used to collect and analyze data. It highlights the need for consistent data collection procedures and the use of advanced analytical techniques to derive meaningful insights from the data.

3. The third part of the document focuses on the implementation of data-driven decision-making processes. It provides a detailed overview of the steps involved in identifying key performance indicators, setting targets, and monitoring progress to ensure that the organization is on track to achieve its strategic objectives.

4. The fourth part of the document discusses the challenges and risks associated with data management and analysis. It identifies common pitfalls such as data quality issues, privacy concerns, and the potential for misinterpretation of data, and offers strategies to mitigate these risks.

5. The final part of the document provides a summary of the key findings and recommendations. It reiterates the importance of a data-driven approach and offers practical advice on how to integrate data into the organization's overall strategy and operations to maximize its effectiveness and efficiency.

LIST OF PARTICIPANTS

HARARE WORKSHOP

30 November - 2 December 1992

BURUNDI

NYAMOYA, Mr. Prime

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MAURITIUS

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HILL, Mrs Nora

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Economist, A N C

THOMAS, Ms. Rosalind

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Tanzania Chamber of Commerce, Industry and Agriculture
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Principal Administrator

NKHATA, Ms Gillian

Expert DGVIII/OPM

SCHMIEG, Ms Evita

Trade Policy Economist

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Young Professional

PRESS

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