REGIONAL INTEGRATION AND COOPERATION IN AFRICA

CROSS-BORDER INITIATIVE

Eastern and Southern Africa and Indian Ocean

Volume 3

Country Papers and Progress Reports for the Initiative to Facilitate Cross-Border Trade, Investment and Payments in Eastern and Southern Africa and the Indian Ocean

Co-sponsored by
African Development Bank
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Country Papers and Progress Reports on the
Initiative to Facilitate Cross-Border Trade, Investment and Payments
in Eastern and Southern Africa and the Indian Ocean

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The initiative to facilitate cross-border trade, investment and payments in Eastern and Southern Africa and the Indian Ocean island states (CBI) is co-sponsored by the African Development Bank (AfDB), the European Commission (EC), the World Bank and the International Monetary Fund (IMF). It was developed by representatives of the participating countries and the co-sponsors in collaboration with the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), the Indian Ocean Commission (IOC) and the East African Co-operation (EAC) Secretariat. The initiative also benefits from the support of the Organisation for African Unity (OAU), the United Nations Economic Commission for Africa (UNECA) and various other development partners, including the governments of Canada, Switzerland and the USA. The CBI is primarily aimed at creating the conditions for more beneficial integration of African countries into the world economy by promoting cross-border trade and investment. After initial consultations in 1992, a number of countries in the region established Technical Working Groups (TWGs) comprising high-level representatives of the private and public sector. The first major task of the TWGs was to identify the constraints on increased regional trade, payments and investment and to make recommendations on how to overcome them. The first compilation of texts documenting the CBI (Volume 1) contains these initial reports of the TWGs. The recommendations of the TWGs were synthesised into a Common Programme of Action that became part of a Concept Paper which was adopted by the participating countries at the First Ministerial Meeting (Kampala, August 1993). More detailed reports were prepared by the TWGs, mostly during 1993, which were included in Volume 2, together with the Concept Paper. Since then, the Concept Paper has been translated into specific country-level policy programmes, embodied in "Letters of CBI Policy". At the Second Ministerial Meeting (Mauritius, March 1995), the Ministers agreed on a "Road Map" for the removal of intra-regional tariffs as well as for the harmonisation of external tariffs. This present compilation, Volume 3, contains texts relating to the Second Ministerial Meeting together with progress reports established by the TWGs on the implementation of the "Road Map". The country reports are reproduced in their original language (i.e. either English or French). Other relevant texts are included in both languages wherever possible. While apologising for any remaining errors, it should be stressed that the editing of country reports was strictly limited to the correction of typographical errors. 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 contained in this volume 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.

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FOREWORD

The European Commission is strongly of the view that greater economic integration at the regional level will help multilateral trade liberalisation and stimulate development. At the Maastricht Conference on African Development held in July 1990 the Commission undertook to work together with other development partners on a more pragmatic approach to regional integration in Africa and to harness support within the donor community for African regional economic integration. Collaboration with the African Development Bank, the International Monetary Fund and the World Bank has broken new ground in a number of areas, including the Cross-Border Initiative to Facilitate Trade, Investment and Payments in Eastern and Southern Africa and the Indian Ocean (CBI).

The idea of the CBI is to create a framework for the implementation of jointly agreed policies by a group of countries who have got together on a voluntary basis. It is neither a new institution, nor a new trading bloc, nor an alternative to structural adjustment. Its general objective is to create the conditions for successful integration of countries in Eastern and Southern Africa and the Indian Ocean into the world economy. It focuses on measures to reduce the cost of moving productive resources, goods and services across national boundaries while maintaining openness towards the rest of the world. The measures are designed to be consistent with the structural adjustment priorities of the participating countries and with the regional liberalisation programmes agreed on in the context of the more formal regional arrangements.

The CBI has a number of special features which should be highlighted from the outset. It emphasises outward orientation, which is a challenge and an opportunity to regional integration initiatives undertaken in Sub-Saharan Africa. In addition, the initiative stresses consistency between national level work, including structural adjustment, and the programmes of the regional organisations, by underlining national commitments under regional integration agreements. The CBI reforms were, in fact, *conceived through a decentralized process by national Technical Working Groups (TWGs), comprising representatives from both the public and the private sectors, in collaboration with the regional organisations, donors and pan-African institutions. Government ownership of the programmes and private sector involvement were thus priorities right from the start.*

In addition, the initiative is based on reciprocity and a "variable speed" approach by which countries which are willing and able to implement measures can go ahead, encouraging others to follow when they are ready. In this way "peer pressure" plays a prominent role.

Backed by these special features, the initiative has advanced steadily: from the identification of common constraints and the first recommendations of the TWGs in 1992, to the Ministerial endorsement in 1993 of a Concept Paper, including a Common Programme of Action, to the translation of the Concept Paper into country-specific programmes (Letters of CBI Policy), to the current formulation of an approach for the harmonisation of external tariffs.

Today, on the eve of the Third Ministerial Meeting, virtually all of the fourteen countries which initially expressed interest in the initiative have accomplished good progress in the implementation of the CBI agenda. That is a sign of the success of the initiative. The Third Ministerial Meeting itself now provides an opportunity to reflect on future development.

The considerable progress made so far now needs to be consolidated as the agenda of CBI also widens. As the process moves forward, the issues will undoubtedly become more complex and the commitment of the participating countries ever more crucial. The papers included in this Volume, demonstrate the continuing relevance of the initiative for policy-makers and the growing capacity of the TWGs to provide them with the necessary support in achieving the objectives of the CBI and, beyond that, contribute to the sustained development of the region.

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GLOSSARY OF ABBREVIATIONS

ADB	African Development Bank
AEC	African Economic Community
ARSO	African Regional Standards Organisation
ASYCUDA	Automated System for Customs Data
BAD	Banque Africaine de Developpement
BEAC	Banque des Etats d'Afrique Centrale
CE	Commission Européenne
CCZEP	Chambres de Compensation de la ZEP
CEPGL	Communauté Economique des Pays des Grands Lacs
CMA	Common Monetary Area (Rand zone)
COI	Commission de l' Océan Indien
COMESA	Common Market for Eastern and Southern Africa
CPA	Common Programme of Action
EAC	East African Cooperation
EADB	East African Development Bank
EC	European Commission
ECA	Economic Commission for Africa
ECCAS	Economic Community of Central African States
EU	European Union
GCA	Global Coalition for Africa
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 Center/UNCTAD/WTO
L/C	Letter of Credit
MIE	Multinational Industrial Enterprises
MIGA	Multilateral Investment Guarantee Agency
MMA	Multilateral Monetary Area
NTB	Non-tariff Barrier
OAU	Organisation of African Unity
OECD	Organisation for Economic Cooperation and Development
OGEL	Open General Export Licence
OGIL	Open General Import Licence
PTA	Preferential Trade Area for Eastern and Southern Africa
RCTD	Road Customs Transit Declaration
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
SITC	Standard International Trade Classification
SSA	Sub-Saharan Africa
SYDONIA	Système Automatisé des Données Douanières
TINET	Trade Information Network
UAPTA	Unit of Account of the PTA
UEMOA	Union Economique et Monétaire Ouest Africaine
UNCITRAL	United Nations Commission on International and Trade Law
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
USAID	United States Agency for International Development
ZEP	Zone d' Echanges Préférentiels pour les Etats de l'Afrique de l'Est et de l'Afrique Australe

CROSS-BORDER INITIATIVE: A SUMMARY UPDATE

INTRODUCTION

1. The Cross-Border Initiative to facilitate regional trade, investment and payments in Eastern and Southern Africa and the Indian Ocean (CBI) is co-sponsored by the African Development Bank (AfDB), the European Commission (EC), the International Monetary Fund (IMF), and the World Bank. It was developed by representatives of the participating countries and the co-sponsors, in close collaboration with the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), the Indian Ocean Commission (IOC) and the East African Cooperation (EAC). The initiative has also benefited from the support of the Organisation for African Unity (OAU), the United Nations Economic Commission for Africa (UNECA) and various other development partners. The CBI is primarily aimed at creating the conditions for more beneficial integration of African countries into the world economy by promoting cross-border trade and investment among the participating countries.

ORIGIN OF THE CBI

2. Since the beginning of the 1990s, there has been a revival of interest in economic integration issues in Sub-Saharan Africa (SSA). The World Bank's **Long Term**

Perspectives Study (LTPS) argued that given the economic fragmentation of the continent, regional co-operation and economic integration are key ingredients for the next stage of development policy in SSA. In July 1990, the **First Maastricht Conference on Africa**, which led to the creation of the Global Coalition for Africa (GCA), came to a general consensus on the desirability of regional economic integration and cooperation in SSA, while at the same time noting that previous integration schemes had achieved limited progress in promoting cross-border trade and investment. Simultaneously, there was growing recognition of the importance of the **regional dimension of adjustment** and a realization that the implementation of economic reforms over the past decade has created an improved basis for cross-border economic activity in SSA.

3. Against this background, the EC, World Bank, IMF and AfDB began to collaborate in 1991 on developing a new practical approach to promoting economic integration that could be supported actively by the donor community. The new approach reflected a shift away from regional industrial planning and selective tariff cuts on intra-regional trade with high protective barriers vis-à-vis the rest of the world, which were the foundations of most of the previous integration schemes in SSA. Instead, the emphasis was on measures that reduce the cost of moving production factors, goods and services across national boundaries in the region with relatively low tariff barriers against third parties. These ideas led to the Cross-Border Initiative for Eastern and Southern Africa and the Indian Ocean countries. In this region, as a result of economic reforms, there has been significant progress towards market determined exchange rates, trade liberalization and macro-economic stability, as well as a particularly strong resolve to strengthen financial and economic linkages among the countries.

4. Based on past experience with regional integration schemes and the lessons of a decade of economic reform in SSA, the co-sponsors observed the following guidelines in promoting the CBI. **First**, the program for the implementation of the initiative had to be truly nationally conceived to ensure ownership. This led to the creation of national **Technical Working Groups (TWGs)** involving public and private sector representatives, whose main task was to identify the constraints to cross-border activity and propose measures to overcome them. **Second**, the CBI-supported programme of action had to be anchored in an outward-oriented policy framework consistent with the adjustment priorities of the participating countries and have added value compared to the reforms supported under the ongoing adjustment programmes. **Third**, the CBI had to contribute to capacity building so it relied primarily on local resources to design the programme. **Fourth**, it was essential that the CBI should not lead to the creation of a new regional institution to implement the programme, but continue to emphasize appropriate national action in the context of each country's policy framework.

5. **Finally**, the CBI-supported reforms had to be consistent with the long term vision of African economic integration and support the efforts of the relevant sub-regional organizations to eliminate obstacles to cross-border economic activity. This was to be ensured through regular consultation with the relevant regional institutions: COMESA, SADC, IOC, EAC as well as with UNECA, OAU and the GCA. The dialogue with these institutions has led to a mutual understanding of how the CBI fits in the ongoing process of regional integration in Africa. Since the CBI's focus is on creating the conditions for economic integration among those countries which are willing to implement the proposed reform agenda, the initiative is seen as a "building bloc" in the long-term process of creating an African Economic Community.

<u>MAIN FEATURES OF THE CBI</u>

6. What is the CBI? It is neither a new institution, nor a new trading bloc, nor a "regional structural adjustment programme". Rather, it is a **framework** for the implementation of **jointly agreed policies** taken up by a voluntary group of countries. The CBI aims to channel the aspirations of the participating countries for greater economic integration towards a new integration paradigm that is based on the promotion of competition and efficiency in the domestic product and factor markets in participating countries with low effective protection vis-à-vis third parties. It has several special features, including: **voluntary** participation by a willing sub-set of countries; implementation of reforms based on the principle of **reciprocity** among the participating countries, thereby encouraging action which countries might hesitate to take if they were acting alone; and **harmonization** of economic policy reforms across the countries so as to facilitate cross-border economic activity. In addition, the CBI has a potential for the kind of **peer pressure** which is sometimes lacking in the context of adjustment dialogue between individual countries and the donors. Countries that take the lead in certain reform measures can encourage other countries to go in the same direction. Moreover, the CBI provides the participating countries with a vehicle for mobilizing donor assistance and for attracting direct foreign investment. Taken together, these features are expected to facilitate successful implementation of the envisaged reforms.

7. The broad objective of CBI is to help reduce the obstacles to cross-border activity so as to promote efficient patterns of growth with economies of scale and opportunities for vertical and horizontal integration among the participating countries. CBI argues for accelerated economic liberalization with respect to external payments and the domestic regulatory environment so that scarce investment capital can pursue differential factor prices and thus create efficient growth. The underlying premise is

that the private sector would no longer be constrained to the national market; rather it would be encouraged to exploit the emerging opportunities in the sub-regional and world markets. The expansion of the "internal" market and reduction of impediments to investments would also help foster investment flows from abroad to the participating countries.

EVOLUTION OF THE CBI

8. The initiative focuses on countries in Eastern and Southern Africa and the Indian Ocean that are members of COMESA, SADC *and/or* IOC. The countries that are participating in the initiative are: Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. South Africa has participated in several meetings as an observer. The initiative is open to all other countries in the region that have achieved a sound macroeconomic policy environment and are willing to implement the policy programme.

9. The main phases of the work to date can be summarised as follows:

- **June 1992 – November 1992**: Launching of work on the preparation of a detailed inventory of the practical constraints on regional trade, investment and payments after discussion and agreement of terms of reference (Mauritius workshop, June 1992). Establishment of national Technical Working Groups (TWGs). Undertaking of first step of national analysis by the TWGs.

- **December 1992 – July 1993**: Agreement by the TWGs on a Common Programme of Action containing the core policy measures to remove the main constraints on cross-border economic activities (Harare workshop, December 1992). Programme of Action adapted and synthesised into a **Concept Paper** adopted at a meeting of senior officials (Brussels, June 1993).

- **August 1993 – February 1995**: Endorsement of the Concept Paper by Ministers from the participating countries and senior officials of the regional organizations and co-sponsors. (Kampala meeting, August 1993). Establishment of Policy Implementation Committees (PIC) for coordination and implementation (see para. 15) in the participating countries. Translation of the Concept Paper into specific country-level policy programmes, embodied in "**Letters of CBI policy**", which are subsequently agreed upon by the country concerned and the co-sponsors. Analysis by the TWGs, of legislative reform needed for the implementation of the measures in the letters of CBI policy. Establishment of co-sponsors' Steering Committee to coordinate their activities.

- **March 1995 to date**: Agreement on a timetable for removing intra-regional tariffs as well as for harmonizing external tariffs at a second Ministerial meeting (Mauritius, March 1995). Preparation of draft letters of CBI policy by all participating countries. Agreement on letters of CBI policy for Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. In some cases the agreement is based on an understanding about some specific measures. The agreements for Comoros and Zimbabwe are subject to achievement of an acceptable macro-economic framework. Agreement on the Seychelles letter is expected in the near future. The letters of Namibia and Swaziland reflect their obligations in the Southern African Customs Union (SACU). Agreement on an approach for the harmonization of external tariffs was based on a study prepared by the co-sponsors. Discussions on a credit guarantee scheme. Analysis by the TWGs of the effects and approach for the harmonization of external tariffs.

10. Several sub-regional coordination meetings have been held in East Africa (in the context of the revitalization of East African Cooperation) and in the Indian Ocean (organized in collaboration with the IOC). In February 1997, a meeting of SADC member States was organized in Gaberone in collaboration with SADC. The meeting demonstrated the consistency between CBI actions and the SADC Trade Protocol. It also established the need to preserve the trade liberalization achieved by SADC member States in the context of CBI. Several meetings have been organized by the COMESA Secretariat to discuss CBI-related activities. In March 1995 the IOC hosted a coordination meeting between the regional organizations and the co-sponsors. In addition, several technical meetings have been organized to formulate or discuss complementary support activities in the financial sector.

11. Based on an update of the situation on CBI provided by the TWGs, the co-sponsors prepared a draft Synthesis Paper in October 1997. The paper deals with implementation, value added, evolving agenda and future options. A meeting was organised to discuss the paper with representatives of countries, regional organisations and co-sponsors. The meeting recommended to continue and broaden the CBI. The comments at the meeting served to revise the Synthesis Paper in view of its presentation to the third Ministerial meeting (Harare, February 1998).

OVERVIEW OF THE POLICY PROGRAMME

12. To achieve its objectives, the CBI calls for an acceleration and deepening of reforms in the following areas:

- ❑ **Liberalization of trade in goods and services**, including immediate abolition of remaining non-tariff barriers (such as import and export licensing), removal of tariffs on trade in goods and services among the reciprocating countries by end-1998, and, to minimize the risk of trade diversion as well as to promote integration into the world economy, harmonization of external tariffs by end-1998, with no more than 3 non-zero rates, an average trade weighted tariff rate of 15 percent and a maximum of 20-25 percent;

- ❑ **Trade facilitation**, harmonization of transit charges and arrangements, customs documentation, transport, insurance etc.;

- ❑ **Deregulation of investment,** including adoption of simple and liberal investment approval procedures, investment applications to be handled by a single agency, a maximum of 45 days for approval of investment applications;

- ❑ **Facilitating the movement of persons,** including in relation to investment, by accelerating the processing of residence and employment permits, and relaxation and eventual elimination of visas among the participating countries;

- ❑ **Liberalization of the exchange system**, including elimination of restrictions on current account transactions and the attainment of current account convertibility, relaxation of restrictions on capital account transactions associated with the liberalization of direct investment and investment in regional equity markets, and establishment of unified spot exchange markets, etc.;

- ❑ **Strengthening of financial intermediation** in support of cross-border trade and investment, and facilitation of entry and enhancement of competition in the financial sector by, inter alia, promptly liberalizing cross-border activities of financial institutions and eliminating impediments to entry by regional and extra-regional financial institutions, etc.

13. Several elements of the policy programme deal with matters that were already on the agenda of the regional organizations, but for which practical implementation

was lagging behind. The initiative therefore supports these organizations in carrying out their work programme. The CBI also complements the extensive efforts to diminish physical obstacles (e.g. in the area of transport and communication infrastructure). The reduction of physical obstacles is particularly important in Sub-Saharan Africa where so many countries are landlocked.

ROLE OF THE CO-SPONSORS AND EXTERNAL ASSISTANCE

14. The co-sponsors jointly assume responsibility for helping the countries to effectively implement CBI-supported reforms, with individual sponsoring institutions focusing more specifically on their respective areas of competence. In countries that are under adjustment, the general policy provisions related to the CBI reform agenda are incorporated as appropriate into the Policy Framework Papers (PFP), as the "regional dimension of adjustment". Nevertheless, the PFP retains its trilateral character, with negotiations confined to the IMF, the World Bank, and the country authorities.

15. Policy Implementation Committees (PIC) have been set by the participating countries to coordinate the implementation of CBI-supported reforms at country-level. The Committees comprise the key Ministers for the policy areas dealt with by the CBI, usually the Ministers of Finance, Trade and Industry. The Governor of the Central Bank can also be a member of the PIC. In most cases the PIC is chaired by the Minister of Finance. Sometimes, an existing inter-ministerial committee assumes the role of PIC. The PIC generally relies on the TWG for analysis and technical advice. The work of the co-sponsors is coordinated through a Steering Committee which generally meets twice a year.

16. The co-sponsors have also indicated to the participating countries that: (i) each sponsoring agency would determine, subject to its own policies and country assistance programmes, the most appropriate instrument (e.g. balance of payments support, technical assistance, etc.) for supporting a country's efforts in the framework of the CBI; (ii) for any given country, the amount of such assistance would be determined flexibly, taking into account, inter alia, the strength of the reform program, the institution-building and technical assistance needs, the likely short-term impact of the measures on macro-economic aggregates (e.g. revenue, balance of payments), the level of external reserves and the pipeline of already committed external assistance; and (iii) some co-sponsors may concentrate their support in either a specific instrument or in certain countries, provided that the needs of all participating countries are reasonably satisfied by the co-sponsors (as a group) and other interested donors.

17. To date, the external support provided to the countries participating in the CBI can be divided into three categories:

- The co-sponsors as a group have agreed to help close the financing gap of the countries implementing the CBI-supported reforms. In principle this support is provided in the form of **balance of payments or budget support**. It is anticipated that net transitional costs for the governments implementing the policy package will arise only in the short run, since in the medium and long run there will be net benefits from increased regional growth. Support of this kind has already been disbursed by the EC for Malawi, Tanzania, Uganda, Zambia and Madagascar. On their side, the Bretton Woods institutions have contributed to meeting the overall financing needs of the CBI countries in the context of regular adjustment operations without earmarking specific amounts. Similarly, the African Development Bank has also contributed to meeting the overall financial requirements of selected countries participating in CBI; for example, ADF 7 resources have been made available to Tanzania and Uganda.

- The co-sponsors also provide extensive assistance in supporting human resource and institutional capacity building. This technical assistance is mobilized in the first place within the region and supports the important objective of **capacity building** on the subject of implementing regional integration policies. Specific requests for institutional support are generally discussed and formulated by the Technical Working Groups. All the participating countries have so far made use of this form of assistance. In most of them the TWGs have been functioning with a local consultant acting as a secretariat.

- Policy reform is necessary, but not sufficient for a country to obtain the benefits of regional integration. The third type of support thus aims to **assist the private sector with restructuring** so as to enable it to take advantage of the wider regional and world markets. This support is usually provided in the form of a project. Some projects have been set up through IDA credits to finance targeted investment operations. The EC is also implementing a number of projects. In the IOC region a "Programme Intégré pour le Développement des Echanges" (PRIDE) is under way. In 1996 a project was set up in Namibia to support the Export Processing Zones and to contribute to capacity-building in the areas of international trade and investment. A project is underway to help establish the Swaziland Investment Promotion Agency. Another project is being finalised in Mauritius, focusing on technology diffusion amongst private enterprises. As regards regional projects, two feasibility studies have been undertaken: a study to assess the feasibility of a regional export credit insurance mechanism covering both commercial and political risks and another to assess the feasibility of an African Regional Exchange (AFREX).

CONCLUSION

18. The initiative is flexible and broad-based, involving private sector participation and detailed country level work as well as regional level activities. It is not at all meant to establish a new regional integration organisation. Rather, it focuses on the practical implementation at national level of a coherent policy package that would help create the conditions for more effective regional economic integration. It embodies an approach of variable speed, where countries that are able and willing to implement regional integration can go ahead, encouraging other countries to follow when they are ready. The CBI is a gradual process with a strong capacity building component. The process is driven by the governments and civil society in the participating countries.

L'INITIATIVE TRANSFRONTALIÈRE: UNE BRÈVE REMISE À JOUR

INTRODUCTION

1. L'Initiative Transfrontalière (ITF) pour faciliter le commerce, l'investissement et les paiements régionaux en Afrique de l'Est et Australe et dans l'Océan Indien est parrainée conjointement par les co-sponsors : la Banque Africaine de Développement (BAD), la Commission Européenne (CE), le Fonds Monétaire International (FMI) et la Banque Mondiale. Elle a été développée par les représentants des pays participants et des co-sponsors en étroite collaboration avec la Commission de l'Océan Indien (COI), le Marché Commun de l'Afrique de l'Est et Australe (COMESA), la Communauté de Développement de l'Afrique Australe (SADC) et la Coopération Est-Africaine (EAC). Elle a également bénéficié du soutien de l'Organisation pour l'Unité Africaine (OUA), la Commission Economique des Nations Unies pour l'Afrique (UNECA) et divers autres partenaires du développement. L'ITF a pour objectif fondamental d'améliorer les bases pour parvenir à une intégration plus avantageuse des pays africains dans l'économie mondiale en développant le commerce transfrontalier et l'investissement au sein des pays participants.

ORIGINE DE L'ITF

2. Depuis le début des années 1990, il y a un regain d'intérêt pour les questions d'intégration économique en Afrique Sub-Saharienne (ASS). **L'Etude des Perspectives de Long Terme** (LTPS) de la Banque Mondiale avançait qu'étant donné la fragmentation du continent africain, une coopération régionale et une intégration économique devenaient des éléments essentiels de la future politique de développement en ASS. En juillet 1990, la **Première Conférence de Maastricht sur le Développement en Afrique** qui a mené à la création de la Coalition Mondiale pour l'Afrique (CMA), avait abouti à un consensus général sur les avantages d'une intégration économique régionale et d'une coopération en ASS, tout en notant cependant que les projets d'intégration précédents avaient eu des résultats limités en termes de développement du commerce transfrontalier et de l'investissement. Par ailleurs, il avait été reconnu que la **dimension régionale de l'ajustement** avait son importance et que l'exécution des réformes économiques lors de la dernière décennie avait réussi à créer une meilleure base pour l'activité économique transfrontalière en ASS.

3. Ainsi, à partir de 1991, la CE, la Banque Mondiale, le FMI et la BAD ont collaboré pour le développement d'une nouvelle approche de promotion de l'intégration économique qui pourrait être effectivement appuyée par la communauté des bailleurs. La nouvelle approche consistait à s'écarter des schémas de la plupart des projets d'intégration précédents en ASS, basés sur une planification industrielle régionale avec réductions sélectives des tarifs douaniers intra-régionales en combinaison avec des barrières tarifaires élevées vis-à-vis du reste du monde. Au lieu de cela, l'accent a porté sur les mesures qui réduisent le coût de transport des facteurs de production, des biens et des services, à travers les frontières nationales, avec des tarifs douaniers relativement bas vis-à-vis du reste du monde. Ces réflexions ont abouti à l'Initiative Transfrontalière pour l'Afrique de l'Est et Australe et les pays de l'Océan Indien. Dans cette région, des progrès significatifs dus aux réformes économiques ont été accomplis tant en ce qui concerne la libéralisation des régimes de change et du commerce, la stabilité macro-économique, que le renforcement des liens économiques et financiers entre les pays.

4. A partir des expériences d'intégration régionale et des leçons tirées de la dernière décennie de réformes économiques en ASS, les co-sponsors ont développé l'ITF selon les principes suivants. **Premièrement**, le programme d'exécution de l'Initiative devait être élaboré à un niveau national afin d'être internalisé. Cela a abouti à la création des **Groupes de Travail Techniques nationaux (GTT)** impliquant des représentants des secteurs privé et public, dont la tâche principale était d'identifier les obstacles à l'activité transfrontalière et de proposer des mesures pour les éliminer. **Deuxièmement**, le programme d'action de l'ITF devait être ancré dans un cadre d'une politique commerciale ouverte et en cohérence avec les priorités de l'ajustement des pays

participants et devait avoir une valeur ajoutée par rapport aux réformes en cours. **Troisièmement**, l'ITF devait contribuer à augmenter la capacité des ressources humaines et s'est alors appuyée sur l'expertise locale. **Quatrièmement**, il était essentiel que l'ITF n'aboutisse pas à la création d'une nouvelle institution régionale pour la mise en oeuvre du programme, mais qu'elle mette l'accent sur les initiatives nationales en respectant le cadre de politique de chaque pays.

5. **Enfin**, les réformes soutenues par l'ITF devaient être cohérentes avec la vision de long terme de l'intégration économique africaine et soutenir les efforts des organisations sous-régionales afin d'éliminer les obstacles à l'activité économique transfrontalière. Cela devait être assuré par des consultations régulières avec les institutions régionales : COMESA, SADC, COI, EAC, ainsi qu'avec la UNECA, l'OUA et la CMA. Le dialogue avec ces institutions a permis une compréhension mutuelle de l'implication de l'ITF dans le processus d'intégration régionale africaine en cours. Comme l'ITF s'est donnée pour objectif de créer les conditions nécessaires à une intégration économique des pays qui sont prêts à exécuter le programme de réformes, elle est perçue comme un composant du processus de long terme de construction de la Communauté Economique Africaine.

CARACTÉRISTIQUES PRINCIPALES DE L'ITF

6. Qu'est-ce que l'ITF? Ce n'est ni une nouvelle institution, ni un nouveau bloc commercial, ni encore moins un "programme d'ajustement régional". Elle représente plutôt la **structure** nécessaire à la réalisation de **politiques décidées conjointement** par un groupe de pays volontaires. L'ITF cherche à canaliser les aspirations des pays participants à une meilleure intégration économique, vers un nouveau paradigme d'intégration basé sur la concurrence et l'efficience des marchés de produits et de facteurs avec une protection effective faible vis-à-vis des pays tiers. Elle suit certains principes, comme : une participation "**volontariste**" de la part d'un groupe de pays ; l'exécution des réformes sur base de **réciprocité** afin d'inciter certains pays à prendre des mesures qu'ils n'auraient pas pris seuls ; et une **harmonisation** des réformes de politiques économiques afin de faciliter l'activité transfrontalière. De plus, avec l'ITF, les pays exercent une **pression mutuelle** ; pression qui manque parfois dans les négociations entre les bailleurs et les pays pris individuellement. Les pays qui sont les premiers à prendre certaines mesures peuvent encourager les autres pays à les suivre. Plus encore, l'ITF fournit aux pays participants un moyen de mobiliser l'assistance des donateurs et d'attirer l'investissement étranger direct. Tous ces principes devraient faciliter l'exécution des réformes.

7. L'objectif général de l'ITF est d'aider à réduire les obstacles à l'activité transfrontalière tout en encourageant un modèle de croissance efficient avec des économies d'échelle et des opportunités d'intégration horizontale et verticale au sein de la zone. L'ITF prône une libéralisation économique accélérée des paiements extérieurs et du cadre réglementaire national. Cela permettrait aux investissements de se diriger en fonction des prix des facteurs, et par là même, de créer les conditions d'une croissance soutenable. L'idée de base est que le secteur privé ne sera plus limité au seul marché national; il sera plutôt incité à exploiter les opportunités émergentes des marchés sous-régionaux et mondiaux. L'expansion du marché "interne" et la réduction des freins aux investissements devrait également attirer les investissements étrangers vers les pays participants.

EVOLUTION DE L'ITF

8. L'Initiative met l'accent sur les pays d'Afrique de l'Est et Australe et de l'Océan Indien qui sont membres de la COMESA, de la SADC et/ou de la COI. Les pays qui participent à l'initiative sont les suivants: Burundi, Comores, Kenya, Madagascar, Malawi, Maurice, Namibie, Ouganda, Rwanda, Seychelles, Swaziland, Tanzanie, Zambie et Zimbabwe. L'Afrique du Sud a participé à plusieurs réunions en tant qu'observateur. L'Initiative est ouverte à tout pays de la région qui a achevé l'assainissement macro-économique et qui est désireux de mettre en oeuvre le programme.

9. Les principales étapes du travail peuvent être résumées ainsi:

- **Juin 1992 – Novembre 1992**: Lancement des études d'inventaire détaillé par pays des obstacles majeurs au commerce régional, aux investissements et aux paiements après discussion et accords sur les termes de références (atelier de l'île Maurice, juin 1992). Constitution des GTT. Première étape de l'analyse nationale des GTT.

- **Décembre 1992 – Juillet 1993**: Adoption par les GTT d'un Programme Commun d'Action (PCA) reprenant les principales mesures de politique économique permettant d'éliminer les obstacles aux activités transfrontalières (atelier de Harare, décembre 1992). Un Document de Réflexion (**Concept paper**) faisant une synthèse du Programme d'Action, a fait l'objet d'un débat et d'amendements lors d'une réunion de hauts fonctionnaires (Bruxelles, juin 1993).

- **Août 1993 – Février 1995** : Approbation du Document de Réflexion par les Ministres des pays participants, les hauts fonctionnaires des organisations régionales et les co-sponsors (réunion de Kampala, août 1993). Établissement de Comités d'Exécution des Politiques (CEP) pour la coordination et l'application (voir paragraphe 15) dans les pays participants. Transformation du Document de Réflexion en programmes de politique spécifiques à chaque pays donnant lieu à des "**Lettres de Politique ITF**" acceptées par les pays concernés et les co-sponsors. Analyse des GTT des réformes administratives nécessaires pour l'application des mesures décrites dans les lettres de politique ITF. Établissement d'un Comité de Pilotage des co-sponsors pour coordonner leurs activités.

- **Mars 1995 à aujourd'hui** : Accord sur un calendrier d'élimination des tarifs douaniers intra-régionaux ainsi que sur un tarif extérieur harmonisé à la seconde réunion ministérielle (île Maurice, mars 1995). Préparation de projets de lettres de politique ITF par tous les pays participants. Accord sur les lettres des Comores, Kenya, Madagascar, Malawi, île Maurice, Namibie, Ouganda, Swaziland, Tanzanie, Zambie et Zimbabwe. Dans certains cas, l'accord est conclu sous réserve de la mise en oeuvre de mesures spécifiques. Les accords pour les Comores et le Zimbabwe sont soumis à l'assainissement de l'environnement macro-économique. Un accord pour la lettre des Seychelles est imminent. Les lettres de la Namibie et du Swaziland tiennent compte de leurs obligations vis-à-vis de l'Union Douanière de l'Afrique Australe (SACU). Accord sur une approche commune d'harmonisation des tarifs extérieurs d'après une étude des co-sponsors. Débats sur l'assurance-crédits. Analyse par les GTT des effets et de la méthodologie de l'harmonisation des tarifs extérieurs.

10. Plusieurs réunions de coordination sous-régionales se sont tenues en Afrique de l'Est (dans le contexte de la revitalisation de la Coopération Est Africaine) et pour les pays de l'Océan Indien (organisées en collaboration avec la COI). En février 1997, une réunion des États membres de la SADC a été organisée à Gaborone en collaboration avec la SADC. La réunion démontra la cohérence entre les actions de l'ITF et le Protocole Commercial de la SADC. Elle a également souligné le besoin de préserver les progrès réalisés dans la libéralisation du commerce par les États membres de la SADC dans le cadre de l'ITF. Plusieurs réunions ont été organisées par le Secrétariat du COMESA afin de discuter des activités liées à l'ITF. En mars 1995, le COI a organisé une réunion de coordination entre les organisations régionales et les co-sponsors. De plus, de nombreuses réunions techniques ont été organisées afin de formuler ou discuter des activités de soutien complémentaires dans le secteur financier.

11. A partir d'une mise à jour de la situation de l'ITF fournie par les GTT, les co-sponsors ont préparé un projet de Document de Synthèse en octobre 1997. Ce document traite de la mise en oeuvre et de la valeur ajoutée de l'Initiative, du calendrier et des options futures. Une réunion a été organisée afin de discuter de ce document avec les représentants des pays, des organisations régionales et des co-sponsors. La réunion a recommandé de poursuivre et d'élargir l'ITF. Les remarques faites à cette réunion ont permis de réviser le Document de Synthèse en vue de sa présentation lors de la troisième réunion ministérielle (Harare, février 1998).

LES GRANDES LIGNES DU PROGRAMME DE RÉFORMES

12. Afin d'atteindre ses objectifs, l'ITF requiert l'accélération et l'approfondissement des réformes dans les domaines suivants:

Libéralisation du commerce des biens et des services par:

- ❑ l'abolition des dernières barrières non tarifaires (régimes de licences d'importation et d'exportation),
- ❑ la suppression des tarifs entre pays participants sur base de réciprocité d'ici la fin 1998,
- ❑ et afin de diminuer les risques de détournement de trafic et de promouvoir l'intégration dans l'économie mondiale, l'harmonisation des tarifs extérieurs d'ici la fin 1998 avec un maximum de 3 taux supérieurs à zéro et dont le taux moyen pondéré serait de 15% et le maximum de 20-25%.

Facilitation des échanges, par l'harmonisation des redevances et des dispositifs de transit, des documents de déclaration, des transports, des assurances, etc.

Libéralisation des investissements: adoption d'une procédure d'approbation des demandes d'investissement simplifiée, libéralisée, et traitée par une seule agence dans un délai maximum de 45 jours.

Facilitation des mouvements de personnes en rapport avec les investissements, par l'accélération des procédures de délivrance des permis de séjour et d'emploi, et la réduction, voire l'élimination des visas au sein des pays participants.

Libéralisation du régime de change, et notamment, l'élimination des restrictions sur les transactions courantes et la réalisation de la convertibilité de la monnaie, la libéralisation des transactions en capitaux liés aux investissements directs et aux placements sur le marché régional des titres, et l'établissement de marchés unifiés à terme, etc.

Renforcement de l'intermédiation bancaire comme support au commerce et aux investissements transfrontaliers; facilitation de l'entrée sur les marchés financiers et incitation à la concurrence à travers la libéralisation des activités transfrontalières des institutions financières et l'élimination des obstacles à l'entrée pour les institutions financières extra-régionales, etc.

13. Certains éléments de ce programme de réformes se trouvaient déjà à l'ordre du jour des organisations régionales, mais leur mise en oeuvre a pris du retard. Ainsi, l'Initiative soutient activement ces organisations à mettre en oeuvre leurs programmes. L'ITF agit également comme complément aux efforts pour diminuer les obstacles "physiques" liés aux transports et à la communication. La réduction de ces obstacles est particulièrement importante en Afrique Subsaharienne où de nombreux pays sont enclavés.

RÔLE DES CO-SPONSORS ET DE L'ASSISTANCE EXTÉRIEURE

14. Tous les co-sponsors assument leur responsabilité dans l'appui fourni aux pays pour mettre en oeuvre les réformes de l'ITF; chaque institution fournit une aide individuelle plus spécifique selon leur domaine de compétence. Dans les pays sous ajustement, la politique générale relative au programme de réforme de l'ITF est inclue dans les Policy Framework Papers (PFP) représentant ainsi la "dimension régionale de l'ajustement". Néanmoins, les PFP restent trilatéraux puisqu'ils sont négociés entre le FMI, la Banque Mondiale et les autorités nationales.

15. Des Comités d'Exécution des Politiques (CEP) ont été créés par les pays participants afin de coordonner l'exécution des réformes de l'ITF dans chaque pays. Les Comités sont composés des Ministres concernés par les domaines politiques de l'ITF, notamment les Ministres des Finances, du Commerce et de l'Industrie. Le

Gouverneur de la Banque Centrale peut également être membre du CEP. Dans la plupart des cas, le CEP est présidé par le Ministre des Finances. Il arrive parfois qu'un autre comité interministériel pré-existant assure le rôle du CEP. Généralement le CEP repose sur l'analyse et les conseils techniques du GTT. L'action des co-sponsors est coordonnée par un Comité de pilotage qui se réunit généralement deux fois par an.

16. Les co-sponsors ont également indiqué aux pays participants que (i) chacun devra déterminer, en fonction de ses propres politiques et programmes d'assistance, l'instrument le plus approprié (par exemple le soutien à la balance des paiements, l'assistance technique, etc.) de manière à soutenir les efforts des pays dans leur programme d'ITF; (ii) pour tout pays donné, le montant d'une telle assistance devra être flexible, prenant en compte entre autres, l'importance du programme de réforme, des besoins en appui institutionnel ou en assistance technique, les effets probables des mesures à court terme sur les agrégats macro-économiques (par exemple, sur le revenu ou la balance des paiements), le niveau des réserves extérieures et le montant de l'assistance extérieure déjà engagée; et (iii), certains des co-sponsors peuvent concentrer leur aide soit dans des instruments spécifiques, soit dans certains pays, de manière à ce que les besoins de tous les pays soient suffisamment satisfaits par les co-sponsors (pris dans leur ensemble) et les autres bailleurs intéressés.

17. A ce jour, l'assistance fournie aux pays participants à l'ITF peut être répartie selon trois catégories:

- Les co-sponsors sont d'accord pour aider les pays qui mettent en oeuvre les réformes de l'ITF à diminuer leurs besoins de financement. En principe, cette aide est fournie sous la forme d'un **appui à la balance des paiements ou du budget**. On peut anticiper que les gouvernements qui mettent en oeuvre les réformes de l'ITF connaissent des coûts transitoires à court terme, avant de récolter les bénéfices de la croissance régionale à moyen-long terme. Un appui de ce genre a déjà été déboursé par la CE pour le Malawi, la Tanzanie, l'Ouganda, la Zambie et Madagascar. De leur côté, les institutions de Bretton Woods ont contribué à combler les besoins de financement des pays participant à l'Initiative; ce soutien se fait dans le cadre des opérations d'ajustement et non de manière spécifique à l'ITF. Simultanément, la BAD a également contribué à la couverture des besoins de financement de certains pays de l'ITF; par exemple, des ressources FAD7 ont été mises à la disposition de la Tanzanie et de l'Ouganda.

- Les co-sponsors fournissent également un appui en ressources humaines et en renforcement des capacités institutionnelles. L'assistance technique est mobilisée en premier lieu dans la région en appui au développement des **capacités humaines** pour la mise en oeuvre des politiques d'intégration régionales. Les demandes spécifiques d'appui institutionnel sont généralement discutées et formulées par les GTT. Tous les pays participants ont utilisé ce type d'assistance. Dans la plupart d'entre eux, un consultant local joue le rôle de Secrétaire pour les GTT.

- La réforme politique est nécessaire, mais pas suffisante pour qu'un pays bénéficie des avantages de l'intégration régionale. Le troisième type d'appui est donc le **soutien au secteur privé en facilitant sa restructuration** de manière à lui faire bénéficier de marchés plus larges régionaux et internationaux. Ce soutien prend généralement la forme de projets. Certains projets ont été montés à l'aide de crédits IDA pour financer des opérations d'investissements ciblés. La CE a également mis en oeuvre de nombreux projets. Au sein de la COI, un Programme Intégré de Développement des Échanges (PRIDE) est en cours. En 1996, un projet a été élaboré en Namibie afin de soutenir les zones franches (Export Processing Zones, EPZ) et de contribuer au renforcement des capacités dans les domaines du commerce et de l'investissement internationaux. Un projet est en cours pour aider à l'établissement d'une Agence de Promotion de l'Investissement au Swaziland. Un autre projet, en préparation pour l'île Maurice, est axé sur la diffusion technologique parmi les entreprises privées. En ce qui concerne les projets régionaux, deux études de faisabilité ont été entreprises : une étude sur le lancement d'un système d'assurance-crédit à l'exportation couvrant à la fois les risques commerciaux et politiques; une autre étude sur la création d'une bourse électronique (African Regional Exchange, AFREX).

CONCLUSION

18. L'Initiative se veut flexible et basée sur une large participation, impliquant le secteur privé, des actions au niveau national ainsi que des opérations au niveau régional. Cela ne signifie pas qu'il faille créer une nouvelle organisation d'intégration régionale. Au contraire, cette Initiative repose sur l'exécution effective à un niveau national d'un ensemble de politiques cohérentes qui pourrait créer les conditions nécessaires à une réelle intégration économique régionale. L'ITF prévoit la possibilité d'une vitesse variable où les États qui sont capables ou désireux d'entreprendre une intégration régionale peuvent prendre les devants, encourageant ainsi les autres pays à les suivre. L'ITF est un processus évolutif a grande capacité de développement des ressources humaines et institutionnelles. Ce processus est conduit par les gouvernements et la société civile des pays participants.

CROSS-BORDER INITIATIVE: DISCUSSION PAPER ON THE APPLICATION OF RECIPROCITY, HARMONIZATION AND THE ROLE OF THE REGIONAL ORGANISATIONS

Prepared for Ministerial Meeting in Mauritius, March 23-24, 1995

BACKGROUND

The policy reforms envisaged under the Cross-Border Initiative (CBI) derive from the Common Programme of Action (CPA) developed by the Technical Working Groups (TWGs) of participating countries. In turn, the Concept Paper (CP), adopted at the 1993 Kampala ministerial meeting, outlines how the CPA can be made operational with the support of the co-sponsors (ADB, EU, IMF and World Bank). However, of necessity, both the CPA and CP outline general principles. These have provided sufficient guidance to allow participating governments to formulate policy reform packages in the course of implementing the CBI. However, in the course of making the reforms operational, it has become clear that agreement is required on a more detailed approach to some of the issues requiring joint action. This is particularly important for areas where intra-regional liberalisation is to be based on reciprocity and where a harmonisation of policies is required to allow the emerging regional market to operate smoothly. Moreover, since the implementation of harmonised policies and the granting of reciprocal privileges requires a mechanism involving the regional organisations, an approach is also required to resolve differences that may arise. This paper makes recommendations in these areas, for consideration and endorsement by the ministerial meeting of March 23-24, 1995.

IMPLEMENTATION OF RECIPROCITY

i. Clarifying the measures envisaged

The Concept Paper envisaged that the following measures will be implemented on the basis of reciprocity:

(i) Eliminate NTBs on MFN basis. Where this is not feasible, the countries would at least immediately exempt imports from other CBI participants from NTBs except for a small negative list for reasons of health and security, while agreeing on a timetable for MFN removal with the IMF;

(ii) Encourage countries to eliminate intra-regional tariffs by the end of 1996;

(iii) In cases where the investment approval process cannot be reformed globally, to implement on the basis of reciprocity with other CBI participants the adoption of a 45 day statute of limitations after which all requests for inward direct investment not specifically refused will be deemed to have been approved;

(iv) Adoption of a revised MIE Charter allowing firms incorporated in one country to be active in other countries in the region;

(v) Sign, ratify and implement both phases of the PTA protocol on relaxation and eventual elimination of visas and provide border residents 24 hour entry permits;

(vi) processing of work and residence permits within four weeks of application;

(vii) signing dual taxation agreements; and

(viii) allowing cross listings on stock exchanges in the region.

While for some of these items the actions required are relatively clear (e.g the removal of NTBs), in others an interpretation has had to be made to arrive at politically feasible and administratively simple measures. Based on the results of the dialogue with several governments that have led the way in implementation of the CBI, some of the policies could be interpreted as follows[1]:

(i) Given some delays in reducing tariffs on intra-regional trade since the Kampala meeting of August 1993 and given the need to coordinate actions on internal and external trade reform in view of keeping the (absolute) regional preference margin at a reasonable level, it is more appropriate to require the countries to move to zero intra-regional tariffs by 1998. Under COMESA, countries should presently be offering a 70 percent preference margin. In practice, most CBI participants are currently offering 60 percent tariff preferences to all COMESA partners. It is proposed that, at a minimum, the 70 percent preference towards all COMESA countries is achieved, while those that reciprocate under CBI would obtain an 80 percent preference in October 1996, a 90 percent preference in October 1997, and intra-regional tariffs would be totally abolished in October 1998.

(ii) Given the difficulties in amending the MIE Charter, adoption of equivalent national legislation that would allow firms incorporated in any participating country to automatically be registered and begin operations in any other participating country (subject to meeting the same legal and regulatory conditions as national firms);

(iii) In view of the difficulties of immediately abolishing visas across the board, at a minimum and as a first step to the objective of abolishing visas, offering businessmen from participating countries 5 year multiple entry visas;

(iv) For technical and managerial staff from participating countries, work and residence permits would be automatically granted within four weeks of application in connection with inward direct investment. This would set the stage for gradual relaxation of rules for all residents of participating countries.

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[1] Only items where an interpretation has been made are presented here. Other items are expected to be treated as defined in the Concept Paper. Also, it should be clear that the interpretations being offered do not involve setting aside points on which countries came to agreement when they endorsed the Concept Paper. We limit interpretation to areas where the Concept Paper outlined general principles that need to be made operational.

ii. Interpreting the meaning of reciprocity under the CBI

The CBI aims to facilitate the implementation of measures envisaged by COMESA, EAC, IOC and SADC and not to create an alternative institution. Therefore, the objective is to grant the benefits of the above reforms to all members of these groupings.

It is recommended that the concept of reciprocity be extended beyond that of "tit for tat" to facilitate rapid implementation of the CBI. Accordingly, all countries that commit themselves to implement the CBI agenda of reforms (as expressed through an agreed letter of CBI policy) would receive the benefits of reciprocity for all the actions they intend to implement themselves. However, the countries would commit themselves to implement these measures within a given period not exceeding one year, during which they would already benefit from the preferences being offered by countries that implement faster.

Individual SACU members are unable to offer tariff preferences without agreement of other SACU members and could be exempted from those measures on the understanding that they would not benefit from reciprocity in tariff cuts offered by other CBI participants[2]. Except for this case, however, the regional tariff preferences would apply to all countries implementing CBI reforms.

If countries lag behind their commitments, the other participating countries would not be expected to continue to grant preferences to them. They could be reinstated after the countries that lag behind are catching up by offering the agreed preferences to other participants.

iii. Monitoring reciprocity

A system needs to be developed for monitoring the implementation of reciprocity except in the case where preferences are extended to all members of a regional organization. It would be logical to assign this role to one or more of the regional organisations given that the CBI is meant to be an instrument to facilitate the achievement of the regional integration objectives of the various groupings involved in the initiative. However for a given period to be determined, it could be more convenient for the co-sponsors with the help of the organisations to carry out this task. This would be the case especially in view of the co-sponsors' intention to contribute to the coverage of the net transitional costs of implementing the CBI action programme.

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[2] SACU countries would benefit from other measures on the basis of reciprocity e.g automatic right for their firms to register and begin activity in the other CBI countries.

For the moment all CBI participants are members of COMESA. Accordingly, the COMESA Secretariat would be a logical institution to play a key role in helping the co-sponsors monitor reciprocity of action under the CBI. However, the CBI programme should be seen as a minimum set of measures required as a prerequisite for achieving effective regional economic integration. Sub-sets of countries may (and hopefully would) move faster and further in removing barriers to economic activity than envisaged under the CBI framework. Furthermore, EAC, IOC and SADC would help monitor their own members, particularly with a view to ensuring that (i) those that are not yet eligible for preferences under CBI are helped to prepare the policy package that would qualify them; and (ii) that preferences may be exerted in areas going beyond the minimum requirements of the CBI (e.g in SADC they may be willing to consider granting automatic right of entry without visa and in IOC to automatically grant right of residence, but not to automatically extend, at this juncture, such far reaching measures to all other COMESA countries).

The above recommendation broadly reflects the institutional realities and responsibilities. The COMESA Secretariat is responsible for the implementation of the COMESA Treaty for which the CBI package is an essential first step. However, the co-sponsors would still have to decide on which countries to support according to their internal management evaluation of the appropriateness of the policies of each country. The situation may arise that one or more of the co-sponsors may withhold support if the overall policy reform stance is judged unsatisfactory.

There should be a dialogue between the COMESA Secretariat and the CBI Steering Committee that would preferably be integrated into the normal contacts between the cosponsoring institutions and the Secretariat. The Steering Committee could delegate this task to the EC.

The Letters of CBI policy should contain a timetable for implementation of all the actions based on the principle of reciprocity. The TWG in each participating country should prepare a quarterly progress report to be transmitted to the relevant regional organisations and the co-sponsors. These reports should outline any problems experienced in obtaining the agreed preferential treatment in any of the other countries. The co-sponsors, assisted by the relevant regional organisations, would organise missions to countries that seem to be falling behind or about which they receive complaints on the implementation of CBI measures. The missions would prepare a report for the Government of every country visited and the report would be made available to all other participating countries, to the regional organisations and to the co-sponsors. The missions would also seek the views of the private sector to assess the relevance of the measures being adopted (relative to the objectives agreed in Kampala).

The COMESA Secretariat could prepare for its annual meetings a report on CBI implementation, indicating the performance of the participating countries. The report should not necessarily be debated, but could either be formally adopted or simply noted for the record. The COMESA Secretariat could benefit from specific assistance from the EC to enable it to undertake this role, if it so desires. Moreover, the reports would be discussed with the Steering Committee prior to their finalisation. It should be made clear, however, that each of the co-sponsors will be the sole ultimate judge whether the specific conditionality has been met that would justify its financial support. In this regard, it may be the case that one or other of the co-sponsors would withold financial support even when the other co-sponsors and the COMESA Secretariat may believe that the conditions have been met.

HARMONIZATION

i. Clarifying the measures envisaged

The Concept Paper envisages that the following measures will require harmonization:

(i) External tariffs would be harmonized as a first step to a Common External Tariff;

(ii) Investment incentives;

(iii) Removal of impediments to the free flow of road traffic.

In addition, in the course of the dialogue with the participating countries, it would appear important to harmonize policies relating to external trade; taxation (particularly indirect taxation and business taxation); customs administration; company law and transit regulations.

ii. The meaning of harmonization under the CBI

Harmonization can be interpreted as meaning adoption of policies that are similar. This implies that countries still determine their policies unilaterally (there is no transfer of sovereignty nor even joint exercise of sovereignty through inter-governmental arrangements). Thus, there can still be some policy differences, especially those where countries face specific circumstances. At the same time, however, countries agree to adopt the same approach or framework. For example, a harmonised tariff policy could imply agreement on, say 3 non-zero bands and general agreement on how products would be allocated between these bands. But an individual country might classify some products slightly differently (e.g for revenue reasons). A country might also, on a limited number of products, diverge temporarily from the general rule, in order to deal with a specific situation. Thus, a harmonised policy regime is one which facilitates the move to the common policies required in an economic union but stops just short of crossing the boundary.

iii. Achieving harmonization

In the case of trade policies, the separate Discussion Paper on external trade reforms deals with the issue. COMESA's ongoing study on a Common External Tariff also addresses certain aspects of harmonisation of trade policies. For the other areas, however, it is necessary to develop a strategy. It is proposed that the regional organisations take the lead to develop proposals to harmonise policies that would be then submitted to the member states to achieve consensus.

The approach being adopted on the Common External Tariff Study could provide a useful model: a desk review followed by field assessment of where different countries policies are headed. On the basis of a study (which the co-sponsors would consider financing), a Draft Position Paper could be prepared that would propose how to harmonise a certain policy. The study should include an analysis of the implications for each of the countries of moving to the proposed harmonised regime. The Position Paper would be circulated, through the Technical Working Groups, to the countries for comment (by both the Government and Private Sector).

After incorporating the comments in a revised draft expected to reflect the consensus, a meeting would be convened by the relevant regional organisation to seek agreement.

In contrast to the reciprocity cases discussed above where it would be preferable to reach agreement on a COMESA wide scale, harmonisation may be most effectively discussed amongst the existing subgroups of countries within the region: i.e EAC, IOC and SADC. While the positions are being harmonised at the sub-COMESA level, it would be useful, however, for the COMESA Secretariat to be involved and keep the other Secretariats informed of the general approach to harmonisation being adopted by each of the respective groups. This would help limit divergences between the sub-groupings and facilitate eventual COMESA wide harmonisation. The COMESA Secretariat would also undertake to harmonise the positions of countries that do not belong to active sub-regional integration organisations (e.g Rwanda and Burundi).

Moreover, in areas where the COMESA has already developed programmes, e.g RCTD, single goods declaration document and regional bond guarantee scheme, there would be no value added to have these issues dealt with at sub-regional level.

The likelihood of successful harmonisation is enhanced by adopting this sub-regional approach in contrast to a more ambitious COMESA wide approach. This follows, given that the existing sub-groups consist of more coherent economic units with greater similarities within the countries than between the groups. While theoretically more attractive, achieving consensus in a wider group would generally be difficult. This is because of the greater divergence of economic interests and the weaker links between countries in the different sub-regions. Thus, the likelihood is that starting positions will diverge more significantly than within a sub-group. Moreover, the direction of movement to achieve harmonisation will also be less obvious. Finally, the need for such harmonisation (and therefore the need for compromise) is likely to be much smaller than within a sub-region. For example, it matters much more to Zambia how Zimbabwe or Malawi tax imported inputs than the treatment given by Ethiopia or Seychelles.

There is a possibility, however, that the Secretariats may not be able to accommodate quickly the needs of the fast moving reformers in the region. To prevent this being a bottleneck to accelerated integration, provision should also be made for countries to request directly to the co-sponsors to help prepare the position paper on harmonisation referred to above. In such cases, the co-sponsors would coordinate closely with the relevant Secretariats in moving the task along and aim to transfer responsibility to the Secretariats as soon as it would be possible without slowing the process down.

iv. Monitoring implementation

It is recommended that the relevant regional organisations play an active role in monitoring the implementation of the harmonised policies. Unless specifically requested, the co-sponsors should not be directly involved in the monitoring of harmonised policies, except with regard to reform of external tariffs. For the rest, there should be similar monitoring provisions as for reciprocity (see section on Implementation Reciprocity above). The main difference would be that the monitoring should best be done at the sub-regional level (EAC, IOC, SADC) with the COMESA Secretariat kept informed and providing assistance if requested either by a member state or by the concerned regional organisation.

ROLE OF THE REGIONAL ORGANISATIONS

i. Role to date

The CBI has been developed in collaboration with the relevant regional organisations (PTA/COMESA, SADC and IOC). The policy measures endorsed by the Ministers of the participating countries as summarised in the Concept Paper and in the letters of CBI policy generally correspond to those put forward by the regional organisations. Therefore, the CBI directly supports the integration agenda of the regional organisations.

The Indian Ocean Commission has been explicitly involved in the follow-up of the CBI for its member states. In this regard two coordination meetings were organised in the course of 1994. In addition, the IOC Secretariat has collaborated with the Secretariat of PTA/COMESA on helping some if its member states with the preparation of the letters of CBI policy.

The PTA/COMESA summit in December 1994, in Lilongwe, Malawi, endorsed the approach of the CBI. A EC-financed support project for the Secretariat of PTA/ COMESA on the promotion of regional integration and implementation of CBI in the member states is under preparation.

The SADC Secretariat has maintained contacts with the co-sponsors on the CBI and how the initiative could serve to promote the SADC agenda. It has been recognised that the SADC Secretariat needs to be strengthened in order to deal with an agenda of regional integration that is added to the on-going work on sectoral and thematic project coordination. A project to strengthen the capacity of the SADC Secretariat to deal with regional integration, including the agenda of the CBI is under preparation by the EC.

East African Cooperation has recently been revitalised, after the CBI has begun to be implemented in the East African States. Taking this into account, a meeting was organised by the World Bank between the Technical Working Groups of Kenya, Uganda and Tanzania and the co-sponsors in August 1994 in Nairobi. The East African TWGs indicated their desire to link the work on CBI to the revitalisation of East African cooperation. They agreed on a rotating chairmanship for coordination at the level of the three countries. Another meeting of the three TWGs, funded through the EC framework contract, took place in Jinja in October 1994. The Communique of the East African summit in November 1994 explicitly recommends the adoption and implementation of the provisions of the CBI.

ii. The way ahead

It is apparent that the regional organisations have been involved to the extent possible, even though the CBI agenda requires in the first place national action. Nevertheless, several practical problems arise, mainly from two sources: not all the members of a particular organisation participate in the CBI and in some cases there is a lack of harmonisation between different regional organisations.

As regards the first point, it should be stressed that CBI is open to all the members of the organisations (PTA/COMESA, SADC and IOC). However, examination of the policy agenda will make it clear that only countries that have embarked on a road of economic reforms will be in a position to effectively implement the measures. The CBI approach is consistent with an approach of variable geometry where a sub-group of members of an organisation carry out certain policies for which they are ready. Other member states can implement these policies as soon as the circumstances make it possible and desirable. Variable geometry is a pragmatic approach that avoids progress towards regional integration to be determined by the slowest moving member state. The aim is for faster moving members to encourage other member states to enter into closer economic integration. It is not to exclude countries that find it more difficult to move. The regional organisations have a critical role to play in helping the slower-moving countries to understand the aims and objectives of the initiative and to embark on the implementation of the programme of action.

More concretely, the regional organizations have a key role as well in follow-up of the implementation of the initiative. The role of the regional organisations in the CBI has already comprised the provision of technical and other assistance for the design and implementation of the country programmes. In the future, as suggested in the sections on Harmonization and Reciprocity above, they could be expected to contribute to the monitoring of implementation, deal with disputes and help achieve harmonisation of policies on trade, taxation, investment, company law and transit regulations.

In addition to this role, however, the regional organisations will need to ensure that the CBI serves to promote their regional integration objectives. It should be again emphasised that the initiative is not meant to duplicate the work of the regional organisations, but rather to formulate and help to implement policy measures in conjunction with these organisations and their member states, with a view to achieve their own objective of effective regional integration. Moreover, the TWGs have, in their early work, identified lack of national level policy consistency as one of the main reasons for the lack of progress towards regional integration objectives. The CBI aims to address this through the establishment in each country of a Policy Implementation Committees (PIC) or equivalent structure. The PIC is meant to ensure consistency of decision-making on matters that cut across a broad policy area. More specifically, it is envisaged that in countries where there are ongoing structural adjustment programs, the measures to be implemented under the initiative will be brought within that framework.

With these considerations in mind, the regional organisations will therefore need to, on the one hand, review their programmes to ensure consistency with national reform agendas. It will also require, on the other hand, their active involvement in the member states that have not yet opted to participate in the CBI or that have difficulties or lack capacity to develop the required policy package agreed under the CBI.

INITIATIVE TRANSFRONTALIÈRE PAPIER DE DISCUSSION SUR LA MISE EN PRATIQUE DES PRINCIPES DE RÉCIPROCITÉ, D'HARMONISATION ET LE RÔLE DES ORGANISATIONS RÉGIONALES

Réunion ministérielle – Maurice, 23-24 mars 1995

CADRE GÉNÉRALE

1. Les réformes des politiques économiques envisagées dans le cadre de l'Initiative Transfrontalière (ITF) sont le fruit du Programme Commun d'Action (PCA), développé par les Groupes de Travail Technique (GTT) des pays y participant. Le Document de Réflexion (DR), adopté à son tour lors de la réunion ministérielle de Kampala en 1993 expose dans ses grandes lignes la façon dont le PCA peut être opérationnel, avec l'appui des co-promoteurs (BAD, UE, FMI et Banque Mondiale). Toutefois, le PCA comme le DR ne font qu'exposer les principes généraux. Ceux-ci fournissent un nombre d'indications suffisamment important pour permettre aux gouvernements y participant de formuler une série de réformes politiques dans le cadre de la mise en application de l'ITF. Toutefois, pour rendre les réformes opérationnelles, il est apparu évident qu'un accord était nécessaire, concernant la mise en place d'une approche plus fine sur certains points requérrant une action conjointe. Ceci est à prendre en compte, plus particulièrement dans le cas de zones géographiques où la libéralisation intra-régionale est basée sur la réciprocité, et où l'harmonisation des politiques est rendu nécessaire

afin de permettre au marché régional émergent de fonctionner sans à-coups. De plus, la mise en application des politiques harmonisées et l'octroi de privilèges réciproques nécessitent un mécanisme impliquant les différentes organisations régionales. Les problèmes éventuels pouvant survenir devraient être réglés par l'adoption d'une approche pragmatique. Le but de ce papier est de soumettre à l'examen et à l'approbation des recommandations, pour la réunion ministérielle du 23-24 mars 1995.

MISE EN OEUVRE DE LA RÉCIPROCITÉ

2. ***Clarification des mesures envisagées.*** Le Document de Réflexion (DR) prévoyait la mise en pratique des mesures suivantes, selon le principe de la réciprocité:

(i) Élimination des Barrières Non-Tarifaires (BNT) sur base de la clause de la Nation la Plus Favorisée (NPF). Quand cela n'est pas possible, recours à l'exemption immédiate des importations en provenance des autres pays participants de l'ITF, à l'exception d'une liste limitée de produits, appelée liste négative, et ce, pour pour des raisons de santé et de sécurité, tout en s'accordant avec le FMI sur un calendrier concernant l'élimination sur base de la clause NPF.

(ii) Inciter les pays à éliminer les tarifs intra-régionaux, au plus tard fin 1996.

(iii) Dans le cas où le mécanisme d'approbation des investissements ne pourrait être globalement réformé, il s'agirait de mettre en application, sur la base de la réciprocité avec les autres participants de l'ITF, l'adoption d'un statut de limitation à 45 jours, délai après lequel toute requête pour un investissement direct n'ayant pas été explicitement refusée sera considérée comme approuvée.

(iv) Adoption d'une charte des entreprises industrielles multinationales révisée permettant aux firmes résidentes dans un pays d'exercer leurs activités dans d'autres pays de la région.

(v) Signature, ratification et mise en oeuvre des deux phases du protocole ZEP sur l'assouplissement et l'élimination de visas et l'octroi pour les résidents frontaliers de permis d'entrée de 24 heures.

(vi) Mise à disposition de permis de travail et de résidence dans un délai de 4 semaines après la date de demande.

(vii) Signature d'accords bi-nationaux sur la taxation; et

(viii) Autorisation de cotations croisées entre les marchés boursiers de la région.

Si certains de ces éléments nécessitent des actions relativement bien définies (cf. l'élimination des BNT), il faut, dans d'autres cas, faire une interprétation pour aboutir à des mesures politiquement réalisables et simples au niveau administratif. Si l'on se base sur les résultats des discussions auprès de nombreux gouvernements, qui ont conduit à la mise en application de l'ITF, on pourrait interpréter comme suit certaines mesures [1]:

(i) Étant donné les délais concernant les réductions de tarifs pour le commerce intra-régional depuis la réunion de Kampala d'août 1993, et étant donné le besoin de coordonner les actions concernant la réforme des échanges intra et extra-régionaux, afin de conserver un niveau raisonnable de marge (absolue) de préférences régionales, il est préférable de demander aux pays concernés de passer à un taux zéro pour les droits de douane intra-régionaux vers la fin de 1998. Selon le COMESA, les pays devraient actuellement offrir une marge de préférence de 70 pour cent. Dans la pratique, la plupart des participants de l'ITF appliquent actuellement des préférences à hauteur de 60 pour cent à tous les partenaires du COMESA. Il est proposé qu'un taux préférentiel d'un minimum de 70 pour cent soit appliqué vers tous les pays appartenant au COMESA, alors que ceux qui appliquent la réciprocité dans le contexte de l'ITF, recevraient une préférence de 80 pour cent dès octobre 1996, de 90 pour cent dès octobre 1997, ce qui conduirait à l'abolition des tarifs intra-régionaux dès octobre 1998.

(ii) Étant donné les difficultés qui existent pour amender la charte des entreprises industrielles multinationales, l'adoption d'une législation nationale équivalente permettant aux firmes résidentes dans un pays participant d'être automatiquement enregistrée et de commencer ses activités dans n'importe quel autre pays participant (ces firmes sont sujettes aux même conditions légales et régulatrices que les firmes nationales).

(iii) Eu égard aux difficultés associées à l'élimination immédiate des visas, il s'agirait, dans un premier temps d'offrir aux hommes d'affaires des pays membres des visas à entrées multiples valable pour une durée de 5 ans minimum.

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[1] Seuls les éléments ayant subi une interprétation sont présentés ici. Les autres éléments doivent normalement être traités selon les normes établies dans le Document de Réflexion (DR). Il faut aussi souligner que ces interprétations ne signifient pas qu'il faut rejeter les points sur lesquels les pays sont tombés d'accord en approuvant le DR. Les interprétations sont limitées à ces secteurs où le DR a exposé les principes généraux qu'il s'agit de rendre opérationnels.

(iv) Concernant le personnel technique et les autres gestionnaires venant des pays participants, des permis de travail et de résidence leur seront automatiquement fournis au bout de quatre semaines consécutivement au processus d'investissement direct engagé par les entreprises concernées. Ces mesures permettront d'évaluer le degré de relâchement progressif des règles concernant les résidents des pays participants.

3. ***Interprétation du sens de la réciprocité selon l'ITF.*** L'ITF a comme objectif de faciliter la mise en application des mesures préconisées par le COMESA, l'EAC, la COI et la SADC et non la création d'une institution alternative. Le but est donc d'offrir à tous les membres des organisations pré-citées les avantages des réformes présentées plus haut.

Il serait vivement recommandé d'appliquer le concept de réciprocité en l'étendant au delà d'un simple donnant, et ce, en vue de faciliter une application rapide des termes de l'ITF. De ce fait, tout pays s'engageant à appliquer les réformes selon le calendrier de l'ITF (comme exprimé dans une lettre de politique ITF approuvée) bénéficiera des avantages découlant de la réciprocité pour toute action entreprise. Toutefois, les pays qui s'engageraient à appliquer ces mesures dans un laps de temps n'excédant pas une année, pourraient bénéficier tout au long de cette période des avantages offerts aux pays ayant mis ces mesures plus rapidement en application.

Les pays membres de la SACU ne peuvent pas proposer, sans l'accord des autres membres de la SACU, des tarifs préférentiels. Ils ne seraient pas tenu d'appliquer les mesures tarifaires prévues par l'ITF et ils ne bénéficieraient pas des réductions tarifaires appliquées par les autres pays participants de ITF[2] . En dehors de ce cas, les tarifs préférentiels régionaux devraient s'appliquer à tout pays qui mette en oeuvre les mesures de l'ITF.

Si certains pays sont en retard concernant leurs engagements, les autres pays participants pourraient ne plus leur accorder de tarifs préférentiels. Ceux-ci pourraient être applicable de nouveau après que ces pays aient rattrapé ce retard et appliquent les tarifs convenus.

4. ***Suivi de la réciprocité.*** Il est nécessaire de développer un système pour suivre la mise en application de la réciprocité, à l'exception des cas où des tarifs préférentiels seraient accordés à tous les membres d'une même organisation régionale.

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[2] Les pays-membres de la SACU bénéficieraient d'autres mesures selon le principe de la réciprocité, par ex. le droit automatique accordé à leurs firmes de s'enregistrer et de commencer leurs activités dans les autres pays de l'ITF.

Il serait logique d'allouer ce rôle à une ou plusieurs des organisations régionales, étant donné que le but de l'ITF est de faciliter les objectifs d'intégration régionale des différents groupements impliqués dans l'Initiative. Toutefois, durant une période qui est encore à déterminer, il serait plus pratique que les co-promoteurs, avec l'aide des organisations, se chargent de cette fonction. Tel pourrait être le cas, vu l'intention des co-promoteurs de contribuer à couvrir les coûts nets de transition associés à la mise en oeuvre du plan d'action de l'ITF.

A ce jour, tout participant à l'ITF est membre du COMESA. De ce fait, le Secrétariat COMESA devrait avoir logiquement un rôle clé en aidant les co-promoteurs à contrôler la réciprocité d'action selon les normes de l'ITF. Toutefois, le programme de l'ITF devrait être perçu comme un ensemble de mesures minimum nécessaires pour atteindre une intégration économique régionale efficace. Certains pays devraient pouvoir avancer plus vite et plus loin que ne le prévoit le calendrier des réformes de l'ITF concernant l'abaissement tarifaire. De plus, l'EAC, la COI et la SADC pourraient aider à encadrer leurs membres et ce, plus spécialement, dans le but de s'assurer (i) que ceux qui ne sont pas encore éligibles pour accéder aux tarifs préférentiels selon l'ITF reçoivent l'aide nécessaire pour préparer l'ensemble de mesures qui les rendraient éligibles (ii) que ces tarifs puissent être appliqués dans des secteurs allant au-delà du minimum requis par l'ITF (ie, les membres de la SADC pourraient accorder un droit d'entrée sans visa, alors que ceux de la COI pourraient autoriser automatiquement le droit de résidence, cependant à cette étape, ces mesures pourraient ne pas être étendues à tous les pays du COMESA).

La précédente recommandation reflète de manière générale les réalités et responsabilités institutionelles de chacune des parties concernées. Le Secrétariat du COMESA est en charge de mettre en oeuvre le Traité COMESA, pour lequel l'ITF est une première étape essentielle. Toutefois, les co-promoteurs doivent encore désigner les pays qui bénéficieront de leur appui en fonction de leur propre évaluation des politiques de ces pays. Il se peut qu'un ou plusieurs co-promoteurs puissent émettre une réserve concernant son soutien si, de manière générale, les réformes adoptées se révèlent insatisfaisantes.

Un dialogue devra s'instituer entre le Secrétariat du COMESA et le Comité de Pilotage des co-promoteurs de l'ITF, lequel devra de préférence s'intégrer dans le cadre des contacts réguliers entre les co-promoteurs et le Secrétariat. Le Comité de Pilotage pourrait déléguer cette tâche à la CE.

Les lettres de politique de l'ITF devront comporter un calendrier pour la mise en application de toutes les actions fondées sur le principe de la réciprocité. Le GTT de chaque pays participant devra préparer un rapport d'évaluation des progrès sur une base trimestrielle, rapport qui pourrait être transmis aux organisations régionales concernées et aux co-promoteurs. Ces rapports devront mettre en évidence, dans les grandes lignes, toute difficulté pouvant être rencontré par un pays pour obtenir le traitement préférentiel prévu par l'ITF dans n'importe quel autre pays participant. Les co-promoteurs, secondés par les organisations régionales concernées, pourront organiser des missions dans les pays dans lesquels un retard aura été constaté par rapport au calendrier des réformes ou contre lesquels des plaintes auront été formulées quant à l'application des mesures prévues par l'ITF. Ces missions devront préparer un rapport pour les autorités de chaque pays concerné, rapport qui sera mis à la disposition des autres pays participants, des organisations régionales et des co-promoteurs. Ces missions recueilleront aussi les opinions exprimées par le secteur privé afin d'évaluer la pertinence des mesures en voie d'adoption (en relation avec les objectifs approuvés à Kampala).

Le Secrétariat du COMESA pourra préparer, pour ses rencontres annuelles, un rapport sur l'avancée des mesures prises dans le cadre de l'ITF, indiquant les performances des pays participants. Le rapport ne donnera pas nécessairement lieu à des débats, mais pourrait, soit être formellement adopté, soit seulement classé en fonction des nécessités du moment. S'il le souhaite, le Secrétariat du COMESA pourra bénéficier d'une aide appropriée de la CE afin de tenir ce rôle. De plus, les rapports pourront être discutés avec le Comité de Pilotage avant d'être finalisés. Toutefois, il apparait clairement que chaque co-promoteur sera seul à même de juger si les critères spécifiques de conditionalité ont été remplies, ce qui justifiera son soutien financier. Dans ce contexte, il est néanmoins possible qu'un ou plusieurs co-promoteurs refusent de donner un appui financier quelconque, même si les autres co-promoteurs et le Secrétariat de la COMESA sont d'avis que les conditions ont été remplies.

HARMONISATION

5. ***Clarification des mesures envisagées.*** Le Document de Réflexion prévoit que les mesures suivantes seront sujettes à l'harmonisation:

(i) Les tarifs extérieurs qui devront être harmonisés comme premier pas vers un Tarif Extérieur Commun;

(ii) Les mesures incitatives à l'investissement;

(iii) L'élimination des obstacles à la libre circulation routière.

De plus, eu égard au dialogue avec les pays membres, il serait important que les participants de l'ITF conduisent une politique commerciale harmonisée, que les taxes (plus particulièrement l'impôt indirect et l'impôt sur les affaires) et l'administration des douanes, les lois sur les sociétés et les lois sur le transit soient elles aussi harmonisées.

6. ***L'Harmonisation selon l'ITF.*** Par harmonisation, on doit entendre l'adoption de mesures similaires; ce qui impliquerait que des pays continuent de décider de façon unilatérale de la politique à conduire (pas de transfert de souveraineté, ni même exercice conjoint de la souveraineté à travers le biais d'arrangements intergouvernementaux). Par conséquent, il peut toujours y avoir des différences dans les politiques conduites, surtout quand des pays doivent faire face à des situations particulières. Cependant, même dans ce cas, les pays devront adopter au même moment la même approche ou les mêmes mesures d'harmonisation. Ainsi, une politique d'harmonisation des tarifs pourrait aboutir, par exemple, à un accord portant sur une structure tarifaire comprenant 3 tarifs non nuls et un accord général sur la répartition des différents produits à l'intérieur de ces trois catégories. Sachant qu'un pays conserve la possiblilité de modifier, unilatéralement, une liste restreinte de produits pour des raisons de contraintes budgétaires, par exemple. De même, un pays aura la possibilité de ne pas tenir compte, si la situation l'exige, des mesures générales adoptées sur quelques produits spécifiques, à condition qu'il le fasse sur une période relativement courte. Ainsi, un régime de politiques harmonisé est un régime qui va dans la direction de politiques communes, comme requise dans une union économique sans tout à fait les atteindre.

7. ***Mise en oeuvre de l'harmonisation.*** Le cas des mesures relatives aux relations commerciales est pris en compte dans le papier sur les réformes du commerce extérieur. L'étude que mène actuellement le COMESA sur le Tarif Extérieur Commun prend aussi en compte certains aspects de l'harmonisation des mesures commerciales. Il est toutefois nécessaire de développer aussi une stratégie sur les autres secteurs. Une proposition envisageable serait que les organisations régionales prennent l'initiative de formuler des propositions qui seraient ensuite soumises à l'approbation des états membres.

L'approche qui pourrait être retenue est celle qui est prise en compte dans l'étude menée actuellement sur le Tarif Extérieur Commun, elle porte sur une étude de documents suivie d'une étude sur le terrain, pour pouvoir évaluer la portée des mesures prises dans les différents pays membres de l'ITF. Sur la base d'une étude (que les co-promoteurs pourraient financer), un papier résumant la situation pourrait être préparé, indiquant la voie à suivre pour harmoniser une politique quelconque. Ce papier pourrait inclure une analyse portant sur les conséquences de l'harmonisation des politiques pour chaque pays. Le document devra être diffusé par les Groupes de Travail Technique dans les pays et donnera lieu à une discussion (dans le secteur public et le secteur privé). Les commentaires qui en seront issus, devront être présentés dans une version révisée dont l'objectif sera d'aboutir à un consensus, ce qui donnera lieu ensuite à une réunion avec les organisations régionales concernées afin d'arriver à un accord.

Contrairement aux cas de réciprocité dont nous avons déjà discuté plus haut, et où il avait été jugé préférable d'atteindre un accord à l'échelle du COMESA, l'harmonisation pourra être discutée de façon plus efficace si cela se fait au sein des sous-groupes dans la région, à savoir, l'EAC, la COI et la SADC. Au moment même où les positions seront harmonisées au niveau des sous-groupes, il serait utile que le Secrétariat du COMESA s'implique lui même dans ce processus et tienne les autres Secrétariats informés de l'approche générale adoptée en vue de l'harmonisation proposée par chaque groupe respectif. Ceci afin de limiter les divergences entre sous-groupes, ce qui pourrait conduire éventuellement à une harmonisation à l'échelle du COMESA. Le Secrétariat du COMESA devra, de plus, s'engager à harmoniser les orientations des pays non-membres d'organisations d'intégration actives au niveau sous-régional (par exemple le Rwanda et le Burundi). De plus, là où le COMESA a déjà mis en place ce type de programme, par exemple la déclaration de transit, le formulaire unique de déclaration de marchandises ainsi que le système de garantie régionale des obligations, il serait inutile que l'on traita encore de ces aspects au niveau sous-régional.

La probabilité de succès d'une harmonisation au niveau sous-régionale est plus grande qu'une approche plus ambitieuse au niveau du COMESA. Cela parait plus évident car les sous-groupes, existant déjà, sont des unités économiques plus cohérentes ayant des similarités plus grandes entre les pays concernés qu'entre les groupes. Si théoriquement, l'approche plus globale du COMESA parait plus séduisante, il n'en reste pas moins vrai qu'atteindre un large consensus au sein d'un groupe plus large est moins aisé. Cette disparité est due à la divergence des intérêts économique et aux faibles liens existant entre les pays des différents sous-groupes. Dans ce cas là, la voie à suivre pour parvenir à l'harmonisation parait elle-même plus difficilement cernable. En dernier lieu, le besoin d'une telle harmonisation (et donc de compromis) sera probablement plus faible que dans une sous-région. Par exemple, la Zambie s'intéresserait plus aux tarifs douaniers du Zimbabwe ou du Malawi qu'à ceux appliqués en Éthiopie ou aux Seychelles.

Toutefois, il est possible que les Secrétariats ne soient pas capables de satisfaire tout de suite les besoins des pays ayant engagés une harmonisation plus rapide que les autres pays de la région. Afin d'éviter que cela ne devienne un frein susceptible d'altérer l'intégration accélérée de ces pays, il faudra envisager le cas où les pays qui se trouvent dans de telles situations puissent en référer directement aux co-promoteurs afin d'obtenir une aide de leur part pour rédiger un document faisant état de la situation concernant l'harmonisation mentionnée plus haut. Dans de tels cas, les co-promoteurs travailleront en liaison directe avec les Secrétariats auxquels ils délégueront, dès que cela sera possible, la responsabilité de la tâche afin de ne pas ralentir le processus.

8. ***Suivi de la mise en application.*** Il est recommandé que les organisations régionales concernées aient un rôle actif dans le suivi de la réalisation des politiques harmonisées. Les co-promoteurs ne devraient pas être directement impliqués dans ce suivi, sauf en ce qui concerne la réforme des tarifs extérieurs. Pour le reste, les dispositions du suivi devraient être les mêmes que pour la réciprocité (cf. section 2). La différence majeure réside dans le fait que ce suivi sera effectué de manière plus efficace au niveau sous-regional (EAC, COI, SADA). Le Secrétariat du COMESA sera tenu au courant, et fournira assistance, si celle-ci est sollicitée par un état membre ou par l'organisation régionale concernée.

RÔLE DES ORGANISATIONS RÉGIONALES

9. ***Rôle Actuel.*** L'ITF a été mise en place en collaboration avec les organisations régionales concernées (COMESA, SADC et COI). Les mesures approuvées par les Ministres des pays participants, et résumées dans le Document de Réflexion et dans les lettres de politique de l'ITF, correspondent de manière générale à celles proposées par les organisations régionales. De ce fait, l'ITF est en totale adéquation avec l'agenda de l'intégration des organisations régionales.

La **Commission de l'Océan Indien** a été partie prenante, de manière explicite, dans le suivi de l'ITF pour ses états membres. De ce fait, deux réunions de coordination ont eu lieu au cours de l'année 1994. De plus, le Secrétariat de la COI a collaboré avec celui de la PTA/COMESA, pour aider certains de ses états membres à la préparation des Déclarations de politique de l'ITF.

Le sommet du **COMESA** qui a eu lieu en Décembre 1994 à Lilongwe, au Malawi, a réaffirmé l'approche de l'ITF. Un projet d'appui au Secrétariat du COMESA, financé par la CE, est en cours de préparation pour promouvoir et mettre en application l'ITF dans les pays membres.

Le Secrétariat de la **SADC** a maintenu ses contacts avec les co-promoteurs concernant l'ITF, les discussions ont porté sur la manière dont cette initiative pourrait aider à promouvoir l'agenda de la SADC. Il a été admis que le Secrétariat de la SADC devrait être renforcé afin de s'occuper de l'intégration économique régionale, qui s'ajoute au travail en cours de coordination de projets sectoriels et thématiques. Un projet ayant pour but le renforcement des capacités du Secrétariat de la SADC concernant l'intégration régionale, y compris l'agenda de l'ITF, est en cours de préparation par la CE.

La **Cooperation Est Africaine** a connu récemment une revitalisation, après que l'ITF ait été graduellement implantée au niveau des états est-africains. Dans ce but, une réunion fut organisée par la Banque Mondiale entre les GTT du Kenya, de l'Ouganda et de la Tanzanie et les co-promoteurs, en août 1994 à Nairobi. Les GTT est-africains ont réitéré leur désir de lier les travaux de l'ITF à la revitalisation de la coopération est-africaine. Une présidence rotative en vue de coordonner les activités des 3 pays fut acceptée. Une autre réunion des 3 GTT, financée par la CE, s'est tenue à Jinja en octobre 1994. Le Communiqué du sommet est-africain de novembre 1994 recommande clairement l'adoption et la mise en pratique des provisions de l'ITF.

10. ***L'Avenir.*** Il est claire que les organisations régionales ont été impliquées au maximum, même si le programme de l'ITF demande en premier lieu une action nationale. Néanmoins, divers problèmes pratiques, venant principalement de deux sources, ont surgit: les états membres d'une organisation spécifique ne participent pas tous à l'ITF et il y a une absence d'harmonisation entre les différentes organisations régionales.

Soulignons, en ce qui ce concerne le premier point, que l'ITF est ouverte à tous les membres des organisations COMESA, SADC et/ou COI. Toutefois, un examen de l'agenda fait clairement ressortir que seuls les pays ayant adopté des réformes économiques seront en position de mettre en application les mesures préconisées. L'approche de l'ITF inclue la possibilité de géométrie variable permetant certains des membres d'une organisation régionale d'avancer à un pas plus rapide, dans la mesure où leurs conditions économiques s'y prêtent alors que d''autres états membres appliqueront cet agenda à un moment jugé plus opportun, étant donné les conditions auxquelles ils ont à faire face. Le principe de la géométrie variable est une approche pragmatique qui évite que ce soit l'état membre qui évolue le plus lentement qui détermine le rythme de l'intégration régionale. Le but est que les membres les plus dynamiques encouragent les autres états-membres à conduire des réformes au rythme prévu afin de parvenir à une intégration économique plus poussée. Il ne s'agit pas du tout d'exclure ceux qui éprouvent des difficultés. Les organisations régionales ont un rôle clé d'aider les pays moins rapides à comprendre les finalités de l'initiative et à participer à la réalisation du programme d'action.

De manière plus concrète, les organisations régionales ont aussi un rôle majeur à jouer dans le suivi de la réalisation de l'initiative. Le rôle des organisations régionales incluait déjà la fourniture d'aide technique et autre pour le développement et la mise en oeuvre des programmes dans les pays. A l'avenir, comme suggéré précédemment dans les sections 2 et 3, on peut s'attendre à ce qu'elles contribuent au suivi de la mise en oeuvre, au réglement des différends et à ce qu'elles aident à réaliser l'harmonisation des politiques de commerce, de taxation, d'investissement, de législation sur les sociétés et de régulation du transit.

De plus, les organisations régionales auront à veiller à ce que l'ITF serve à promouvoir leurs objectifs d'intégration régionale. Il serait bon d'insister de nouveau, sur le fait que l'Initiative n'est pas censée reprendre le travail des organisations régionales, mais plutôt de formuler des objectifs propres et d'aider à leur réalisation en collaboration avec ces mêmes organisations régionales et leurs états membres, de sorte que celles-ci puissent d'elles-mêmes atteindre leurs propres objectifs d'intégration régionale. De plus, les GTT ont, dans leurs premiers travaux, identifié l'absence de convergence des politiques nationales, comme l'un des obstacles majeurs à la réalisation des objectifs d'intégration régionale. L'ITF vise à s'attaquer à ce problème, en mettant en place dans chaque pays des Comités d'Exécution des Politiques (CEP) ou toute autre structure équivalente. Le CEP est censé assurer la convergence des prises de décisions sur un certain nombre de sujets afin d'assurer un cadre politique cohérent avec les objectifs à atteindre. Plus précisemment, il est prévu que les pays sous ajustement devront adapter les objectifs d'intégration régionale dans ce cadre spécifique.

Par conséquent, les organisations régionales devront, d'une part, revoir leur programmes afin que ceux-ci convergent avec les réformes prévues au niveau national. D'autre part, cela demande une participation active des organisations dans les états membres qui n'ont pas encore adhéré à l'ITF, ou qui éprouvent des difficultés ou n'ont pas les capacités pour appliquer les réformes approuvées dans le contexte de l'ITF.

CROSS-BORDER INITIATIVE: DISCUSSION PAPER ON HARMONIZATION OF EXTERNAL TRADE REFORMS

Prepared for Ministerial Meeting in Mauritius, March 23-24, 1995

BACKGROUND

1. The framework for policy reforms supported under the Cross-Border Initiative (CBI) is described in the Concept Paper (CP), which was endorsed by the ministerial meeting in Kampala, Uganda, in August 1993. The CP framework outlines the principles that would guide the preparation of country specific action programs. In the course of preparation of country action programs, it has become apparent that there is a need for agreement on more specific guidelines to facilitate preparation and implementation of specific actions. This need is particularly evident in the area of external trade reform. The present paper, therefore, makes proposals in this area for endorsement by the ministerial meeting in Mauritius. If endorsed, these proposals would become a supplement to and an integral part of the CP.

EXTERNAL TRADE REFORM

2. ***Guiding Principles.*** The CBI framework represents a new "outward-oriented" approach to integration based on the promotion of competition and

efficiency in the domestic product and factor markets of the participating countries with low protection vis-à-vis the third parties. Accordingly, the initiative supports policies and institutional measures that are designed to promote (i) faster liberalization of cross-border activity in the region; and (ii) the participating countries' continued integration into the world economy consistent with the priorities of the structural adjustment programs. In this way, the initiative addresses the regional dimensions of adjustment. To achieve the latter objective, the CP outlines the principles that should guide the reforms of the external trade regimes. Specifically, the CP states that **"the participating countries should aim at moving towards a common external tariff by lowering their external tariffs vis-à-vis other countries to the level of the member with the lowest tariffs."** [1]

3. These principles reflect three important considerations. First, unless the currently high level of external tariffs is reduced, there is a risk of potential investments being channeled inefficiently. Second, to minimize the risk of trade diversion (i.e., the replacement of low-cost imports from third countries with high-cost regional production), external protection needs to be reduced below the current average level among the CBI countries. Third, unless the tariff structures are harmonized, it would not be possible to develop an integrated common economic space among the CBI countries. Finally, to establish clear signals that would encourage private investment, it is important to remove uncertainty with regard to the countries' long term goals on trade policy and protection. It is, therefore, important for the CBI countries to widely publicize their tariff policy goals to provide clear and credible signals to the private sector. At a minimum, these goals should be spelled out in each country's Letter of CBI Policy.

4. ***Current Situation.*** In the course of the dialogue to date with the country authorities, the co-sponsors have discussed the elements of tariff reform on the basis of the prevailing tariff structures as well as country commitments under the structural adjustment programs. These discussions have revealed the following picture of the prevailing external tariff regimes in the CBI countries.[2]

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[1] Under the CBI, the objective is to harmonize and converge external tariff structures. While the countries would move towards a harmonized structure that has many characteristics of a Common External Tariff (CET), they need not establish a formal CET that is identical in all aspects. A formal CET is, however, a long term objective of the COMESA.

[2] At the time of this writing, the findings of the COMESA study of external tariffs was not available. Some of the information in this section may have to be updated in the light of the study's findings.

5. Considerable progress has been made in the recent years to reduce non-tariff barriers (NTB) especially on merchandise trade. There has also been progress in rationalizing the tariff regimes. Tariffs on trade with third countries outside COMESA (henceforth referred to as external tariffs) have been lowered to a trade-weighted average of about 30-35 percent and the number of rates has been reduced to about 6 on average for most countries. However, the average collection rate is often closer to 20 percent because of exemptions and administrative problems.

6. Despite this general progress, at end-1994, non-tariff barriers still existed in some countries (e.g., import quotas on batteries and beverages in Uganda and export licensing on selective agricultural products in Malawi, Tanzania, and Zimbabwe). Average external tariffs (trade-weighted) vary significantly by country (the range is about 18-45 percent). In some countries there are a number of taxes on imports in addition to the import tariff (e.g. Comoros has four different taxes on imports). The tariff regimes across the countries are far from harmonized, with some neighboring countries having very different tariff rates for similar imports. Moreover, the preferential tariff structure (under the COMESA) is in some cases much more differentiated than the external tariff structure. For example, in Kenya, the external tariff structure has 6 rates, while the preferential tariff structure has 10 rates. Similarly, the rules for import tax exemptions vary significantly between the countries.

7. The CBI countries also have very different patterns of reliance on trade taxes for mobilizing government revenue. For example, trade taxes account for about 16, 25 and 58 percent of tax revenues in the case of Kenya, Tanzania and Uganda respectively.[3] Nevertheless, some countries have made progress towards a general broad-based tax reform to reduce the dependence on trade taxes. For example, a VAT system is expected to be introduced in Uganda, Malawi and Zambia in 1995-97.

8. Effective protection remains generally high (e.g., 60-85 percent on average in the manufacturing sector in Kenya and Malawi) and extremely variable (e.g., average rates of protection range from negative in the case of some capital goods to 25 percent for intermediate goods and over 100 percent for some consumer goods). Finally, the absolute margin of preference (i.e., the difference between the average external tariff – 30-35 percent – and the average preferential tariff under COMESA[4] – about 10 percent)

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[3] In the case of Uganda, half of the revenue from trade taxes comes from taxation of petroleum products imports, which face special high rates of import tariff (90, 170 and 175 percent for kerosene, diesel and premium gasoline respectively).

[4] At present, a 70 percent preference is to be applied on intra-regional trade in the COMESA area. If the average prevailing tariff on external trade is about 30-35 percent, the average preferential tariff would be around 10 percent (35 – 35x0.70). This implies an absolute preference margin of about 20-25 percent on average.

for intra-regional trade among the CBI countries is on average about 20-25 percent. Nevertheless, the absolute margin of preference varies significantly among the countries.[5] For example, on the basis of estimates of the prevailing trade-weighted average tariffs and assuming that exemption rules and preferential tariff regimes are the same, in Uganda, the preference margin is about 13 percent, while in Zimbabwe, it is about 27 percent.

9. The preceding points to the need for a specific set of objectives that would help the CBI countries to: eliminate all remaining NTBs that were designed for protective purposes; consolidate all protective taxes on imports into external tariffs; harmonize and converge their external tariff regimes towards a more simplified tariff structure that is composed of fewer rates; lower average external tariff; adopt a system of taxation of imports that is similar across categories of goods and countries; and reduce the preference margin. Accordingly, based on the co-sponsors' review of the current and planned reforms by individual countries, and in view of the dialogue to date with the country authorities, the following "road map" is proposed to guide the implementation of trade reforms consistent with the objectives and principles outlined in the CP.

10. ***Road Map for Future Reform.*** The CBI countries would converge by year 1998 to a tariff structure of no more than 2-3 non-zero tariff rates with an average trade-weighted tariff of 15 percent and a maximum rate of 20-25 percent. The CBI countries would pursue further concerted MFN liberalization regimes beyond the year 1998. Achieving the 1998 target would imply an average preference margin of 15 percent between imports from CBI countries and non-COMESA countries, on the assumption that CBI countries would eliminate tariffs on trade among themselves as proposed in the CP. Given the variable geometry principle that underpins the CBI approach, it is conceivable that a smaller sub-group of countries may be prepared to move faster along the above path and harmonize their tariff regimes much sooner and at a lower average tariff than proposed above. For example, under the East Africa Cooperation (EAC), Kenya, Tanzania and Uganda have discussed the possibility of accelerating the convergence of their external tariff regimes. Moreover, the country specific path to reaching the overall objectives presented above would have to be flexible and determined subsequently in the context of each country's overall adjustment program, including coherent fiscal frameworks that take into account alternative sources of revenue. In this context, the COMESA ongoing study of external tariffs should provide a useful input for the design of individual country action plans. The various elements of the overall "road map" are elaborated below.

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[5] This is due primarily to: (i) the wide range in the average tariffs across the countries; and (ii) differentiated preferential tariff structures between the general and the preferential regimes among the CBI countries.

11. **Target date:** A three-year period to year 1998 represents an ambitious but feasible time-frame for achieving the above objectives. This target date for harmonization will set the stage for achieving COMESA's objective of a Common External Tariff (CET). Thus, the proposed target date for the convergence of external tariffs by the CBI countries reflects the latter's desire to move faster along the path of creating a common economic space. At the same time, the proposed target date is consistent with the time needed to reform the taxation systems (e.g., strengthen customs administration, rationalize rules on exemptions, introduce VAT and other reforms) so as to avoid a large negative impact on government revenues from the reduction of external tariffs. This consideration is particularly important for those countries that still rely heavily on trade taxes and where the import tariffs are currently at much higher levels than the average among the group, and/or customs administration is weak.

12. **Target tariff rates:** The target average trade-weighted tariff of 15 percent by year 1998 is consistent with the CP principles; and it would still provide a reasonable degree of protection at the regional level. For example, the target average rate is only slightly below the lowest prevailing average trade-weighted tariff among the CBI countries (i.e., 18 percent in Uganda), and is in line with the already planned reforms in other countries as well (e.g., Zambia, Malawi). The proposed number of rates (2-3 non-zero) is also consistent with what has already been achieved or planned in some countries (e.g., Uganda, Kenya). Moreover, the proposed maximum tariff target rate (20-25 percent) is also in line with what has already been achieved or planned in some countries (e.g., 30 percent in Uganda, 30 percent maximum bindings which the SACU countries have committed to establish under the Uruguay Round, and 20 percent by 1997 in Zambia). Finally, the proposed average tariff and maximal rates are in line with what has been achieved or planned among several South-South regional integration groupings in other parts of the world. For example, the CET structures that have been established or planned range from a low of 6 percent average tariff and 30 percent maximum tariff in the Central American Common Market (CACM), to 10 percent average for the Andean Pact, and to 11 percent average and 20 percent maximum for the MERCOSUR (Argentina, Brazil, Paraguay, Uruguay).

13. Given the prevailing profile of tariff structures, and if tariff structures and preference margins are to be harmonized among the CBI countries, the external tariffs of some countries would have to be cut more than others in the group. The specific phasing of the tariff cuts by country would have to be flexible and determined in the context of the overall adjustment program of each country.

14. **Non-Tariff Barriers:** The countries would also commit to the following with respect to third-party trade: (i) not impose new NTBs; and (ii) eliminate existing NTBs

(except for health and security reasons), with the caveat that under exceptional circumstances related to revenue and BOP impact, some restrictions could be allowed (in agreement with the co-sponsors and consistent with the obligations under WTO), but only for a limited time period generally not exceeding one year, but not after 1997.

15. **Harmonization:** To achieve harmonization of trade regimes within a common economic space, it will be necessary to not only move towards a similar rate structure, but also to harmonize: (i) the definition of goods bearing similar tariffs; (ii) the limited list of permitted NTBs; and (iii) the rules for exemption from customs duties. Currently, the same commodity may face different tariff rates in the different countries (the COMESA tariff study should shed more light in this area). The variation would persist down the road, if a mechanical tariff cutting formula is adopted to arrive at a similar rate structure. It would, therefore, be necessary to agree on a common classification of commodities across the different tariff bands.

16. These guidelines provide a framework to design country specific actions. However, before countries can advance on a specific action plan, they would have to reach a consensus on the classification of various commodities across the tariff rates that will be selected as a convergence target. As a guiding principle the lowest rate in a three rate structure could be assigned to primary inputs and essential food imports, the intermediate rate could be assigned to semi-processed goods and the highest rate assigned to finished products. There may have to be provisions for individual countries to : (i) classify some products slightly differently; and (ii) provide higher protection in exceptional cases in the form of temporary surcharges, generally not exceeding a reasonable period (say a year or two). Thus a harmonized tariff regime is one which facilitates the move to a common economic space, without necessarily moving to the strict rules of policy coordination in an economic union. The modalities for arriving at such a consensus on classifying commodities across tariff rates are discussed in the next section on the institutional aspects of reform.

17. **Preference margins:** An important consideration in harmonizing external tariff regimes by 1998 is to minimize the risk of trade diversion in the context of CBI's objective of creating free trade among the group. This could be done by ensuring that the preference margin between imports from CBI countries and non-COMESA countries does not increase. Accordingly, the convergence arrangements should incorporate sufficient cuts in the MFN tariff rates commensurate with the tariff cuts on trade among the CBI countries. Depending on how fast tariffs on trade among CBI countries are eliminated, it may be necessary in some cases (especially where the prevailing average external tariffs are much higher than the average for the group), to accelerate the schedule of cuts of external tariffs to ensure that preference margins do not become excessive in the intervening years.

18. Consistent with the foregoing principles, tariff preferences on trade among the CBI countries would be increased as follows: 80 percent preference by June 1996, 90 percent by June 1997, and 100 percent by June 1998.

19. **Rules of origin:** The CBI countries would deepen their partnership and become a "free trade area" by June 1998. Although the countries would converge to a similar tariff structure, they would retain the flexibility to set external tariffs, and the latter may not be identical across countries for all commodities. They would, therefore, not create a "customs union" with a formal CET under the present initiative. Consequently, the CBI countries will have to rely on rules of origin to determine which goods and services are entitled to accelerated preferential treatment, as long as the external tariff regimes are not identical among the countries. Rules of origin are already in use under the COMESA's system of preferential trade, and the countries are already dealing with complex tariff regimes. Nevertheless, delays and inefficiency in applying rules of origin have at times acted as an NTB. There is, therefore, room to simplify the definitions and to improve transparency and efficiency of application.

20. The CBI countries should, therefore, commit themselves to using rules of origin that are simple, transparent and consistent with COMESA's plans to amend its existing rules in this regard. The countries should note that under the Uruguay Round commitments, the use of rules of origin will be regulated by WTO. Therefore, it will be important for the COMESA and the CBI countries to discuss the use of rules of origin with the WTO. It is important for the CBI countries to follow the transformation (change in tariff heading) and value added rules. It would be important to set the eligibility rate under the value added rule for preferential tariffs at a reasonable level (say between 25-50 percent of value added). Moreover, it would be advisable to use the transaction value method in measuring the value added (i.e., final price less imported inputs in final production stage).

INSTITUTIONAL ARRANGEMENTS

21. ***Implementation.*** As stated earlier, the above guidelines provide specific objectives for the CBI group, while the country specific path for reform will have to be determined separately for each country. With regards to some elements of the overall "road map" there may be a need for further consultations among the countries to fine-tune remaining design issues. For example, to arrive at a consensus on how to classify commodities across the tariff bands, a consultation vehicle needs to be established.

The co-sponsors could prepare proposals by end 1995 for consideration by the CBI country authorities. Another meeting of country representatives could be organized in early 1996 to consider these proposals.

22. The co-sponsors would also be prepared to provide technical advice as well as finance the needed institution strengthening activities. While recognizing the need for close coordination of tariff and tax reform, the IMF and the World Bank would provide advice in the area of general taxation reform, including the design and preparation of VAT systems, investment tax incentives and the design of country specific tariff reforms. Technical assistance needs could be financed at the country level by the World Bank through the Institutional Development Fund (IDF) or other appropriate vehicles. Technical assistance needs at the sub-group level or for the CBI countries as a group could be financed by the European Union.

23. ***Monitoring.*** The overall "road map" as endorsed by the ministerial meeting would become part of the countries' commitments under CBI's Concept Paper. In addition, in their country Letters of CBI Policy (LCBIP), the countries would commit to achieving the overall external tariff reform objectives and specify each country's commitments and time-bound action plans. These commitments would also be incorporated in the documentation for financial assistance by the co-sponsors in support of the implementation of these reforms. The Steering Committee would monitor progress by CBI countries as a group in moving towards harmonization and convergence of tariff regimes along the proposed "road map." Progress by each country in preparing and implementing the country specific reforms of external tariffs would be monitored in the context of overall dialogue on the reform programs by the relevant co-sponsor institutions. Meetings of the PICs, regional organizations and the co-sponsors would also be organized, as needed, to review progress and to address implementation issues.

24. ***Legal issues.*** The CBI has links with other treaties/institutions. The CBI is neither a new institution, nor a new trading bloc. Rather, it is an initiative within the framework of an existing preferential arrangement the – COMESA – and has been endorsed by the Heads of State meeting of the COMESA Authority. According to the WTO, however, neither the COMESA Treaty nor its predecessor, the PTA, have been formally notified to GATT or WTO. In view of the multilateral obligations under the WTO, and to avoid potential legal issues with respect to the consistency of CBI arrangements with the WTO framework, the co-sponsors strongly urge the COMESA Secretariat to notify the COMESA Treaty together with the CBI to the WTO at the earliest possible opportunity. It should also be ascertained whether sub-groupings within the CBI need to be notified to WTO, if they move at a faster pace towards deeper integration (e.g., if the EAC countries decide to establish a CET among themselves).

INITIATIVE TRANSFRONTALIÈRE PAPIER DE DISCUSSION SUR L'HARMONISATION DES REFORMES PORTANT SUR LE COMMERCE EXTERIEUR

Réunion ministérielle – Maurice, 23-24 mars 1995)

DONNÉES DE BASE

1. Le cadre de référence, dans lequel s'inscrit la politique de réformes appuyée par l'Initiative Transfrontalière (ITF), est décrit dans le «Document de réflexion» (DR) approuvé lors de la réunion ministérielle qui s'est tenue à Kampala (Ouganda) en Août 1993. Ce document esquisse les principes directeurs des programmes d'actions spécifiques pour chaque pays. Lors de la discussion concernant les programmes d'actions par pays, il est apparu nécessaire de parvenir à un accord qui prenne en compte, de manière plus détaillée, les lignes directrices du DR, et ce afin de faciliter la préparation et la mise en oeuvre d'actions spécifiques. Ce besoin s'est exprimé de façon significative dans les domaines touchant à la réforme du Commerce Extérieur. Dans cette optique, le présent document contient des propositions relative à ce domaine qui devraient être soumises à l'approbation des participants à la réunion ministérielle qui doit se tenir à l'île Maurice. Dans l'hypothèse d'un accord, ces propositions compléteraient et s'inséreraient logiquement dans le dispositif décrit dans le DR.

RÉFORME DU COMMERCE EXTÉRIEUR

2. ***Principes directeurs.*** Le cadre de l'Initiative Transfrontalière (ITF) constitue une approche de l'intégration nouvelle et «orientée-vers-l'extérieur», caractérisée par une concurrence accrue et la recherche de l'efficience sur les marchés de biens et de facteurs de production des pays participants, avec un faible niveau de protection à l'égard des pays tiers. En conséquence, l'Initiative encourage les politiques et les mesures d'ordre institutionnel visant à (i) accélérer la libéralisation des activités transfrontalières dans la région et (ii) à permettre aux pays participant de s'intégrer davantage dans l'économie mondiale conformément aux exigences des programmes d'ajustement structurel. Ce faisant, l'Initiative prend en compte la dimension régionale de l'ajustement structurel. Pour réaliser cet objectif, le DR met en évidence les principes que devront suivre les réformes visant à modifier l'encadrement du commerce extérieur. De manière plus spécifique, le DR préconise que «**les pays participants devront progresser vers un tarif extérieur commun en ramenant leurs tarifs extérieurs vis-à-vis d'autres pays au même niveau que celui des participants ayant la structure tarifaire la plus faible**.»[1]

3. Ces principes reflètent trois considérations importantes. En premier lieu, si le niveau actuel élevé des tarifs extérieurs n'est pas réduit alors les investissements potentiels risquent de se concentrer dans une mauvaise direction. Deuxièmement, pour minimiser le risque de détournement des échanges (qui consiste à remplacer les produits à bas prix, importés de pays tiers par des produits régionaux, à prix plus élevés), il est indispensable que l'on abaisse le taux de protection vis-à-vis de l'extérieur à un niveau inférieur à la moyenne actuelle des taux observés dans les pays participants de l'ITF. Enfin, à moins d'harmoniser les structures tarifaires au sein de l'Initiative, il sera impossible de créer un espace économique commun intégré au sein des pays de l'ITF. En définitive, pour que soient mis en place des indicateurs clairs qui encourageraient l'investissement privé, il importe d'éliminer les incertitudes concernant les objectifs de long terme de ces pays en matière de politique commerciale et de protection. Par conséquent, les pays de l'ITF devraient fournir le maximum d'informations quant aux objectifs visés en matière de politique tarifaire, afin de fournir des indications claires et crédibles au secteur privé. Ces objectifs devraient, au minimum, être diffusés par le biais d'une Lettre de Politique de l'ITF, et ce, dans chaque pays concerné.

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[1] Dans le cadre de l'ITF, l'objectif est de converger vers des structures harmonisées de tarif extérieur. Alors que les pays pourraient progresser vers une structure harmonisée ayant nombre de caractéristiques propres au Tarif extérieur commun (TEC), ils ne devraient pas mettre en place un TEC qui lui soit tout à fait identique. Cependant. l'objectif à long terme du COMESA est un TEC formel.

4. ***Situation actuelle***. Au cours du dialogue mené jusqu'à ce jour avec les instances des différents pays, les co-sponsors ont discuté des divers aspects de la réforme tarifaire en se fondant sur les structures tarifaires actuelles ainsi que sur les engagements pris par les pays dans le cadre des programmes d'ajustement structurel. Ces discussions ont permis de dégager le schéma de la structure tarifaire actuellement en vigueur dans les pays de l'ITF, comme le précisent les paragraphes suivants[2].

5. Des progrès considérables ont été réalisés au cours des dernières années en matière de réductions des barrières non-tarifaires (BNT), particulièrement dans le commerce des marchandises. Des progrès ont également été accomplis en ce qui concerne la rationalisation des régimes tarifaires. Les tarifs frappant le commerce avec des pays-tiers non-membres du COMESA (dorénavant appelés tarifs extérieurs) ont été abaissés à une moyenne pondérée, d'après les chiffres du commerce, de 30-35 pour cent et le nombre de taux a été réduit à une moyenne de 6 environ dans la plupart des pays. Cependant, le taux de perception moyen est souvent plus proche de 20 pour cent du fait d'exemptions et de problèmes administratifs.

6. Malgré ces progrès généraux, à la fin de 1994, les barrières non-tarifaires existaient toujours dans certains pays (ie, les contingents frappant l'importation des batteries et des boissons en Ouganda; les licences d'exportation pour certains produits agricoles au Malawi, en Tanzanie et au Zimbabwe). La moyenne pondérée des tarifs extérieurs varie de manière notable (entre 18 et 45 pour cent) de pays à pays. Dans certains pays, des taxes sur les produits importés viennent s'ajouter aux tarifs: c'est le cas des Comores qui comptent quatre types d'impôts sur les produits importés. Ainsi, les régimes tarifaires des différents pays sont loin d'être harmonisés. Il se trouve même que des pays voisins appliquent des taux tarifaires tout à fait différents sur les mêmes produits. De plus, la structure tarifaire préférentielle (du COMESA) est dans certains cas plus différenciées que celle du tarif extérieur. Ainsi, au Kenya, la structure tarifaire extérieure comprend 6 taux, tandis que la structure tarifaire préférentielle en comprend De même, les règles concernant l'exemption des taxes à l'importation varient considérablement d'un pays à un autre.

7. Dans les différents pays de l'ITF, on peut constater de grandes variations de taxes sur le commerce extérieur dans le revenu de l'Etat. Ainsi, les taxes sur le commerce extérieur représentent respectivement 16, 25 et 58 pour cent des recettes fiscales du Kenya, de la Tanzanie et de l'Ouganda. Cependant, certains pays ont progressé par le

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[2] Au moment de l'écriture du présent document, les résultats de l'étude COMESA sur les tarifs extérieurs ne sont pas disponibles. Certaines informations devront par conséquent être mises à jour.

biais d'une refonte de leur système fiscal en élargissant l'assiette d'imposition dans le but de réduire leur dépendance à l'égard des taxes sur le commerce extérieur. Ainsi, il est prévu qu'un système de TVA soit mis en place dès 1995-97 en Ouganda[3], au Malawi et en Zambie.

8. Le taux effectif de protection demeure généralement à un niveau élevé: au Kenya et au Malawi, il atteint en moyenne 60-85 pour cent dans le secteur manufacturier. Il est également variable: en moyenne, les taux effectifs de protection s'échelonnent entre un chiffre négatif dans le cas de certains biens d'équipements et 100 pour cent s'agissant des biens de consommation, en passant par 25 pour cent pour les biens intermédiaires. Finalement, la marge préférentielle absolue (ie, la différence entre la moyenne du tarif extérieur –30-35 pour cent et la moyenne du tarif préférentiel du COMESA –10 pour cent—)[4] du commerce intra-régional entre les pays de l'ITF est en moyenne de 20-25 pour cent. Cependant, cette marge varie considérablement entre les pays[5]. Ainsi, sur la base des estimations des tarifs moyens (pondérés) en vigueur et en supposant que les règles d'exemption et les régimes préférentiels soient identiques, la marge préférentielle est de 13 pour cent en Ouganda, contre 27 pour cent au Zimbabwe.

9. A la lumière des points précédents, il apparaît nécessaire de: déterminer un ensemble d'objectifs spécifiques qui permettraient aux pays de l'ITF de supprimer toutes les barrières non-tarifaires qui ont été conçues à des fins de protection; consolider toutes les taxes de protection sur les produits importés en les transformant en tarifs extérieurs; harmoniser leurs régimes de tarifs extérieurs et les faire converger vers une structure tarifaire plus simplifiée qui comprendrait moins de taux; abaisser la moyenne des tarifs extérieurs; adopter un système d'imposition sur les produits importés qui soit similaire dans les différentes catégories de produits et dans les différents pays; et réduire la marge préférentielle. En conséquence, sur la base de l'examen par les co-sponsors des réformes actuelles ou envisagées par les différents pays, et suite aux discussions avec les instances de ces pays, il est proposé ci-après une «carte routière» destinée à indiquer les voies que doit emprunter la mise en oeuvre des réformes du commerce extérieur, conformément aux objectifs et aux principes mentionnés dans le DR.

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[3] S'agissant de l'Ouganda, les taxes sur les importations de produits pétroliers qui sont frappés de tarifs spéciaux élevés (90, 170, 175 pour cent sur le kérosène, le diesel et le super respectivement) représentent la moitié des recettes fiscales.

[4] Pour le moment, un tarif préférentiel de 70 pour cent est sensé être appliqué sur le commerce intra-régional. Si la moyenne des tarifs actuels sur le commerce extérieur est de 30-35 pour cent environ, le tarif préférentiel tournerait autour de 10 pour cent (35-35x0.70), ce qui implique une marge préférentielle absolue de 20-25 pour cent en moyenne.

[5] Ceci est dû principalement (i) aux variations considérables des tarifs extérieurs d'un pays à un autre, (ii) à la disparité des structures tarifaires préférentielles entre les régimes généraux et préférentiels d'un pays à un autre.

10. ***Carte routière de la future réforme.*** Les pays de l'ITF convergeraient d'ici à l'an 1998 vers une structure tarifaire qui comprendrait au maximum 2-3 taux non nuls et dont le taux moyen pondéré serait de 15 pour cent et le maximum de 20-25 pour cent. Les pays de l'ITF continueraient à poursuivre de manière coordonnée la libéralisation de leur économie dans le respect de la Clause de la Nation la Plus Favorisée (NPF) au-delà de l'an 1998. La réalisation de l'objectif de 98 implique que la marge préférentielle entre les importations provenant des pays de l'ITF et des pays non-membres du COMESA devra être en moyenne de 15 pour cent, si on part de l'hypothèse que les pays de l'ITF aboliront les tarifs entre eux, comme le propose le DR. Etant donné le principe de géométrie variable qui sous-tend l'approche de l'ITF, il est concevable qu'un sous-groupe de pays puisse être prêt à progresser plus rapidement dans la voie sus-mentionnée et que ces derniers harmonisent leurs régimes tarifaires plus tôt et appliquent des taux encore plus bas que ceux proposés ci-dessus. Ainsi, dans le cadre de la Coopération Est-Africaine (EAC), le Kenya, la Tanzanie et l'Ouganda ont discuté de la possibilité d'accélérer le processus de convergence de leurs régimes de tarifs extérieurs. De plus, les moyens que doit emprunter un pays spécifique pour atteindre l'ensemble des objectifs exposés ci-avant devront être flexibles et, de ce fait, devront être replacés dans le cadre global de son programme d'ajustement structurel, ceci vaut aussi pour la mise en place de structures fiscales cohérentes qui tiennent compte des sources alternatives de revenus. A cet égard, l'étude que mène actuellement le COMESA sur les tarifs extérieurs devraient fournir des éléments utiles à prendre en compte dans la conception des programmes d'actions de pays spécifiques. Les divers éléments de la «carte routière» sont décrits ci-après.

11. ***La date-cible:*** Une période de 3 ans s'étalant jusqu'à 1998 représente un délai certes ambitieux, mais suffisant pour pouvoir réaliser les objectifs décrits auparavant. Cette date-cible de l'harmonisation créera les conditions permettant d'atteindre l'objectif d'un tarif extérieur commun (TEC), comme prôné par le COMESA. En se fixant une date pour parvenir à la convergence de leurs tarifs extérieurs, les pays de l'ITF manifestent ainsi leur désir de progresser plus rapidement sur la voie menant à la création d'un espace économique commun. Par ailleurs, la date-butoir proposée correspond au temps qui sera nécessaire pour réformer les systèmes d'imposition, de sorte que la baisse des tarifs extérieurs n'exerce aucun effet négatif sur les revenus de l'Etat. Parmi les mesures de réforme, on peut relever le renforcement de l'administration douanière, la rationalisation des règles concernant l'exemption, et l'introduction de la TVA. Cette question est importante, s'agissant particulièrement des pays qui dépendent considérablement des taxes sur le commerce extérieur et où les tarifs sur les produits importés se situent à des taux plus élevés que la moyenne du groupe et/ou l'administration des douanes est faible.

12. ***Taux tarifaires à atteindre:*** Le tarif moyen de 15 pour cent pondéré, devant être atteint avant fin 1998, est conforme aux principes énoncés dans le DR et il devrait continuer à fournir un degré raisonnable de protection au niveau régional. Ainsi, le taux moyen à atteindre ne se situe que légèrement en-dessous du tarif moyen pondéré le plus faible en vigueur dans les pays de l'ITF (soit 18 pour cent en Ouganda). Par ailleurs, il est compatible avec les réformes déjà prévues par d'autres pays également, tels la Zambie et le Malawi. Le nombre proposé de taux (2-3 tarifs non nuls) correspond également aux réalisations déjà accomplies ou prévues par certains pays tels l'Ouganda et le Kenya. De plus, le taux-cible maximum proposé (soit 20-25 pour cent) correspond globalement à ce que certains pays ont déjà accompli (exemple: 30 pour cent en Ouganda; 30 pour cent de consolidations tarifaires que les pays membres de la SACU se sont engagés à mettre en oeuvre dans l'Uruguay Round; et 20 pour cent en Zambie en 1997). En dernier lieu, le tarif moyen proposé et les taux maximum correspondant à ce qu'ont déjà réalisé plusieurs groupements régionaux d'intégration Sud-Sud dans d'autres parties du monde. Ainsi, les structures des TEC qui ont été mis en place ou prévus varient, dans le Marché Commun de l'Amérique Centrale (CACM), le taux moyen est de 6 pour cent et le maximum de 30 pour cent; dans le cadre du Pacte Andin, la moyenne est de 10 pour cent; dans le MERCOSUR (Argentine, Brésil, Paraguay, Uruguay), la moyenne est de 11 pour cent et le maximum est de 20 pour cent.

13. Vu le profil actuel des structures tarifaires, certains pays devront procéder à des baisses de tarifs plus importantes que celles effectués par d'autres pays participant afin que les tarifs soient harmonisés. Dans chaque pays, les abaissements progressifs des tarifs devront se faire de façon flexible et devront s'insérer dans le cadre de leurs programmes d'ajustement structurel.

14. ***Les barrières non-tarifaires:*** Les pays s'engageront également à prendre les mesures suivantes avec les pays tiers: (i) ne pas imposer de nouvelles BNT; (ii) supprimer les BNT existantes (sauf pour des raisons sanitaires et de sécurité). Dans certaines circonstances, telle la baisse des revenus et son impact sur la balance des paiements, certaines mesures d'exception pourraient leur être accordées (en accord avec les co-sponsors et conformément aux règles de l'Organisation Mondiale du Commerce (OMC)). Cette grâce ne pourra couvrir qu'une période limitée, ne dépassant généralement pas un an, et ne sera pas accordée après 1997.

15. ***Harmonisation:*** Pour parvenir à l'harmonisation des régimes tarifaires au sein d'un espace économique commun, les pays devront non seulement évoluer vers une structure tarifaire similaire, mais aussi harmoniser: (i) la classification des marchandises sur lesquelles des tarifs similaires sont appliqués; (ii) la liste limitée des BNT permises; (iii) les règles concernant l'exemption des droits de douanes. Actuellement, un même article peut être frappé de taux différents dans différents pays

(l'étude du COMESA sur les tarifs devrait apporter plus de lumière sur la question). Ces variations persisteront, si, pour parvenir à une structure tarifaire similaire, les pays utilisent des procédés mécaniques de réduction. Il faudra, par conséquent, qu'ils conviennent d'une classification commune des biens dans les différentes bandes tarifaires.

16. Ces lignes directrices fournissent un cadre dans lequel s'insèrent les actions spécifiques que devra mener chaque pays. Cependant, avant que les pays ne puissent avancer vers un programme d'actions spécifiques, ils devront parvenir à un consensus concernant la classification des différentes marchandises frappées des taux tarifaires qui seront choisis comme cible de convergence. Le principe directeur pourrait être que le taux le plus faible dans une structure à trois taux concernera les intrants de base et les produits d'alimentation essentiels importés; le taux intermédiaire s'appliquera aux produits semi-finis; le taux le plus élevé s'appliquera aux produits finis. Il sera peut-être nécessaire d'avoir des dispositions qui permettent à certains pays de: (i) classifier certains produits de manière légèrement différente; (ii) dans des cas exceptionnels, fournir une protection plus forte prenant la forme de surtaxes temporaires ne devant généralement pas dépasser une période raisonnable (un an ou deux). Ainsi, un régime tarifaire harmonisé facilite le passage à un espace économique commun, sans que cette évolution ne se fasse selon les règles strictes régissant la coordination des politiques au sein d'une union économique. Les modalités permettant d'arriver à un tel consensus sur la classification des marchandises selon les taux tarifaires sont reprises dans la prochaine section qui traite des questions d'ordre institutionnel que soulèvent les réformes.

17. ***Marges préférentielles:*** Un des objectifs majeurs du programme d'harmonisation des tarifs extérieurs en 1998 est de minimiser le risque que les efforts fournis pour instaurer un régime de libre échange ne débouchent sur un détournement des échanges. Pour ce faire, il faudra s'assurer que la marge préférentielle entre les produits importés des pays de l'ITF et ceux provenant des pays non-membres du COMESA n'augmente pas. En conséquence, les accords de convergence devraient inclure des dispositions prévoyant que les tarifs accordés aux pays les plus favorisés soient suffisamment réduits, de façon à être proportionnés aux réductions des tarifs réalisés sur le commerce entre les pays de l'ITF. Dépendant du rythme auquel se déroulera la suppression des tarifs frappant le commerce entre les pays ITF, il se peut qu'il soit nécessaire dans certains cas (particulièrement lorsque les tarifs extérieurs en vigueur sont en moyenne plus élevés que ceux du groupe) d'accélérer le calendrier de réductions afin de faire en sorte que les marges préférentielles ne deviennent pas excessives dans les années intermédiaires.

18. Conformément aux principes sus-mentionnés, les préférences tarifaires que les pays de l'ITF s'accorderont entre eux seront augmentées comme suit: 80 pour cent en juin 1996, 90 pour cent en juin 1997, 100 pour cent en juin 1998.

19. ***Règles d'origine:*** Les pays de l'ITF renforceront leur partenariat et deviendront une «Zone de Libre Echange» en juin 1998. Bien que les pays puissent converger vers une structure tarifaire similaire, ils auront toute latitude pour fixer des tarifs extérieurs qui pourront ne pas être identiques d'un pays à un autre pour toutes les marchandises. Il ne s'agit pas de former une «union douanière» avec un TEC formel. Par conséquent, aussi longtemps que les régimes des tarifs extérieurs ne sont pas identiques entre les pays, les pays de l'ITF devront dépendre des règles d'origine pour déterminer les biens et services pour lesquels le traitement préférentiel sera accéléré. Les règles d'origine sont déjà utilisées sous le régime d'échanges préférentiels du COMESA, les pays s'attaquent donc à la complexité des régimes tarifaires. Cependant, les retards et le manque d'efficacité dans l'application des règles d'origine ont *parfois joué le même rôle* que des BNT. Par conséquent, il existe de nombreuses possibilités de simplifier les définitions et d'améliorer la transparence et l'efficacité lors de l'application des règles.

20. Les pays de l'ITF devraient, par conséquent, s'engager à utiliser des règles d'origine simples, transparentes et conformes aux plans du COMESA visant à amender les règles existantes et qui y sont relatives. Les pays devraient prendre note que, d'après les engagements pris dans le cadre de l'Uruguay Round, l'utilisation des règles d'origine sera réglementée par l'OMC. Par conséquent, le pays membres du COMESA et ceux de l'ITF devront discuter de l'utilisation des règles d'origine avec l'OMC. Il est important que les pays de l'ITF suivent les règles concernant la transformation (changement de classification) et celles concernant la valeur ajoutée. Il serait important de fixer le taux d'éligibilité d'après la règle de valeur ajoutée pour les tarifs préférentiels à un niveau raisonnable (mettons entre 25-50 pour cent de la valeur ajoutée). De plus, il serait opportun, pour mesurer la valeur ajoutée, d'utiliser la méthode fondée sur la valeur de la transaction (prix final moins les intrants importés utilisés dans la phase finale de production).

DISPOSITIONS D'ORDRE INSTITUTIONNEL

21. ***Mise en oeuvre.*** Comme signalé plus haut, les lignes directrices énoncées ci-avant indiquent les objectifs spécifiques de l'ITF en tant que groupe, alors s'agissant

de pays particuliers, les voies spécifiques que doit emprunter chaque pays particulier pour mener sa réforme devront être tracées de manière séparée. Concernant certains aspects contenus dans la «carte routière» globale, il peut être nécessaire que certains pays aillent plus loin dans leurs consultations afin d'affiner les questions de conception qui demeurent. Ainsi, pour qu'un consensus se dégage, quant au mode de classification des marchandises dans les tranches tarifaires, une structure de consultation doit être instituée. Les co-sponsors pourraient élaborer les propositions avant fin 1995 et les soumettre aux instances appropriées des pays de l'ITF. Les représentants de pays pourraient se réunir de nouveau début 1996 afin d'examiner ces propositions.

22. Il se pourrait également que les co-sponsors soient disposés à fournir de l'assistance technique et financer les activités de renforcement institutionnel nécessaires. Tout en reconnaissant le besoin d'une coordination étroite des réformes tarifaires et fiscales, le FMI et la Banque mondiale offriraient également une assistance technique, tant en matière de réformes générales de la fiscalité portant notamment sur la conception et la préparation des systèmes de TVA et des incitations fiscales à l'investissement ainsi qu'en matière de réformes tarifaires spécifiques nationales. Les besoins d'assistance technique pourraient être financés au niveau national par la Banque mondiale par l'entremise du Fonds pour le développement des institutions (FDI) ou par d'autres modalités. L'Union européenne pourrait financer les besoins identifiés au niveau des sous-groupes ou au niveau du groupe des pays de l'ITF.

23. ***Suivi.*** Si la «carte routière» est dans son ensemble approuvée lors de la réunion ministérielle, elle ferait partie des engagements pris par les pays dans le cadre du DR. De plus, dans leur Lettre de Politique, les pays de l' ITF s'engageraient à réaliser l'ensemble des objectifs de la réforme du tarif extérieur et préciseront les engagements auxquels chacun des pays devra faire face ainsi que les programmes d'actions et le calendrier qui sera fixé pour accomplir ceux-ci. Ces engagements, pour mettre en oeuvre les réformes sus-mentionnées, seront également inclus dans la documentation des accords d'appui financier entre les co-sponsors et les pays de l'ITF. Le Comité de Suivi suivra la progression des pays de l'ITF, le long de la «carte routière» proposée, vers l'harmonisation et la convergence de leurs régimes. Quant aux progrès réalisés par chaque pays dans l'élaboration et la mise en oeuvre des réformes spécifiques nationales des tarifs extérieurs, ils seront suivis par les institutions appropriées des co-sponsors dans le cadre du dialogue global portant sur les programmes de réforme. Dans le but de passer en revue les progrès réalisés et de résoudre les problèmes de mise en oeuvre, des réunions seront également organisées, réunissant les comités d'exécution des politiques (CEP), les organisations régionales et les co-sponsors.

24. ***Questions juridiques.*** L'ITF entretient des liens avec d'autres traités/ institutions. L'ITF n'est ni une nouvelle institution, ni un nouveau bloc commercial.

Elle est plutôt une initiative s'insérant dans le cadre d'une organisation d'échanges préférentiels existante, le COMESA, et elle a été approuvée par la Conférence du COMESA réunissant les chefs d'Etat des pays membres. Cependant, selon l'OMC, ni le Traité du COMESA, ni le Traité précédent, celui ne la ZEP, n'ont été notifiés au GATT ou à l'OMC. Compte tenu des obligations multilatérales qu'impliquent les dispositions de l'OMC, et afin d'éviter les problèmes d'ordre juridique éventuels découlant d'une absence de conformité des arrangements de l'ITF aux règles de l'OMC, les co-sponsors recommandent vivement au Secrétariat du COMESA de notifier, au plus tôt, le Traité du COMESA et l'ITF auprés de l'OMC. Il s'agit dans le même temps de s'assurer que les sous-groupes de l'ITF soient eux-mêmes déclarés auprès de l'OMC, dès lors qu'ils démontrent leur capacité à progresser de manière plus rapide vers une intégration plus poussée, comme le font, par exemple, les pays de l'EAC s'ils décident d'établir un TEC entre eux.

CROSS-BORDER INITIATIVE (CBI): PROPOSAL FOR A HARMONIZED EXTERNAL TARIFF

Prepared by the Co-sponsors for the Meeting of Cross-Border Initiative (CBI) (April 1-2, 1996, Mauritius)

INTRODUCTION

1. At the second ministerial meeting on the CBI [1] held in March 1995, in Mauritius, the participating countries endorsed an overall road map for tariff reform that would: (a) remove all tariff barriers on intraregional trade by 1998 at the latest; (b) eliminate immediately all nontariff barriers (NTBs) on intraregional and extraregional trade; and (c) harmonize external tariffs by having not more than three non-zero rates, a weighted average tariff of not more than 15 percent, and a maximum rate of between 20-25 percent, by 1998. Furthermore, other duties and import charges, including surcharges, were to be incorporated into the tariff structure so as to simplify the trade regime and improve transparency.

2. The second ministerial meeting also requested the co-sponsors (African Development Bank, European Union, International Monetary Fund, and World Bank) to prepare a proposal that would provide a general framework for the design of a

[1] To date, 14 countries (Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe) have confirmed their intention to participate in the CBI.

harmonized external tariff (HET). This paper has been prepared in response to that request. The paper will be discussed with the Technical Working Groups (TWGs) at the TWG meeting in Mauritius on April 1-2, 1996. In the light of that discussion, the TWGs will advise their respective Policy Implementation Committees (PICs) who will decide on the specific path to the HET which each country will take. A third ministerial meeting is tentatively scheduled in mid-1996 to coordinate the actions that the CBI constituents will be taking to harmonize their trade regimes.

3. The main questions addressed in this paper are: (i) what three or four rates will be used for the HET; and (ii) what Harmonized System Tariff Code item will have which of these rates. The paper also discusses the removal of nontariff barriers and exemptions, and the likely budgetary effects of the proposed trade reforms. It underlines the need for developing alternative sources of tax revenue, and lists a number of issues for more detailed study. As the likely effects of moving to a HET will be very country specific, these cannot be analyzed in detail for every country in this paper. Rather, this paper provides an indication of general effects. Technical assistance is available from co-sponsors to help participating countries with this detailed work.

4. The paper is organized as follows. The first section discusses the basic conditions that need to be fulfilled for a successful trade reform. The next section highlights the practical objectives of trade reform. This is followed by an illustrative scenario for a possible Harmonized External Tariff structure. Given the fact that revenue considerations play an important role in the design of a new tariff structure, the paper also considers the budgetary implications of two contrasting indicative proposals. Finally, subjects for further study at the country level are identified.

GENERAL CONDITIONS FOR SUCCESSFUL TRADE LIBERALIZATION

5. The trade policy objectives in the context of the CBI represent an important part of a wider effort to facilitate intraregional trade, investment, and payments in Eastern and Southern Africa and the Indian Ocean, that is expected to result in higher growth in trade and income. It should be noted, however, that liberalization of trade, though essential, is not in itself a sufficient requirement for successful economic development. Trade reforms without accompanying financial and structural measures that create the appropriate conditions for industries to respond effectively to changing circumstances are unlikely to succeed. Other policy initiatives needed for trade policy reform to generate the desired growth and enhance economic integration include:

- **The implementation of sound macroeconomic policies**, including sustainable fiscal management and a realistic exchange rate policy. The positive income effects of trade liberalization can be dwarfed by the distortionary impact of inappropriate fiscal and monetary polices, or a substantial under- or over-valuation of the exchange rate.

- **Elimination of unnecessary government regulations**, such as marketing, investment, and labor controls that impede competition and reduce the ability of firms to react to a changing economic environment as a result of trade liberalization.

- **Improvement of the physical infrastructure** and reduction in transportation costs, which often constitute high barriers to trade.

- **Investment in human resources** to build capacity and increase the flexibility and productivity of labor.

OBJECTIVES OF THE REFORM

6. The proposed or planned harmonized tariff structure should be consistent with a number of main objectives and existing constraints, and avoid some pitfalls that may undermine the objectives of the tariff reform and the thrust of economic reform efforts in the CBI countries:

- **In general terms, the trade reform should support the efficient use of resources in the CBI economies**. Impediments to the development of economic activities where a country has a comparative advantage should be significantly reduced or eliminated, and incentives to inefficient sectors should be curtailed. A trade policy designed to foster the development of specific industrial or agricultural sectors in which the country does not have a comparative advantage may be risky and costly. In practice, the selection of promising economic activities is not straightforward. Also, enterprises sheltered from foreign competition have traditionally shown a strong incentive to lobby for continued protection. Most often they remain dependent on trade protection for a long time, causing artificially high prices for domestic producers and consumers. This reduces opportunities for export growth to the extent that exporters are faced with higher input prices; contributes to the poverty problem as consumers are forced to pay higher than world market prices for basic necessities; and hinders economic growth as favored sectors may not be those where CBI countries have comparative advantage.

- **In theory, the optimal tariff system is a zero rate for all products**. However, there are some important constraints that need to be addressed: the reform should realistically take into account budgetary costs and pressures for protection. In practice, it will be difficult to avoid some degree of protection to accommodate the interests of domestic industries. Further, the size of tariff reductions as well as their timetable should be linked to domestic tax or expenditure measures to offset the budgetary cost of those tariff reductions. **A modestly cascading tariff structure linked to the stage of processing is therefore the most realistic option in the medium term**. Low rates on materials and intermediate goods will help potential exporters to be internationally competitive by lessening the anti-export bias. Moreover, low rates in general will keep the incentives for evasion low.

- **The new tariff structure should be simple and transparent**, and exemptions should be reduced to those resulting from international obligations (e.g., certain imports by diplomatic representations). Participating countries should also consider the elimination of duty drawback systems for intraregional and extraregional exports, once the HET is in place. Such systems would not be needed if tariffs on inputs are low. A simple tariff system with substantially reduced exemptions reduces administrative costs, opportunities for fraud, and the scope for new protectionist pressures. It increases the transparency of the tax system, which would make CBI countries a more attractive place particularly for foreign direct investment. Any remaining tariff exemptions should be based on clear legal rules. Further, all remaining nontariff barriers that are not justified for reasons of health or national security should be eliminated as soon as possible. [1] Moreover, trade barriers which are maintained for these reasons should be designed in such a way as to minimize their adverse effects on trade.

- **All customs duties and other border duties and charges should be unified in one single tariff structure**, and specific import duties and charges should be integrated in the ad valorem rate structure.

[1] Annexes 4 and 5 give the current available information on the prevalence of NTBs for imports and exports, respectively.

- **The tariff reform should preferably be publicly announced in advance** in order to give producers the opportunity to introduce necessary adjustments prior to the entry into force of the new system. A preannounced reform adds to the transparency as well as the credibility of the tax system and thus reduces the transitional costs.

POSSIBLE HET STRUCTURE

7. This section presents an illustrative scenario to help the authorities design the country-specific reform paths along the general road map for the tariff reform endorsed by the second ministerial meeting. The authorities of the participating countries have ultimately to decide on the specific tariff rates and the products to be allocated to these rates. It should also be noted that the harmonization of external tariffs does not imply the adoption of tariff rates that are entirely equal. There can be some policy differences to accommodate special country circumstances, in particular, budgetary considerations and desired rates of effective protection.

8. **The type of HET implicitly endorsed in Mauritius and discussed here involves three or possibly four tariff rates** with the lowest (for instance, zero or 5 percent) applying to raw materials and capital goods, the intermediate rate (for instance, 10 or 15 percent) applying to intermediate goods, and the highest rate (for instance, 20 or 25 percent) applying to final consumer goods, limiting the choice to maximally four rates, including zero (see para. 14 below). The classification of specific products in these categories is illustrative, as the distinction between raw materials, capital goods, intermediate products, and final goods is arbitrary and not always clear cut.

9. The choice of rates for the four categories of products within the zero to 25 percent range can make a large difference for the actual rates of effective protection in specific industries. To avoid an overly protective tariff regime and a large variation in rates of effective protection among the participating countries, **it is recommended to limit the difference between the lowest and the highest rate to 20 percentage points as a maximum**. This means that countries that choose a zero rate on raw materials and capitals goods, should adopt a top rate on final goods of 20 percent as a maximum. Countries that prefer a minimum rate of 5 percent on raw materials and capital goods, could opt for a top rate of 20 percent, thereby limiting the effective rates of protection for import competing activities, or a rate of 25 percent as a maximum. Moreover, beyond 1998 continuing efforts should further reduce the maximum rates and reduce the average.

10. The suggested tariff structure would provide exporters with access to raw materials and capital goods at near world market prices without recourse to duty drawback or duty exemption mechanisms, while at the same time allowing a reasonable rate of protection against extraregional suppliers of intermediate and final goods. Providing exporters with access to raw materials and capital goods at (near) world market prices and lowering the average customs duty rate will reduce the anti-export bias caused by import taxes. It is essential that companies in the importing country be able to compete with imports from other CBI countries equally. Consequently, export subsidies or duty drawback systems for exports should not be applied to trade between CBI participating countries.

11. The individual paths countries take to get to the HET by 1998 will depend heavily on: (a) their current tariff structure, and (b) the likely effects on trade, industry and government revenue. Some countries have considerably higher tariff rates or tariff equivalent taxes (e.g., the Comoros, Mauritius, and Seychelles) than the proposed medium-term goal, so that the adjustment to a HET is likely to require a significant reduction in most tariffs in such countries. On the other hand, in a few cases (e.g., Uganda, Zambia) current tariff rates are already very near the proposed HET goal. In the latter countries, the adjustment to the HET is likely to require only modest reductions in most tariffs. The important point is that the proposed HET **can be done** as illustrated by the cases of Uganda and Zambia, which have substantially made the transition to the HET targets. The Zambia case is presented in Annex 1, along with an illustrative scenario of the sequencing actions needed for the other CBI countries to move to HET by 1998.

12. A number of projects are already underway in the region to help enterprises adjust to a more liberalized trade regime:

- The PRIDE project, recently approved by the EU for the countries of the Indian Ocean Commission, is designed to support individual firms in their adjustment to the evolving policy environment.

- Export development projects, similar to the ZimTrade Support Program undertaken in Zimbabwe by the EU to help assess export market prospects for selected sectors, are being considered for other countries.

- World Bank projects supporting enterprise development in Zimbabwe and Uganda provide resources for needed investment together with technical and financial support to firms modernizing and seeking new markets.

BUDGETARY IMPACT

13. The measurement of the impact of tariff changes on a government's budget requires considerable data which are often not readily available. Specific data are required on the value of imports classified by tariff code and by the source of imports, the value of exemptions, collection rates, and the likely effect of tariff changes on the value of imports and the effectiveness of the tax administration. Hence, a detailed analysis of the revenue effects can only be undertaken as part of the development of individual country action plans. This paper gives a general indication of the impact of a particular HET on government revenue in participating countries.

14. An assessment of the changes in government budget revenue for participating countries requires formulating specific external tariff structures consistent with the objectives of not more than three non-zero rates, a weighted average tariff of not more than 15 percent, and a maximum rate of between 20-25 percent, by 1998. While individual participating countries will need to select suitable tariff structures and apportion individual items to the various bands consistent with the tariff reform objectives described in section C above, it is helpful to consider two possible tariff structures that would be consistent with the medium-term objectives specified in the "road map" for trade reform endorsed at the March 1995 CBI ministerial meeting. One proposal (Proposal 1) would be to have three rates of 5, 15, and 25 percent (no zero rate). Another would be to have three rates of 0, 10, and 20 percent (Proposal 2). If the allocation of items to each band were identical, the second proposed HET structure would necessarily have a lower weighted average tariff rate. An illustrative allocation of tariff codes to different tariff bands is contained in Annex 2.

15. The effects of the proposed tariff structures on government revenues from customs duties are likely to vary, with some countries experiencing only modest revenue losses and others facing more substantial revenue shortfalls. The effect of implementing an HET, as specified for instance in Proposal 1 or 2, on budgetary revenues will vary, depending inter alia on:

- ❑ Elimination of duty exemptions, which are presently widespread in a number of participating countries.
- ❑ Elimination of remaining NTBs.
- ❑ The extent of improvements in customs duty collection.

- Changes in the composition of imports due to tariff reform.

- Changes in the volume of imports, which will expand as import prices fall.

- Tariff reductions will also affect indirect tax revenue if the indirect tax on imports is applied to the value of imports inclusive of customs duties.

16. Detailed calculations of the budgetary effects of the tariff reform need to be made on a country-by-country basis in consultation with Fund and Bank staffs; this should be the next immediate task. At the same time, alternative measures to deal with potential revenue losses need to be worked out, including a reform of domestic taxes and a strengthening of the effectiveness of the tax administration and the customs service, to increase collection rates and ensure that overall public revenue remains adequate. [1] The improvement of the efficiency of the customs service is also important to maintain revenue and prevent competitive distortions in intraregional trade arising from inefficiencies in tax collections. It is essential that ways to make up any revenue shortfalls be found within an appropriate overall macroeconomic framework. Steps in this direction will need to be included in a detailed timetable for moving toward introduction of the tariff reductions. This timetable can differ among CBI countries reflecting individual country circumstances.

ISSUES FOR FURTHER STUDY BY INDIVIDUAL COUNTRY TEAMS

17 In most countries, the proposed general tariff structure could have significant effects on the pattern of trade, the structure of agriculture and industry, and government revenue. These effects need to be clarified and carefully studied on a country-by-country basis as part of work now needed to design the specific path of reform by each participating country to a HET. This work needs to be undertaken by the TWGs expeditiously with a view to providing the PICs with the information needed to decide on the specific path of reform. In the meantime, the TWGs should prepare preliminary scenarios of their HETs for discussion at the TWGs meeting. This should include a

[1] Uganda, for example, lowered tariff rates while raising additional revenue by introducing a broadly based VAT.

complete listing of all NTBs and statutory exemptions from import duty. The TWGs should check the information in Annexes 3-4 and update them for the TWGs meeting.

Public Revenue

18. As noted earlier, the budgetary effects of the elimination of tariffs on intraregional trade and the reduction of external tariffs need to be quantified on a country-by country basis, and alternative sources of revenue need to be identified. In this connection, the governments should identify the exemptions to be eliminated, and prepare other concurrent tax changes that are necessary to make the change consistent with maintaining macroeconomic stability.

Effects on Agriculture and Industry

19. Some enterprises in the agricultural and industrial sectors will not be able to compete in the more open environment resulting from freer trade and hence will have to contract or switch to alternate lines of production. Others will benefit from new export opportunities and will expand. The authorities of the participating countries need to investigate the likely effects of the reform on agriculture and industry. In this connection, it is important to develop a balanced perspective that considers the overall cost to the economy of protection of selected activities (see section C above) as well as the impact of liberalization in specific activities in agriculture and industry.

Intraregional and Extraregional Trade Flows

20. As the suggested HET reduces the anti-export bias of present regimes, it will facilitate an expansion of exports outside the region. Also, trade between participating CBI countries will be increased and their economies more closely integrated. To the extent possible, participants in the CBI should analyze the likely effects on intraregional and extraregional trade, possibly with the assistance of the co-sponsors.

ANNEX 1

ZAMBIA: EFFECTIVELY REFORMING TRADE AND TAX POLICY REFORM [6]

	Pre 1995	1995	1996
Tariff Reform	Eliminated quantitative controls on imports. Maximum tariff reduced to 40% and minimum increased to 20% (with few exceptions). SI 23 introduced to provide refund of duty when import competing firms can prove damage.	Selected materials exempt from customs duty. Five percent import service fee introduced. Uplift factor removed.	Duties on key materials and capital goods reduced to zero, intermediate to 15% and final goods to 25%. Duties on COMESA imports set at 40% of general rate. Eliminated all customs duty exemptions except those bound by international agreement. Allowed NGOs to apply for a refund on a case by case basis. kept 5% import service fee.
Export provisions		Effort made to pay approved refunds in a timely manner.	
VAT	Preparation for introduction of VAT.	VAT introduced in July to replace sales tax.	VAT maintained.
Excise tax.		Excise tax on fuel increased.	Excise tax on fuel increased.
Tax administration	Zambia Revenue Authority established in 1994.		

[6] This chart describes the sequencing of trade reforms which has recently been implemented in Zambia.

A STYLIZED EXAMPLE OF TRADE AND TAX POLICY REFORM TO ACHIEVE A HET BY 1998 [7]

	1996	1997	By 1998
Tariff Reform (customs duties combined with any other border tax, including any surtax.	Integrate trade taxes in one ad valorem tariff system. Convert duties on COMESA imports to 40% of the corresponding general rate or keep at the current rate if it is less. Set maximum capital good duty at 10%, intermediate goods 25%, and final goods 40%. Announce program of reforms for '97 and '98. Remove government exemptions.	Reduce maximum duties on raw materials and capital good duties to 10%, that for intermediate good duties to 20%, and final good duties to 30%. Remove investment exemption. Remove all other exemptions other than based on international agreements.	Reduce duties on raw materials and capital goods to 5%, duties on intermediate goods to 10%, and on final goods to 20%. Reduce duties on COMESA imports to zero.
NTBs	Remove NTBs on exports.	Remove remaining import NTBs except for health and security reasons.	
Sales tax/VAT	Further broaden sales taxes (e.g. to services). Analyze options for, and adopt a plan for, replacing sales tax with VAT.	Prepare VAT with minimal exemptions.	Introduce VAT.
Excise tax.	Ensure that excise tax is the same on domestic and imported goods. Examine options for broadening excise tax coverage.	Increase excise on luxury goods to offset customs duties reduction and maintain progressivity. Broaden excise tax to increase revenue.	Increase excise on luxury goods to offset customs duties reduction.

A STYLIZED EXAMPLE OF TRADE AND TAX POLICY REFORM TO ACHIEVE A HET BY 1998 [7]

	1996	1997	By 1998
Tax administration	Explore and develop plan for establishing a consolidated revenue authority. Ensure adequate resources for revenue agencies. Establish priority training program.	Establish a consolidated revenue authority to combine customs and domestic taxation. Maintain training for tax administrators. Computerize tax system.	Maintain focused human resource development effort.

[7] This chart has been prepared for illustrative purposes only. The sequence of actions is based on a hypothetical case. The actual sequence and nature of actions in each CBI country may vary and would depend on a number of factors, including this initial structure of the trade regime, the potential impact on revenue and individual activity, the extent of existing exemptions from customs duty, the prospects for overall taxation reform and for developing alternative sources of revenue.

ANNEX 2

ILLUSTRATIVE DISTRIBUTION OF TARIFF CODES AMONG TARGET RATES.[1]

HS Tariff Code		Target Tariff Rate
1	Live animals	0 - 5
2	Meat	20 - 25
3	Fish	20 - 25
0401, 0402	Dairy	0 - 5
Rest of 4	Eggs and processed dairy products	10 - 15
5	Other animal products	20 - 25
0601, 0602	Live trees, plant, etc.	0 - 5
Rest of 6	Flowers and plant-based decorations	20 - 25
7	Edible vegetables	10 - 15
8	Fruits and nuts	20 - 25
9	Coffee, tea, etc.	20 - 25
10	Cereals	0 - 5
11	Milled products	10 - 15
12	Oilseeds	10 - 15
13	Lac, gum, resin	10 - 15
14	Vegetable planting materials	10 - 15
15	Fats and oils	10 - 15
16	Meat and fish preparations	20 - 25
17	Sugars and confectionery	20 - 25
18	Cocoa and preparations	20 - 25
19	Preparations of cereals	20 - 25
20	Vegetable preparations	20 - 25
21	Miscellaneous preparations	20 - 25
22	Beverages, spirits	20 - 25

[1] This listing is for purposes of illustration.

23	Residues and waste products	0 - 5
24	Tobacco and tobacco products	20 - 25
25	Salts, sulfur, etc.	0 - 5
26	Ores, slag	0 - 5
27	Minerals, fuels, etc.	0 - 5
28	Inorganic chemicals	0 - 5
29	Organic chemicals	0 - 5
30	Pharmaceutical products	0 - 5
31	Fertilizers	0 - 5
32	Tanning and dyeing ext.	0 - 5
3301, 3302	Essential oils	0 - 5
rest of 33	Toiletries and perfumes	20 - 25
34	Soaps	20 - 25
35	Starches, glues, etc.	10 - 15
36	Explosives, matches	20 - 25
37	Photo and cinema	20 - 25
3801-3803	Basic, chemical products	0 - 5
rest of 38	Miscellaneous chemicals	10 - 15
3901-3921	Plastics	0 - 5
rest of 39	Plastic products	20 - 25
4001-4002-4014	Rubber materials	0 - 5
4009, 4010	Intermediate rubber products	10 - 15
rest of 40	Rubber products	20 - 25
4101-4103	Raw hides and skins	0 - 5
rest of 41	Leather	10 - 15
42	Articles of leather	20 - 25
43	Furskins and articles of fur	20 - 25
4401-	Wood	10 - 15
rest of 44	Articles of wood	20 - 25
4501, 4502	Cork	0 - 5
rest of 45	Articles of cork	20 - 25
46	Manufactures of straw	20 - 25

47	Pulp	0 - 5
48	Paper and paperboard	10 - 15
4901-4906	Books	20 - 25
rest of 49	Maps, etc.	20 - 25
50	Silk	10 - 15
5101-5103	Wool	0 - 5
5104-5109	Wool yarn	0 - 5
rest of 51	Wool fabric	10 - 15
5201-5203	Cotton	0 - 5
5204-5207	Cotton yarn	0 - 5
rest of 52	Cotton fabric	10 - 15
5301-5305	Flax, hemp, etc.	0 - 5
5306-5308	Yarn	0 - 5
rest of 53	Fabric	10 - 15
5401-5406	Manmade filament yarn	0 - 5
rest of 54	Fabric	10 - 15
5501-5511	Yarn	0 - 5
rest of 55	Fabric	10 - 15
56	Wadding, felt	10 - 15
57	Carpets, etc.	20 - 25
58	Special woven fabric	10 - 15
59	Laminated fabrics	10 - 15
60	Knitted fabrics	10 - 15
61	Apparel	20 - 25
62	Apparel	20 - 25
63	Other made-up articles	20 - 25
64	Footwear	20 - 25
65	Headgear	20 - 25
66	Umbrellas	20 - 25
67	Prepared feathers, etc.	20 - 25
68	Articles of stone	20 - 25

6901-6903	Basic ceramic products	0 - 5
rest of 69	Other ceramic products	20 - 25
7001-7002	Glass materials	0 - 5
rest of 70	Glass products	20 - 25
71	Pearls	20 - 25
7201-7206	Iron and steel materials	0 - 5
rest of 72	Iron and steel intermediates	10 - 15
7323, 7324	Articles of iron and steel	10 - 15
rest of 73	Articles of iron and steel	20 - 25
7401-7406	Copper	0 - 5
7407-7414	Copper intermediates	10 - 15
rest of 74	Articles of copper	20 - 25
7501-7504	Nickel	0 - 5
rest of 75	Articles of nickel	10 - 15
7601-7603	Aluminum	0 - 5
7604-7614	Aluminum intermediates	10 - 15
7615, 7616	Articles of aluminum	20 - 25
7801, 7802	Lead	0 - 5
rest of 78	Articles of lead	10 - 15
7901-7903	Zinc	0 - 5
rest of 79	Articles of Zinc	10 - 15
8001-8005	Tin	0 - 5
8006, 9007	Articles of tin	10 - 15
81	Other base metals	0 - 5
8201-	Basic tools	10 - 15
rest of 82	Spoons, cutlery	20 - 25
83	Miscellaneous metal articles	20 - 25
84	Nuclear, etc.	0 - 5
85	Electrical machinery	0 - 5
86	Railway equipment	0 - 5
8701, 8705, 8713	Tractors and special vehicles	0 - 5
8702, 8704.		

8706-10, 8716	Public transport and goods transport	10 - 15
8703, 8711-8715	Automobiles	20 - 25
88	Aircraft, etc.	20 - 25
89	Ships, boats, etc.	20 - 25
9001-9004, 9023 to end of 90	Medical goods	0 - 5
9005-9017	Photo equipment	20 - 25
9018-9022	Medical photography	0 - 5
91	Clocks, watches, etc.	20 - 25
92	Musical instruments	20 - 25
93	Arms, munitions	20 - 25
94	Furniture	20 - 25
95	Toys, games, etc.	20 - 25
96	Miscellaneous manufacturing	20 - 25
97	Works of art	20 - 25

ANNEX 3

TARIFF EXEMPTIONS IN CBI COUNTRIES. [9] *

Country	Government	Parastatals	Capital goods for approved projects	Materials for use by specific local industries	Recognized NGOs	Other –specify
Burundi	yes	yes	yes	yes	yes	exemptions are relatively important, and amount to about 40% of total import duties; – also: ad-hoc exonerations on a discretionary basis
Comoros						
Kenya	in some cases		yes			
Madagascar						
Malawi	– yes – for the next fiscal year, the Gov't. decided to make most gov't. imports taxable				yes	
Mauritius						
Namibia						

Rwanda	yes	yes	yes	yes	yes	some exemptions granted by ministries on a discretionary basis.
Seychelles						
Tanzania	yes	yes	– Discretionary exemptions on plant and machinery imports granted by the Investment Promotion Center (IPC) under the 1990 National Investment Act. (However, following recent policy changes, it is expected that IPC will soon lose the authority to grant exemptions).	yes Exemptions granted according to bilateral agreements between Gov't. and each donor.	yes	Discretionary ad-hoc exemptions by the Minister of Finance of goods and individuals from full or partial payments (under the 1976 Tariff Act).
Uganda	yes					– there are 19 categories of conditional exemptions and 15 named international organizations listed; – exemptions also granted on an ad-hoc basis.

Country	Government	Parastatals	Capital goods for approved projects	Materials for use by specific local industries	Recognized NGOs	Other –specify
Zambia	yes	yes	yes	no	yes	– new investments approved under the 1993 Investment Act are exempt. – ad-hoc exemptions
Zimbabwe	yes	yes	yes	no	yes	

[9] All countries recognize international agreements for duty-free imports by diplomatic personnel.
* Based on available information which should be updated by the TWGs in preparation for the TWG meeting.

ANNEX 4

NONTARIFF IMPORT BARRIERS IN CBI COUNTRIES [10] *

Country	Import quotas/bans	Import licenses	State monopolies	Other – specify
Angola				
Burundi	all nontariff barriers abolished in 1986			
Comoros				
Kenya	– matches – temporary ban on maize, wheat and sugar imports lifted			
Madagascar				
Malawi	Lifted most NTBs licensing limited to items that can affect health, safety and national security. Gov't. intends to formally accept Art. VIII obligations of the IMF by end-1995.			
Mauritius				

	Import quotas/bans	Import licenses	State monopolies	Other – specify
Namibia		All non-SACU imports are subject to import-licensing. Import permit issuance conform to Schedule 1A of the Import Control Regulation of South Africa. About 90% of imports require a permit.		
Rwanda				
Seychelles				
Swaziland	– all dairy products – all fruits and vegetables – maize and maize products – all seeds	Under the Import Control Act (1976) all extra-SACU imports require a permit		SACU member
Tanzania				
Uganda	– beer – soft drinks			

	Import quotas/bans	Import licenses	State monopolies	Other – specify
Zambia	eliminated all direct controls on imports, except for a list of items controlled for environment, health, or security reasons.			
Zimbabwe	Zimbabwe From 1.1.1994, all goods with the exception of the items listed on the OGIL Negative List were placed on Open General Import License. Open General Import License (OGIL) negative list includes: – radioactive and associated materials (HS 28.44 and 28.45) – nuclear reactors (HS 8401.1000, 8401.3000, 8401.4000 – arms and ammunition (Chapter 93 of the customs tariff) – pearls, precious stones (70.01, 71.02, 71.03, 71.04) – jewellery of gold, silver and platinum (71.13, 71.14) – aerated beverages (22.02, 22.03, 22.04, 22.05, 22.06, 22.07, 22.08) – textiles, textile articles and clothing accessories of Chapters 61, 62, and 63.	Agricultural products as of Order 1993 Statutory Instrument 350 of 1993.		

[10] It is recommended that surtaxes be merged with tariffs under a harmonized tariff and that all other taxes be applied equally to imports and domestically produced goods.
[*] Based on available information, which should be updated by the TWGs in preparation for the TWG meeting

ANNEX 5

EXPORT BARRIERS IN CBI COUNTRIES

Country	Export quotas	Export licenses	Export taxes
Burundi			
Comoros			
Kenya			
Madagascar			
Mauritius			
Mozambique			
Malawi	Ban on maize exports	– groundnuts – beans	
Namibia		Permits required for exportation of goods in short supply to non-SACU countries.	
Rwanda			
Seychelles			

Country	Export quotas	Export licenses	Export taxes
Swaziland	– Meat – Sugar	Export license needed to export outside SACU	
Tanzania			
Uganda			
Zambia	– maize (export ban in 1995) – ivory		
Zimbabwe	Export of gold banned	Exporters must register with the national trade development agency ZimTrade. Export shipments must be accompanied by an exchange control CDI form, and presented to the National Economic Conduct Inspectorate. – In addition to those requiring licenses, some products require export permits (see attachment). – Licenses required to export : ore, chrome, copper, lithium, nickel, tin, tungsten, petroleum products, jute and hessian bags, road or rail tankers for carrying liquids, bitumen, asphalt, tar, wild animals, certain wood products, ammonium nitrate, war materials.	0.1 per cent surcharge collected through the commercial banks on all imports and exports (used to fund ZimTrade) No other export taxes are applied.

CROSS-BORDER INITIATIVE (CBI) PROPOSAL FOR A HARMONIZED EXTERNAL TARIFF: SUPPLEMENTARY INFORMATION ON THE BUDGETARY IMPACT

Prepared by the Co-sponsors for the Meeting of Cross-Border Initiative (CBI) (April 1-2, 1996, Mauritius)

1. This note has been prepared as a supplement to the paper, "Proposal for a Harmonized External Tariff;" the latter is henceforth referred to as "the paper." This note contains some illustrative calculations that will help provide a general indication of the revenue impact of the proposed external tariff harmonization for several selected CBI participants. As indicated in the paper, a detailed analysis of the revenue impact can only be undertaken as part of development of individual country action plans, especially since such analysis would require information on imports by tariff line and by source, the value of exemptions, collection rates, and induced changes in imports and the effectiveness of tax administration. Further, the budgetary consequences of external tariff harmonization will depend on the choice of external tariff structure consistent with the objective of a trade-weighted average tariff rate of not more than 15 percent with 3-4 bands and a maximum rate of 20-25 percent.

2. This note considers the revenue consequences of the two tariff structures proposed in para. 14 of the paper, where Proposal 1 is to have three rates of 5, 15, and 25 percent (no zero rate), and Proposal 2 is to have three rates of 0, 10, and 20 percent. An illustrative allocation of tariff codes to different tariff bands was provided in Annex 2 of the paper, which is included at the end of this note for convenience. Table 1

shows trade-weighted average tariff rates for several selected CBI participating countries under the two proposed tariff structures. [1]

3. The results for Proposal 1 indicate that, except for Zambia and Zimbabwe where existing effective duty rates were higher, the impact of the proposed tariff structure on revenues from customs duties would likely be rather modest. In fact, in some countries, these calculations show a positive revenue impact under Proposal 1, compared to the existing effective duty rate, which was lower in some cases (e.g., Tanzania) due to widespread exemptions. Results for Proposal 2 indicate a substantially stronger impact on revenues from customs duties than under Proposal 1. Assessment of the impact on total tax revenues, however, needs to account for the share of customs taxes in total tax revenue (Table 1). For instance, the impact of external tariff harmonization on revenue for Zimbabwe may be less than would be suggested by the drop in the average tariff rate because the share of trade taxes in total tax revenue is around 20 percent.

4. However, great care should be exercised in interpreting these very preliminary estimates as there are factors which may adversely affect them. In particular, these estimates tend to overestimate net revenue to the extent that duties paid on government imports following the elimination of exemptions would not be a net benefit to government finances. Also, in practice some exemptions will remain on non-government imports, and tax collection rates are likely to continue to be less than 100 percent. Conversely, these estimates tend to understate revenue, as imports will expand because of: (i) the decrease in import prices; and (ii) the elimination of nontariff barriers.

5. The revenue impact of external tariff harmonization estimated for Proposals 1 and 2 above could be made up by one or more of the following measures: (i) existing non-trade taxes could be increased; or (ii) new non-trade taxes could be devised. Also,

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[1] The methodology used for constructing these illustrative calculations is as follows:

- The tariff rate for each tariff line was specified based on Annex 2 in the paper. To illustrate, for Live animals, Annex 2 specifies a tariff rate in the range 0-5 percent; accordingly, a tariff rate of 5 percent was specified in Proposal 1 and a rate of 0 percent was specified in Proposal 2.

- The tariff rate for each tariff line was weighted by the value of 1993 imports, from OECD countries and South Africa, for that tariff line.

- This calculation implicitly assumes there would be no customs duty exemptions, collection rates would be 100 percent, and changes in duty-inclusive import prices would not affect import volumes. In practice, although exemptions should be reduced and tariff reform should help induce improvements in tax administration, some level of exemptions will remain.

to the extent that countries develop external tariff structures that differ from the illustrative ranges in Annex 2 of the paper, their average tariff rates are likely to differ from Proposals 1 and 2 above; this would however reduce the extent of tariff harmonization across CBI participants. The above illustrative calculations suggest a methodology for assessing the revenue impact of moving toward a harmonized external tariff. However, each TWG needs to make its own assessment based on the available options for the tariff structure. Based on the tariff structures proposed by the TWGs, the co-sponsors are prepared to assist the TWGs in making such calculations in Mauritius.

Table 1. Estimates of Tariff Revenue [1]
(in Percent of Imports)

Selected Countries	Existing Effective Duty Rate [2 3]	Import Taxes as a Percent of Total Tax Revenue [3]	Proposed Structure of HET Rates	
			Proposal 1 (5-15-25)	Proposal 2 (0-10-20)
Kenya	13.5	45.0	12	7
Malawi	11.9	34.9	13	8
Mauritius [4]	14.8	45.4	15	10
Madagascar	14.2	53.0	14	9
Rwanda	13.0	32.7	13	9
Tanzania	6.7	23.8	14	9
Uganda	9.1	39.6	13	8
Zambia	16.9	29.9	11	6
Zimbabwe	19.6	20.6	12	7

[1] This table includes countries for which reliable trade and revenue data were available.

[2] The effective duty rate is equal to actual duty collections divided by the total value of imports. Hence, the effective duty rate is less than it would be in the absence of exemptions.

[3] Latest year available.

[4] Export Processing Zone imports are treated in the same manner as other imports.

CROSS-BORDER INITIATIVE (CBI): KEY ASPECTS OF TRADE POLICY REFORM IN ZAMBIA

Prepared by the co-sponsors as a good practice example of progress towards the proposed Harmonized External Tariff under the CBI

INTRODUCTION

At the second ministerial meeting on the CBI held in March 1995 in Mauritius, which was followed by the third meeting of the Technical Working Groups (TWG) held in April 1996 also in Mauritius, the participating countries endorsed an overall road map for tariff reform that would inter alia harmonize external tariffs based on the following key guiding harmonization principles: a weighted average tariff of not more than 15 percent; no more than three non-zero rates; the difference between the lowest and the highest rate limited to 20 percentage points as a maximum to keep effective protection at a reasonable level and to avoid large variations in rates of effective protection among the participating countries. To this end, the participating countries would revise their tariff regimes so that the lowest rate (0 or 5 percent) is applied to raw materials and capital goods, the intermediate rate (10 or 15 percent) is applied to intermediate goods, and the highest rate (20 or 25 percent) is applied to final consumer goods. It was also understood that individual countries could go further in integrating their economies into the global economy by moving towards more uniform tariff structures with lower average rates.

The third meeting of the Technical Working Groups also agreed that the TWGs and their country authorities would proceed expeditiously in preparing the needed reforms to harmonize their respective external tariffs in line with the above principles. The TWGs also requested the co-sponsors (African Development Bank, European Commission, International Monetary Fund, and World Bank) to provide the participating countries with broad guidelines in the allocation of external tariff rates at least at the 6-digit (harmonized system) that are consistent with the endorsed principles and that could assist the country authorities in revising their respective tariff structures towards the harmonized external tariff (HET) objectives. This would be done by disseminating current practices in tariff reform among the participating countries that are broadly consistent with the endorsed principles of the proposed HET of the CBI countries.

This note has been prepared in response to that request with the objective of disseminating to the participating countries of the CBI the experience of Zambia's recent trade policy reforms. Attached to this note is the Zambia Customs Tariff. It allocates rates to tariff codes in a manner that is broadly consistent with the endorsed principles of the proposed HET.

The Zambia case is also a useful example of how it is possible to manage the revenue impact of tariff reform within a framework of overall taxation reform. Accordingly, the present note includes also the key aspects of Zambia's overall taxation reform. The co-sponsors are prepared to discuss the country specific tariff reform proposals prepared by the country authorities and respond expeditiously to requests for technical assistance consistent with requests already received and ongoing reform programs.

Finally, the co-sponsors hope that the dissemination of the Zambia case will help the other participating countries to design the needed reforms to their respective tariff regime with the objective of harmonizing the external tariff regimes of the CBI participating countries by 1998 in line with the objectives of the agreed "road map". It is important for the participating countries to adhere to the agreed timetable for the mutual benefit of all CBI countries.

BACKGROUND TO ZAMBIA'S TRADE POLICY REFORMS

In the early 1990s Zambia moved to a market determined exchange rate, eliminated most non-tariff import barriers, and began rationalizing tariffs. The maximum tariff was reduced to 40 percent and the minimum tariff was generally increased to 20 percent. In spite of this reform, however, trade policies still made it difficult for non-traditional exporters and for many import competing enterprises to be competitive. The fact that many materials, capital goods and intermediate goods, faced customs duties of 20 and 30 percent made it very difficult for **exporters** that use a large amount of imported materials or intermediate goods to be competitive as the export duty drawback system did not generally provide effective relief. At the same time, many **import substituting** activities faced difficulties as they had lower nominal protection on their outputs than the customs duty rates paid on inputs. The most common such cases were due to exemptions on selected finished products, smuggling, and the preferential tariff rates (at most 40 percent of the general tariff rates) on imports from member states of COMESA. Finally, weak tax administration and the existence of smuggling meant actual duties were often very different from listed ones, while continued pressure for additional exemptions was erroding revenue further.

TRADE POLICY REFORM OF 1996

In the 1996 budget, the Zambian authorities adopted an ***integrated package of customs duty reductions and removal of most exemptions*** to address the issues listed above. This package was the result of a review by policy makers in Zambia, with inputs from the private sector, tax administrators (the Zambia Revenue Authority), and World Bank and IMF staff. The design of the reforms took into account political economy considerations, revenue impact and administrative feasibility. The main feature of the reform was to lower customs tariff rates on most goods by 15 percentage points. This resulted in a ***moderately cascading tariff structure ranging from 0 to 5 percent for most capital goods and basic materials, 15 percent for intermediate goods, and 25 percent for final products.*** A key expected impact of these reforms is to strengthen export competitiveness by providing access to inputs at (near) world market prices without recourse to duty drawbacks. These reforms go a long way in addressing the problems listed above. Nevertheless, some manufacturers may still express some difficulties with respect to the classification of imported products into the various import categories associated with the new tariff structure.

The Zambian authorities also considered the alternative of a uniform customs duty, but decided in favor of a moderately cascading structure for several reasons. A uniform customs duty that was low enough to resist pressures for widespread exemptions, would not have yielded sufficient revenues. On the other hand, a uniform tariff of about 15 percent, which would have yielded sufficient revenue, would effectively have become a two-tiered cascading structure with the inevitable exemptions (i.e., zero rate for exempted items and 15 percent for non-exempted goods). Moreover, exporters would still not have been able to get relief, and import substitution activities that face competition from COMESA-sourced, duty exempt, or smuggled goods would also still be at a disadvantage.

In parallel with the move to the cascading structure described earlier, the authorities also undertook a full review of customs duty exemptions with the view to removing as many exemptions as possible without violating international agreements. As a result, the Government will pay duty on its imports, there will be no more investment exemptions (and existing ones will be allowed to lapse), goods imported by returning residents will not be exempt unless they have been abroad for 5 years (and cars will not be exempt even then), duty exempt cars (e.g. from diplomats) will not be resold to non-exempt persons for five years without paying duty, and charities will pay duty and get a refund (to contain abuse). Custom duty exemptions and refunds are limited to exporters, miners, firms that can prove damage from tariff anomalies, and approved providers of health, education, and humanitarian services.

Finally, with the exception of the temporary 5 percent import declaration fee, all other duties and charges on imports have been integrated in the customs tariff structure, in line with the principles endorsed under the CBI. The table at the end of this note summarizes the status of trade policy in Zambia before and after the 1996 reforms.

OTHER TAXATION REFORM

Aside from the tariff reform described above, the 1996 budget also included other important changes in the overall taxation structure. Personal income tax rates were decreased by 5 percentage points (from 15 percent, 25 percent and 35 percent to 10 percent, 20 percent and 30 percent, respectively), while the base was expanded through the inclusion of most previously untaxed fringe benefits. Furthermore, tax brackets were adjusted to minimize bracket creep due to the continuing high inflation.

In line with the lowering of personal income tax rates, the withholding tax rates on capital income (interest, dividends and capital gains) were also decreased from 25 percent to 15 percent. Corporate tax rates were not modified, with rates remaining in the range of 15 to 45 percent. Concurrently, in the face of persistently high inflation, the withholding tax credit was increased fourfold. Furthermore, the value added tax (VAT) exemption on copper was removed, fully integrating the sales of the copper parastatal (ZCCM) into the VAT net. Finally, plans were also announced to change the status of most agricultural goods from exempt to either fully taxable or zero-rated; possibly some essential foodstuffs (such as maize, mealy meal, etc.,) will become zero rated, as the authorities would like to ease the tax burden on low income consumers and small farmers, who have suffered the most under the frequent droughts.

The revenue effect of the comprehensive tariff and taxation reform package briefly described above is difficult to gauge, but preliminary evidence suggests that the package can be considered revenue neutral in the medium term.

15 July 1996

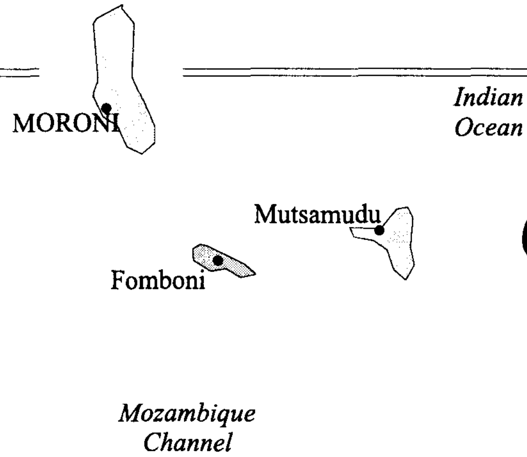
Table 1. Zambia's Customs Duties Before and After the 1996 Reforms

	Pre 1996 Reforms	*Post 1996 Reforms*
	percentage	*percentage*
Materials	0 or 20	0 - 5
Capital goods	20	0
Intermediates	30	15
Finished goods	40	25
Import declaration fee (*temporary*)	5	5
COMESA customs duty	up to 40% of the corresponding general rate	40% of the corresponding general rate

Exemptions

Exporters	Yes but difficult	Difficult but less important
Approved investments	Yes	No
Government	Yes	No
Education and health care providers	Yes	Refund for approved providers
NGOs		Refund for those approved
Sales by diplomatic personnel	Exempt; could resell duty free after 2yrs	Exempt; can resell duty free after 5yrs
New and returning residents	Yes after 1 yr. abroad	Yes after 5 yrs; cars not exempt at all
Ad hoc exempts for selected firms	Yes	No
Firms facing proven tariff anomalies	Yes	Yes
Registered miners	Yes	Yes

Note: (i) the import declaration fee is a temporary measure, which the authorities adopted for revenue reasons. The fee is expected to be abolished in the near future; (ii) the difference between the lowest and the highest tariff rates in the Zambia case is 25 percentage points, which is larger than the guideline under the proposed HET (20 percentage points, which was endorsed at the third meeting of the TWGs). Revenue considerations explain the divergence in the case of Zambia. It is hoped that in the near future it would be possible for Zambia to move to a structure that would narrow the difference between the highest and the lowest rates to within the guideline range.


MORONI
Indian
Ocean
Mutsamudu
Fomboni
Mozambique
Channel

Comoros

COMOROS

SPECIFICITE DU PAYS:

La République Fédérale Islamique des Comores, est un pays insulaire qui a une population d'environ 600,000 habitants.

Le revenu par habitant y est actuellement estimé à 530 $ US.

De multiples problèmes d'ordre structurels entravent son développement économique. L'armi ceux-ci, nous pouvons citer:

- ❑ l'isolement géographique (situé en plein milieu du Canal de Mozambique, ces Îles sont très faiblement desservies par les navires empruntant les lignes internationales),

- ❑ la limitation des ressources naturelles.

- ❑ la dépendance des exportations à l'égard d'un certain nombre de produits de rentes très limités (vanille,girofle,ylang,ylang)

Face aux nouveaux défis engendrés par le nouvel environnement économique mondial, le Gouvernement Comorien a entrepris en plus du programme d'ajustement structurel, une stratégie de réorientation des dépenses publiques vers les domaines prioritaires visant à améliorer le développement des ressources humaines, à renforcer l'infrastructure pour supporter les activités du secteur privé, à réduire la pauvreté et à protéger l'environnement.

Les Comores font de l'ouverture du marché et de la libéralisation du commerce une priorité de son programme économique.

Le pays possède un fort potentiel économique inexploité, qui, si Il l'était, pourrait permettre de soutenir une croissance durable ainsi que la stabilisation du cadre macro-économique.

LIBERALISATION ET FACILITATIONS DU COMMERCE:

A. BARRIERE TARIFAIRE (BT):

L'abaissement tarifaire a momentanément été gelé sur recommandation du FMI, pour cause de mise en œuvre d'un programme «surveillé» négocié avec les institutions de Bretton-Woods pour une période de six mois à partir de février 1997 et devant arriver à terme au mois d'août 1997.

Mais, ce programme de surveillance semble être fortement compromis, car la plupart des objectifs financiers qui avaient été fixés n'ont pas été atteints, et celui-ci sera sans doute prolongé jusqu'au mois de décembre 1997.

L'avant dernière réforme tarifaire appliquée aux Comores à partir du mois d'août 1996 a réduit les taux et consolidé les différents droits et taxes à un droit de douane unique dit taxe unique spécifique (TUS) imposable selon le produit (un peu plus d'une dizaine) au poids, au litre ou à l'unité, ainsi qu'une taxe unique d'importation (TUI) à 3 taux (20 pour cent, 30 pour cent et 40 pour cent), et ce conformément aux objectifs du tarif extérieur harmonisé (TEH) qui préconise un tel systéme: nombre de taux non nul inférieur ou égal à 3, écart entre les taux inférieur ou égal à 20.

La dernière loi de finances comorienne de mai 1997 a maintenu les taux de la TUI, mais elle a toutefois introduit un réaménagement des taxations des produits par rapport aux 3 taux (augmentation du nombre de produits taxés à 40 pour cent au détriment de ceux précédemment taxés à 20 et 30 pour cent), et a vu la création d'une TSVF (taxe spéciale à vocation fiscale) à deux taux: 150 pour cent pour le tabac et pour l'alcohol, sauf le whisky qui est taxée à 180 pour cent.

La taxation spécifique des véhicules a elle aussi été un peu modifié, ceux-ci sont taxés à l'unité en fonction de leur puissance en chevaux fiscaux.

Ce nouveau tarif attend donc l'aval du FMI et de la Banque Mondiale lors de leur prochaine mission aux Comores qui est prévue pour le mois d'octobre prochain.

La réforme de la fiscalité intérieure tant attendue pour aider à palier aux éventuelles pertes de recettes qui seront occassionnées par la mise en œuvre de l'abaissement tarifaire et du tarif extérieur harmonisé a enfin été mise en place par l'instauration d'une taxe générale sur les ventes (TGV) au taux de 7 pour cent pour les entreprises et autres activités en régime intérieur enregistrant un chiffre d'affaire d'au moins 20 millions de francs, et de 7 pour cent de la valeur CAF+Taxe unique, de tous les produits à «caractère commerciale» à l'importation.

Il a aussi été instauré par la loi de finances 1997, toujours pour le compte de la réforme de la fiscalité intérieure, une taxe dite «acompte sur divers impôts» ASDI. Celui-ci a un taux de 3 pour cent de la valeur CAF à l'importation et est imputable sur les impôts et taxes intérieurs déjà existants (IBD, IGR,Patentes...).

Ces deux taxes intérieures sont directement prélevées à l'importation par la douane, en même temps que les droits de douane, pour le compte de la Direction Générale des Impôts.

De ce fait, il semble de plus en plus se confirmer que ces deux taxes au lieu de faciliter les échanges, constituent une contrainte supplémentaire au développement de ceux-ci du fait de leur perception à la Douane.

En effet ces deux taxes intérieures qui doivent être uniquement supportées par les opérateurs économiques et en aucun cas le consommateur final, du fait de leur perception à la Douane au lieu de la DGI se voient de facto incorporés (par méprise?) par beaucoup d'importateurs dans la structure de leur prix de vente à la consommation. Ce qui est illégal et fortement préjudiciable au développement des échanges.

Le GTT envisage de poser ce problème avec les instances concernées afin de revoir les modalités de perception de ces deux taxes pour qu'elles ne constituent pas une contrainte supplémentaire aux échanges.

Sur la base des règles d'origines du COMESA, des règles d'origines COI ont été établies suite à une étude réalisée par le bureau d'étude «IMANI DEVELOPMENT». Les Comores sont disposés à appliquer la préférence tarifaire le «moment venu» dans le cadre du PRIDE et du CBI sur la base des règles d'origine établies.

B. BARRIERE NON TARIFAIRE (BNT)

Il n'existe aucune restriction quantitative ou autre à l'importation ou à l'exportation en République Fédérale Islamique des Comores, hormis celles liées à des raisons d'ordre sanitaire, sécuritaire, culturelle ou religieuse, ou de protection de la faune et de la flore.

Pour ce qui est documents de domiciliation bancaire et de support statistique au commerce extérieur utilisé lors des exportations et appelé à tort «licences», l'appellation n'a toujours pas changé. Le GTT va proposer dans les meilleurs délais aux autorités un document statistique de remplacement, similaire qui n'aura plus l'appellation de licences pour éviter toute confusion.

LIBERALISATION DES SERVICES

A. LIBERALISATIONS DES ECHANGES COMMERCIAUX

Les exportations ont été libéralisées depuis 1991, de même que l'importation des cigarettes et de la viande.

Le monopole d'importation du riz est en cours de dissolution. L'importation du riz de luxe est libre et l'importation du riz populaire est faite conjointement par la société d'état (ONICOR) qui en a la charge, et des privés.

L'achat se fait toujours par appel d'offre international.

L'importation des produits pétroliers est toujours un monopole d'état, toutefois, la privatisation de la société comorienne des hydrocarbures (SCII) est en cours d'étude.

Tous les autres produits peuvent être importés librement.

B. LIBERALISATION DU SECTEUR BANCAIRE:

Le secteur bancaire a été libéralisé et est réi par la loi N° 80-07 portant «réglementation des banques et des institutions financiéres».

Mais à ce jour il n'existe toujours qu'une seule banque commerciale la BIC (banque pour l'industrie et le commerce) qui est affiliée au groupe BNPI, et la BDC (banque de développement des Comores) qui octroi des crédits à moyen et à long terme.

En effet, il n'y a pas encore ou de demande sérieuse d'ouverture d'une banque.

C. LE SERVICE DES ASSURANCES

Celui-ci est entièrement exercé par le secteur privé. Seulement, on peut déplorer l'inexistence d'un service d'assurance à l'import tout comme à l'exportation. Les opérateurs doivent donc assurer leurs marchandises à partir des pays fournisseurs.

D. LE SECTEUR DU TOURISME:

Celui-ci est entièrement libéralisé. Une politique d'incitation et de promotion est en train d'être mis en place afin de développer ce secteur fort prometteur de notre économie.

E. LE SECTEUR DES TRANSPORTS:

a. Le Transport Aerien:

La billetterie qui était un monopole de l'ex société nationale «AIR COMORES» a été entièrement privatisée et plusieurs agences de voyage habilitées à émettre des billets de transports aériens se sont installées dans la place.

Pour ce qui est des transports, il n'existe plus de compagnie nationale de transports aérienne, tous les avions sillonnant l'espace aérien Comorien appartiennent à des compagnies privées locales ou étrangères.

Le service de la manutention aéroportuaire (assistance au sol «handling») est en cours de privatisation.

b. Le Transport Maritime:

Le transport maritime a été privatisé depuis fort longtemps.

Pour ce qui est de la privatisation du service de la manutention portuaire les études en cours ne sont pas encore achevées, mais elles sont en bonne voie.

F. LES POSTES ET TELECOMMUNICATION:

Les postes vont demeurer un monopole d'état, mais par contre, le secteur des télécommunications est en cours de privatisation.

LES INVESTISSEMENTS:

C'est le nouveau code des investissements plus avantageux de 1995 qui est toujours en vigueur. Celui-ci a été promulgué par le décret N° 95/110 PR du 18/07/95, mais il n'a toujours pas de décret d'application.

Celui-ci offre plus d'avantages, de souplesse et de garanties aux investisseurs, l'investissement est libre et toutes les contraintes en matière d'agrément de l'investissement étranger ont été levées:

- ❑ supression de la différence entre investisseur comorien et étranger,

- ❑ suppression de la convention d'établissement,

- liberté d'investissement,

- possibilité et facilité de rapatriement des dividendes et du capital,

- indemnisation en cas d'expropriation,

- exonération des droits et taxes dournières sur les investissements,

- exonération d'une grande partie des impôts(impôts sur les bénéfices, ...) sur les sociétés pendant cinq ans.

Un guichet unique du «CENTRE DE FORMALITES DES ENTREPRISES» a été mis en place au sein de l'Association pour la Promotion du Secteur Privé (APSP).

Celui-ci a pour mission de faciliter toutes les opérations administratives de création d'entreprises et de fournir toutes les informations sur le contexte juridique, réglementaire et fiscal aux Comores.

Le CFE a également pour mission d'apporter toute l'assistance juridique nécessaire dont les entrepreneurs ont besoin et de collecter toutes les informations sur l'actualité législative, réglementaire et fiscale en vue de les mettre à leur disposition.

Le CFE de par ses actions proximité doit favoriser et contribuer à la création d'un environnement institutionnel propice au développement du secteur privé.

Des démarches ont été entreprises pour la signature «d'accord de non-double imposition» avec d'autres états. Un modèle de protocole d'accord a déjà été établi avec l'ile MAURICE et est en cours d'étude en attendant sa ratification.

IMMIGRATION, RESIDENCE ET EMPLOI:

En ce qui concerne la circulation des personnes, il n'existe aucun obstacle, hormis le cas des ressortissants des rares pays ou les Comores ont une représentation diplomatique accréditée (et même pour eux), tous les voyageurs peuvent entrer librement aux Comores.

C'est une fois sur place que l'on procède à la régularisation. Le visa d'entrée est alors obtenu à l'entrée moyennant une taxe.

SYSTEME DES FINANCES, DES PAIEMENTS ET DE CHANGE:

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.

En matière de change, les réglements des transactions courantes sont libres et les Comores ont souscrit aux dispositions de l'article VIII du FMI sur la libéralisation des opérations de change.

Les Comores ont, trés peu, eu recours aux mécanismes de la chambre de compensation de la ZEP.

COORDINATION AVEC LES ORGANISATIONS REGIONALES ET SOUS REGIONALES:

Elle est assez bonne mais pas trés régulière pour cause de difficultés financiéres ne permettant pas la participation régulière à toutes les rencontres, et les cotisations ne sont pas régulièrement à jour.

Toutefois la mise en service du CENTRE DE TRANSIT INTERNATIONAL (CENTRALE TERRIENNE) de télécommunication financé par l'UNION EUROPEENNE par le biais de la COI a permis de résoudre en grande partie les problèmes qui existaient en matière de communications.

ADEQUATION ENTRE LES MESURES CBI ET LE CADRE MACROECONOMIQUE

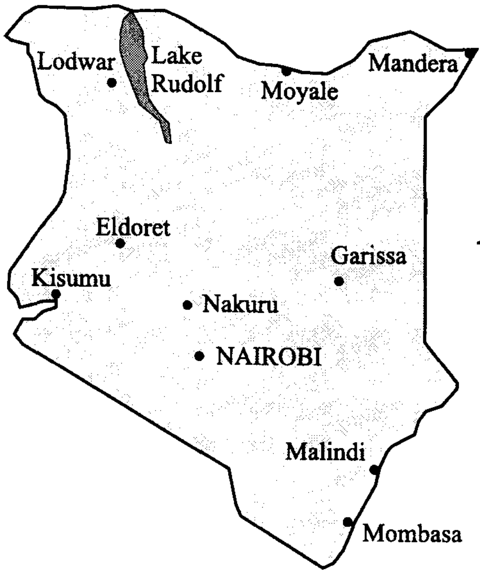
Le cadre macroéconomique n'est pas encore tout à fait stable, pour preuve l'existence perpétuelle de déficit budgétaire.

Toutefois, le GTT va s'employer à trouver les meilleures voies de conciliation entre le CBI ainsi que toutes les autres initiatives liées à l'intégration régionale, et l'équilibre précaire du cadre macro-économique afin de le stabiliser.

IMPLICATIONS DU SECTEUR PRIVE ET LEUR POINT DE VUE:

Le tarif des douanes d'août 1996 avait été conçu, réalisé et mis en place en concertation avec le secteur privé qui avait alors fait valoir ses points de vue. Ce qui n'a pas été le cas pour la dernière réforme tarifaire et ce malgré la mise en l'existence d'un comité mixte privé/public de suivi des réformes tarifaires.

Le secteur privé est trés bien représenté au sein du GTT comorien.


Lodwar
Lake
Rudolf
Moyale
Mandera
Eldoret
Garissa
Kisumu
Nakuru
NAIROBI
Malindi
Mombasa

Kenya

KENYA

BACKGROUND

1 Performance of the Economy

Kenya's economic performance, as evidenced by the growth in real GDP picked up from a near stagnant growth of 0.2 percent in 1993 to 3 percent in 1994. In 1995 and 1996 the economy recorded a growth rate of 4.8 percent and 4.6 percent respectively. The 1996 performance was below the projected level of 5.5 percent. This slow down in economic performance was attributed to inadequate rainfall, reduced use of farm inputs due to increased prices, high cost of domestic credit, power rationing in the latter part of the year, and a more competitive environment brought about by macroeconomic reform measures.

Agriculture continued to dominate the economy in terms of its contribution to total GDP. Its contribution to GDP was 25 percent. Manufacturing, Trade, Restaurants and Hotels and Finance, Insurance, Real Estate and Business services sectors contributed 13.4 percent, 12.2 percent and 10.0 percent of total GDP in 1996 respectively.

2 Investments Performance

Total real investments growth rate rose from -2.08 percent in 1993 to 13.77 percent and 15.41 percent respectively in the years 1994 and 1995 respectively. This was primarily as a result of the economic reforms of 1993. In 1996, however, growth in real investment dipped to a low 2.79 percent.

Although exogenous factors such as weather and consequent power shortage do largely explain the dip in investments in 1996, high lending interest rates were also a factor. The real interest rates on advances rose from 2.1 percent in 1994 to 25.6 percent in 1996. Monetary policy measures of 1996 and 1997, as discussed under Exchange and Payments Systems and Financial Sector Reform below are expected to address this problem through provision of alternative sources of corporate finance through the commercial paper market and increased loanable funds in commercial banks.

Investments are largely supported by domestic savings. Apart from 1993, in the other years (1992 – 1996) domestic savings support was between 61 percent and 78 percent.

3 Performance in Trade

Volume of trade increased by 205 percent from KShs 4,697 million in 1992 to KShs 14,334.3 million in 1996. Throughout this period, imports exceeded exports as evidenced by the Balance of Trade (BOT) deficit, which widened from KShs 1,212 million in 1992 to KShs 2,891 million in 1995. In 1996, however, the BOT deficit went down by 13 percent to KShs 2,514 million.

The overall balance of payments position recorded an exceptionally high surplus of KShs 1,163.0 million in 1996 compared with a deficit of KShs 368.9 million in 1995. This favorable upturn resulted from good performance in both current and capital account.

African countries continue to be the major destination of Kenya's exports. In 1996 they accounted for 46.7 percent of total exports. About 81.5 percent of total exports to Africa were destined for COMESA countries. Within COMESA, Uganda and Tanzania continued to be Kenya's major trading partners, with 42.2 percent and 32.7 percent of Kenya's exports to COMESA region destined to these countries respectively.

TRADE LIBERALIZATION ("ROAD MAP") AND FACILITATION

1 Trade Liberalization

Since 1993 Kenya has taken a number of policy measures geared towards liberalization of international trade.

- Import licensing was abolished in May 1993. The Government has also removed trade restrictions on all commodities except for a short list of a few products controlled for health, security and environmental reasons.

- Towards elimination of tariffs in intraregional trade Kenya published the COMESA 70 percent tariff reduction in May 1995. A legal Gazette Notice has now been issued making the 80 percent COMESA tariff reduction effective.

2. Trade Facilitation

The following trade facilitation measures have been taken.

- Kenya implemented PTA harmonized transit charges in July 1994.

- RCTD document has been introduced.

- Single goods declaration document has already been introduced.

- Introduction of Bond Guarantee Scheme is under consideration.

TRADE IN SERVICES

Most activities in the services sector have been liberalized. These include banking, brokerage and funds management services, telecommunication and energy sector, transport, tourism and insurance.

INVESTMENT DEREGULATION AND FACILITATION

The following investment related policy measures have been undertaken.

- The Investment Promotion Center Act has been amended to reduce the number of days for processing an application for investment from 90 to 30 days.

- A one stop office investment approval has already been set up.

- Kenya is rationalizing licensing and approval systems as a step towards enacting an investment code.

  Kenya is, however, yet to ratify the COMESA Multinational Industrial Enterprise (MIE) charter as it is awaiting COMESA revision of the charter.

- As a first step in encouraging cross-border investment, the capital markets Authorities of the three East African countries have signed a memorandum of understanding on cross-listing in these countries stock markets.

  To facilitate listing and ensure that quoted companies have the same features in all the three countries, the Kenyan Capital Markets Authority, in consultation with Central Bank of Kenya, is expected to initiate the process of independent rating of companies already quoted in the stock exchange markets of the three states and those intending to issue or float public debt. This is expected to increase disclosures and consequently enhance security of investments.

- As a policy measure to modernize and develop the capital market the government announced in the budget speech of 1997/98, that foreign brokerage and funds management firms will be allowed to participate in this market provided they do so through locally registered companies in which there is local beneficial ownership of at least:

  (a) 30 percent in the case of fund management firms.

  (b) 51 percent in the case of brokerage firms.

IMMIGRATION, RESIDENCE AND EMPLOYMENT

Kenya has implemented the first phase of the COMESA protocol on elimination of visas. Accordingly, therefore, all residents of commonwealth and non commonwealth COMESA states, except Sudan and Somalia, do not need visas to visit Kenya. For residents of Sudan and Somalia, however, visa is granted on application

COMESA is, however, yet to come up with a protocol on freedom of movement in phase 2.

In the three East African countries an East African Passport has already been launched.

According to the EAC matrix, an interstate pass will be effected in December 1997.

Counters to serve East Africans have been introduced in all international airports of the three counties. Reduction of work permit charges for East Africans is set to be addressed in a meeting of Ministers of Labor from the three countries in August 1997.

EXCHANGE AND PAYMENTS SYSTEMS AND FINANCIAL SECTOR REFORM

1 Exchange Systems

The following reforms have been accomplished in the exchange system in Kenya.

- All restrictions on current account transactions were removed in 1994. Foreign Exchange Control Act was repealed in December 1995. On 18 October 1993 inter-bank spot exchange market was fully liberalized. East African currencies are fully convertible and foreign exchange dealers in the three countries are now trading in these countries.

- Restricted foreign investment in government securities was abolished in 1995.

- On foreign investment in stock market shares, foreign companies can own up to 40 percent of Kenyan stocks and shares while individuals can own up to 5 percent.

- Investors can repatriate up to US$ 500,000. For amounts in excess of US$ 500,000 the Central Bank is advised ex-post for statistical purposes only.

2 Domestic Payments and Settlements

Kenya has already signed the IMF article VIII. Accordingly, therefore, Kenya guarantees to pay any one holding Kenya currency in foreign currency of their choice.

3 Financial sector reform

A number of developments have taken place in the capital and money market since the launch of the financial sector reform programme in 1989.

The development of the capital market, which until 1990 was in the hands of stock brokers, is now basically the responsibility of Capital Markets Authority (CMA) established in 1990. CMA's activities in development of both the secondary and primary securities market have led to increased dealings at the Nairobi Stock Exchange (NSE).

In 1996, the Capital Markets continued to grow steadily as evidenced by the number of public share issues, the amounts of long term funds raised and by the registered increase of activities in the secondary market. The number of listed companies at the Nairobi Stock Exchange and registered stock brokers remained at 56 and 20 respectively. On the other hand, the number of licensed investment advisers rose from 15 in 1995 to 20 in 1996. The CMA and NSE continued to administer the compensation Fund account established in 1995. The fund aims to protect investors against pecuniary losses arising from equity trading.

1996 witnessed the introduction of the first venture capital fund in Kenya. The Acacia Venture Capital Fund was launched in the market to provide private sector businesses with high growth potential but without available access to capital markets.

Economic reforms in the money market, targeting the factors which led to bank failures in 1985/86, were introduced through the Banking Act of 1989. Key among these reforms was a tightened regulatory framework in terms of conditions which an institution was required to fulfill before being granted a banking license. The regulatory framework also spelt out statutory requirements which banking institutions were required to comply with in the course of their operations.

In 1991, interest rates were decontrolled. In spite of this development lending interest rates have remained very high. In 1996, all commercial banks interest rates registered increases. The average weighted savings deposits interest rate increased from 9.55 to 11.5 percent while the interest rate charged on loans and advances for less than three years rose from 30.9 percent (1994) to 34.6 percent (1996).

The following monetary policy developments took place in 1996. During the year, Repurchase Agreement (REPOs) was introduced as an alternative instrument to be used in the money market, especially by the Central Bank to alter reserve levels. REPOs increases the liquidity of the already existing short term instruments (especially government securities) used in the market and hence their marketability. On the other hand, 60 and 270 days treasury bills were discontinued while the 30, 90 and 180 days were replaced with 28, 91 and 182 days respectively. At the same time, the Central Bank encouraged sale of Treasury Bills through the market rather than OMO window with the aim of creating a secondary market. A window for individuals with tenders of up to KShs 100,000 at the average tender rate was introduced to cater for small investors.

Conditions for Central Bank lending to commercial banks were relaxed in 1996. Treasury Bills were accepted as collateral for either borrowing or discounting regardless of their time to maturity. Borrowing by banks was to be considered even when they had lent in the inter bank market. The base lending and discounting rates were pegged at 5 percentage points above the highest prevailing Treasury Bills yield, and were later increased to 6 percentage points.

Lombard borrowing facility for commercial banks was introduced in 1996 with the aim of improving liquidity conditions in the financial systems (and hence check on the interest rates) and enabling the banking system more flexibility in liquidity management. The facility allows banks to borrow up to 5 percent of their paid up capital, interest of which was set at 2 percentage points, but later increased to 4 percentage points above the highest prevailing Treasury bills yield. The cash ratio deposit base for both commercial banks and Non-Bank Financial Institutions was redefined to exclude the deposits they hold in other banks and financial institutions.

Following the amendment of the Central Bank of Kenya Act in 1996, Government borrowing has been restricted to 5 percent of latest audited revenue receipts, compared to a 25 percent maximum before the amendment.

By the end of 1996, the money market (banking sector) comprised 50 commercial banks, 19 Non Bank Financial Institutions (NBFIs) and 2 Mortgage finance companies. The number of building societies remained unchanged at 4. In 1996, 3 commercial banks were placed under liquidation by the Deposit Protection Fund. During the year, as a result of continued adoption of universal banking concepts, 12 NBFIs converted into commercial banks while 6 more merged with their parents commercial banks.

COORDINATION WITHIN REGIONAL AND SUB-REGIONAL ORGANISATIONS

The Kenya Technical Working Group (K-TWG) has been involved in the East African Cooperation (EAC)/CBI Committee which was established in August 1994 with the purpose of enhancing regional cooperation in East Africa.

K-TWG has also kept COMESA Secretariat abreast of its activities through sending the secretariat Kenya's CBI letter of Policy, Kenya's CBI matrix and the 1997 semi annual report which detailed the activities of the group. Healthy dialogue ensued from this contact.

SUPPORT OF CO-SPONSORS

World Bank and European Union have continued to support Kenya through project assistance in the transport, energy, health, education and private sector development projects.

World Bank is currently supporting Kenya Technical Working Group (K-TWG) through a fund for financing CBI related studies and workshops. The EU is supporting the Secretariat of the TWG and related studies.

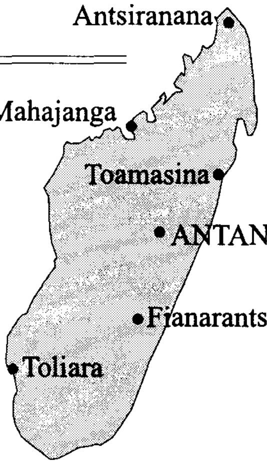
CONSISTENCY OF CBI AGENDA WITH GENERAL MACROECONOMIC POLICY

The CBI Agenda is in harmony with Kenya's macro-economic policy framework.

PRIVATE SECTOR INTERESTS AND VIEWS

Private sector is now represented in the K-TWG by Kenya National Chambers of Commerce and Industry, Kenya Association of Manufacturers, Kenya Clearing and Forwarding Association, and Association of Kenya Insurers.

The views of the private sector on cross-border initiatives are articulated through these membership associations, and through the following quasi government organizations: Export Promotion Council and Investment Promotion Center.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Madagascar

MADAGASCAR

GENERALITES

Situé au Sud-Est du continent african, Madagascar est une Ile d'environ 589,000 km^2 de superficie pour une population de 13,493 millions d'habitants (1996). Avec un PIB nominal aux prix du marché estimé pour la même année à 16,852.4 millions de DTS, le revenu réel par habitant du pays a diminué de plus de 40 pour cent entre 1970 et 1995. Les importations sont constituées pour plus de la moitié du total, de matières premières, de matériels et équipment et de sources d'énergie. Les exportations quant à elles, ont commencé à se diversifier avec une part de plus en plus importante des secteurs de la pêche et aquaculture, du textile et du tourisme, en dehors des produits traditionnels de l'agriculture et des mines. Les échanges avec les pays du COMESA ne représentent jusqu'a maintenant qu'une infime partie de l'ensemble.

Si le pays s'est appauvri durant les deux dernières décennies, des progrès substantiels ont néanmoins été enregistrés au cours des programmes appuyés par le FMI et la Banque Mondiale entre 1987 et 1991 mais des troubles sociaux ont interrompu cette évolution à la mi-1991... En vue de rétablir la confiance, les autorités ont défini au début de 1994 une stratégie pour la libéralisation de l'économie. Une vaste réforme du régime de change et de commerce a été mise en oeuvre en mai 1994. Ces mesures ont été complétées au début de 1995 par ensemble de mesures de stabilisation. Un document qui constitue le Document Cadre de Politique Economique (DCPE) du pays pour la période 1996-1999 a été préparé par le Gouvernement. Il traduit les options des autorités malgaches pour inverser la baisse tendancielle du niveau de vie et retrouver le chemin de la croissance. Le Gouvernement s'est clairement prononcé en faveur d'un système d'économie de marché caractérisé par la mise en place d'un environnement socio-économique favorable au développement du secteur privé, à la recherche de l'investissement étranger, au désengagement de l'Etat du secteur productif, et à une lutte plus efficace contre la pauvreté.

FACILITATION ET LIBERALISATION DU COMMERCE:

1. Importations

Le régime de licence d'importation, les restrictions sur les allocations de devises, le contingentement et la nécessité d'avoir une carte d'importateur ont déjà été supprimés. La demande d'autorisation préalable à effectuer auprès de la Régie Malgache des Monopoles Fiscaux (RMMF) pour l'importation de farine vient également d'être abolie. Bref, toutes les barrières non tarifaires ont été levées, hormis liste négative de produits pouvant porter atteinte à la sécurité publique, à la protection sanitaire et environnementale et à la morale.

En ce qui concerne le tarif douanier, le programme de réforme entrepris de 1988 à 1992 a abouti à une simplification de la structure tarifaire, une uniformisation des taux au niveau des positions à 4 chiffres et une réduction des taux de taxation à 10 pour cent au minimum à 30 pour cent au maximum avec moyenne de 18 pour cent. Les sous-positions sur le code de précision selon la destination du produit ont été annulées avec la loi des finances 1997. Des mesures légales ont été prises pour l'application des préférences sur base réciproque par une réduction de 80 pour cent, de 90 pour cent et de 100 pour cent des taux respectivement en 1996, en 1997 et en 1998 vi-à-vis des pays de la COI. Pour les pays du COMESA, chaque étape d'abaissement s'étale sur deux ans pour aboutir au tarif zéro en l'an 2000. La mise en oeuvre effective reste cependant subordonnée à l'adoption, dès la finalisation d'une étude en cours sur la question de règles d'origine et d'arrangements subséquents communs. Le choix sur le schéma 5-15-25 pour cent relatif au tarif extérieur harmonisé est, quant à lui, fait. Il reste à en déterminer les modalités pratiques avec une évaluation de l'impact à l'occasion d'une autre étude qu'il a été convenu de mener avant la fin de cette année.

2. Exportations

L'exportation de tous les produits agricoles traditionnels ou non, à l'exception de quelques produits soumis à autorisation préalable (protection de produits rares de la faune, flore et minéraux) est libéralisée. La taxe à l'exportation sur la vanille vient d'être supprimé. La rétrocession obligatoire des recettes d'exportation a également été abolie. En complément, les monopoles dans les domaines du sucre, de la farine de blé, du coton, de la viande, de l'énergie et des hydrocarbures seront supprimés au cours de année 1997.

LIBERALISATION DES SERVICES:

Les services se trouvent à des stades de libéralisation différents. Les services financiers, la consultance, le transport aérien, le tourisme sont déja libéralisés. La discrimination en matière de tarification hotelière sera abolie au courant de cette année. La libéralisation des professions libérales ne fait l'objet d'aucune objection de la part des professionnels du secteur sous réserve de l'application du principe de réciprocité. Le monopole de l'Etat sur les assurances et réassurances reste encore en vigueur. Il sera progessivement libéralisé d'ici fin 1998 dans le cadre du désengagement de l'Etat des entreprises publiques. Les monopoles dans les domaines du cabotage, des ports, de la gestion des aéroports, des télécommunications seront, quant à eux, abrogés au courant de cette année 1997.

FACILITATION ET LIBERALISATION DES INVESTISSEMENTS

Le Code des Investissements a été abrogé et certains avantages out été intégrés dans le Code Général des Impôts dans l'optique de l'émination de toute discrimination. L'autorisation préalable des investissements étrangers supérieurs à 20 pour cent du capital social et effectués dans le cadre du droit commun a également été supprimée. En outre, un quelconque montant minimum n'a jamais été exigé sur les investissements étrangers qui bénéficient désormais des mêmes dispositions et traitements que les investisseurs nationaux. Les seuls investissements nécessitant encore un agrément sont ceux qui sont effectués dans le cadre du régime de zone franche. Toutes les procédures en sont cependant déjà centralisées au sein de l'Office de Guichet Unique et le délai d'instruction fixé légalement à 30 jours au maximum à partir de la date de dépôt du dossier de demande complet. Des travaux sur la restructuration de cet organisme pour l'amelioration de son efficacité, la prise en compte des formalités administratives de création de société sont en cours. Ces formalités seront, au courant de cette année, elles-mêmes raccourcies et rendues moins couteuses et celles portant sur l'octroi de licences dans les secteurs de la peche et des forêts simplifiées tout en tenant compte de la protection de l'environnement.

Il est rappelé que Madagascar est membre de la MIGA depuis 1989. Des accords de non double taxation n'ont cependant été signés jusqu'a maintanant qu'avec la France (donc La Réunion) et la République de Maurice. Ces accords seront étendus progressivement aux autres pays participant à l'ITF.

Enfin, la mise en place du marché de bourses de valeur est prévue pour être réalisée au plus tard à la fin de l'année 1998.

IMMIGRATION, SEJOUR ET EMPLOI

Les formalités de visas de séjour et de travail pour les investisseurs étrangers et pour les touristes, et celles portant sur les permis de séjour et de travail pour les techniciens étrangers ont été assouplies, tandis que le visa de sortie pour les nationaux et les résident étrangers a été aboli. A les étrangers arrivant à Madagascar, sans visa préalable, peuvent obtenir à l'aéroport d'Ivato un visa d'entrée de courte durée valable pour trois mois. Ce type de visa, avec deux ou trois entrées, peut être demandé à l'avance auprès des représentations diplomatiques et consulaires malgaches à l'extérieur. Pour les autorisations d'emploi et les visas de long séjour, la durée de traitement des dossiers est légalement limitée à quinze jours à compter de la date de dépôt du dossier de demande complet.

La ratification du Protocole COMESA sur la libre circulation des personnes devra attendre la finalisation de son élaboration.

SYSTEME DE CHANGES ET DE PAIEMENTS

1. Réforme du secteur financier

Cette réforme a débuté en 1988 et a déjà permis l'entrée d'institutions financières régionales (Mauritius Commercial Bank à travers l'Union Comercial Bank) et extra-régionales (Credit Lyonnais BNI et Banque Nationale de Paris/BMOJ). Une nouvelle loi bancaire autorise, par ailleurs, l'implementation de banques "off-shore" et la pratique de nouveaux services tel que le crédit – bail. Cette nouvelle loi et la privatisation en cours des deux banques publiques restantes, qui devra être finalisée, avant la fin de cette année, consolident la liberalisation des services financiers.

La loi 94,005 portant statut de la Banque Centrale de Madagascar à qui il est accordée une plus grande autonomie vis-a-vis des autorités politiques, vient conforter le souci de réforme rationnelle en permettant à cet organisme de veiller sur la valeur interne et extérieure de la monnaie.

La mise en place de la Commission de Contrôle des Banques et des Etablissements Financiers devenu "Commission de Supervision Bancaire et Financiére" vise également à développer le secteur financier malgache par le suivi du respect des régles prudentielles et de la concurrence. Le rôle de cette commission est prévu d'être renforcé dans le cadre de la nouvelle loi suscitée.

Le projet de Développement des Institutions Financières (PRODIF) est en cours d'exécution pour apporter l'assistance technique et financière. Ce projet vise à promouvoir les investissements et, partant, la croissance dans les secteurs productifs de l'économie par l'amélioration de l'ensemble du système financier (incluant la Caisse d'Epargne).

2. *Régime et marché des changes*

Le Marché Interbancaire de Devises est maintenu avec des mesures d'amélioration de son fonctionnement qui ont, entre autres choses, supprimé les files d'attente.

Madagascar vient d'adhérer à l'article VIII des statuts du FMI, abolissant ainsi toutes les restrictions sur les paiements courants. Les flux de capitaux vers l'extérieur restant cependant encore soumis à autorisation administrative et les délais nécessaires à l'achèvement de la libéralisation totale des opérations en capital dépendent du succès de la politique de stabilisation actuelle de l'économie. Le pays entend néanmoins abroger à terme le contrôle des changes.

COORDINATION A L'INTERIEUR DES ORGANISATIONS REGIONALES

En tant que membre de la Commission de l'Océan Indian (COI), Madagascar participe au Programme Régional Intégré pour le Développement des Echanges, (PRIDE) dont les conditions de mise en oeuvre est subordonnée à l'implantation des mesures de l'ITF. Des réunions de suivi se tiennent chaque année au Sécrétariat Général de la COI en collaboration avec les services techniques de l'Union Européenne (UE). En collaboration avec la direction régionale du PRIDE, le Sécrétariat Général de la COI jouera dans ce travail de suivi un rôle de centralisation et de diffusion des informations auprès des Etats membres en ce qui concerne l'état de mise en application des diverses mesures par les pays, et le suivi de l'harmonisation et de la réciprocité de la réduction tarifaire préférentielle par les Etats membres. Madagascar est également membre du COMESA et vient de souscrire récemment à la Charte de l'Indian Ocean Rim – Association for Regional Cooperation (IOR ARC).

SOUTIEN DES CO-SPONSORS

Le GTT de Madagascar a déjà bénéficié du concours d'un sécrétariat et d'un expert juridique financés par l'UE. Madagascar entend continuer à bénéficier de l'opportunité de financement de la poursuite du concours d'un organisme servant de sécrétariat sur 3 ans mais des problèmes de paiement semblent se poser sur cet aspect et nécessitent une clarification de la situation (relations UE/IMANI/Sous-traitant ou Consultant/GTT). Une réaction notamment de l'UE sera la bienvenue.

A l'occasion de l'étude sur l'impact de la mise en place du tarif extérieur harmonisé mentionné ci-dessus, Madagascar déterminera ses besoins d'assistance financière dans le domaine spécifique pour l'IFT. Dans le cadre global de l'ajustement structurel cependant, pour fournir une idée des besoins de financement extérieur du pays, le déficit de financement résiduel de Madagascar se situe en 1997 à 1,545.1 millions de DTS pour évoluer en 1998 à 82,5 et en 1999 à 70,4 millions de DTS. Le solde global (base engagement) du Trésor s'élevait quant à lui en 1996 à -5,4 pour cent du PIB.

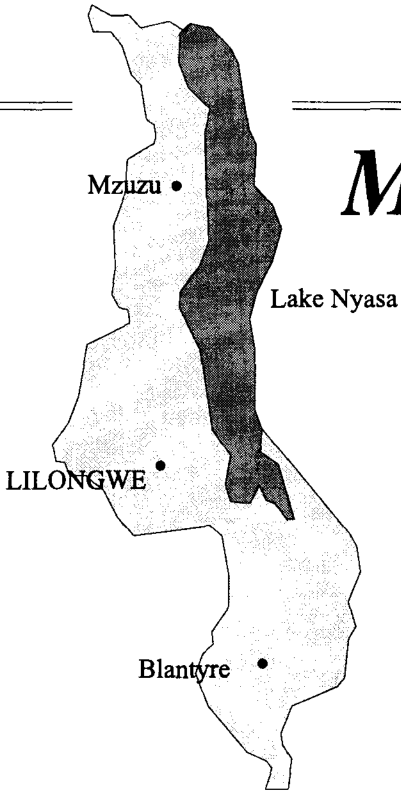
CALENDRIER DE MISE EN OEUVRE

Les engagements du pays sur le calendrier et les prévisions d'actions immédiates sont déjà spécifiés ci-dessus pour chaque domaine concerné. Il reste l'envoi officiel de la lettre de politique ITF finalisée, qui devra intervenir avant la fin de ce mois de juin 1997. L'ensemble de ces engagements est mentionné en clair dans le Document de Cadre de Polititique Economique (DCPE) du pays pour la période 1996-1999.

POINT DE VUE ET IMPLICATION DU SECTEUR PRIVE

Le secteur privé est représenté de manière paritaire au sein du GTT. Ses représentants ont toujours manifesté leur souhait d'aller de l'avant dans la concrétisation des mesures de l'ITF pour pouvoir profiter de l'élargissement du marché ainsi créé. D'une manière générale, l'ensemble du secteur privé entend contribuer de manière plus substantielle à la croissance économique et apporte ainsi son soutien aux mesures de stabilisation et de relance que le Gouvernement entend continuer à mettre en oeuvre au moins sur la période 1996-1999.

Malawi



MALAWI

COUNTRY BACKGROUND

The current government's economic strategy upon election in 1994 was to restore macroeconomic stability in the face of rampant inflation, a large current account imbalance and a substantial fiscal deficit. The general economic strategy was, through stabilisation and liberalisation, to enable private sector growth and, by reprioritising budget expenditures to reallocate government's resources to the social sector, where the greatest needs of the poorest sections of society were concentrated in their lack of access to health and education services. The government therefore initially addressed its overarching poverty alleviation programme through this two pronged approach, which was complemented by direct actions to raise agricultural productivity, improve smallholders' access to cash crops, diversify the production base, provide special credit schemes for small entrepreneurs and encourage community based projects funded by the Malawi Social Action Fund.

On the overall macroeconomic front Malawi has, in statistical terms performed well in the most recent years – real GDP growth rates of 9.5 percent in 1996 and 9 percent in 1995 have been attained, inflation has been brought under control and is currently recorded in single digit figures; the exchange rate has been stable since late 1994 despite significant changes elsewhere in the region; and the budget deficit and other benchmark indicators have, despite some slippages, by and large remained on track and have met the short term performance criteria agreed with the IMF under the EASF. Interest rates have been reduced during 1996 but still give a positive return on deposits, and foreign exchange reserves have been increased to, and maintained at, approximately 4-5 months' import cover.

The most impressive advances have been recorded in the smallholder agriculture sector, where response to the liberalisation of the markets has been most marked, with an overall increase in production of almost 40 percent in 1996. This performance was helped by good rains and substantial growth in pulses, rice, cotton, potatoes and burley tobacco. The services sector, and within this distribution services, consequently also grew strongly at over 12 percent year on year. However, the manufacturing and utilities sectors declined by 6 percent and 1 percent respectively; the former, despite stable exchange rates and falling inflation in 1996, adversely affected by high interest rates early in the year and from cheap imports, where some anomalies in the tariff structure and bilateral trade agreements (i.e. with Zimbabwe) proved disadvantageous to local manufacturers.

Improvement in the overall medium and long term economic prospects for Malawi will require significant changes from historical policies and structural adjustment practices endorsed hitherto, which have failed to alter substantially the broad composition of the GDP under successive adjustment programmes or to have any serious impact on the overall welfare of the predominantly rural population. Malawi suffers from some inherent obstacles and inherited drawbacks which inhibit growth and its favourable impact – the country is landlocked with few indigenous natural resources, has a high population growth rate, a highly skewed distribution of income and wealth coupled to a low propensity to save, is still largely dependant on one traditional agricultural export for foreign exchange earnings and one rain-fed crop for food. Nevertheless, recent strategies which place greater reliance on smallholder development as the key (but intermediate) step to sustained growth, on strengthening the private sector and allowing entrepreneurs to operate in competitive markets and so to be the engine for growth, have had some encouraging early results as indicated above.

The preliminary findings of the "Growth Prospects" study indicate that Malawi will have to achieve and maintain an average annual real GDP growth of around 5-5.6 percent over the next decade in order to avoid an increase in the number of people below a notional basic needs poverty line, if the distributional pattern of growth remains unchanged. This growth requirement compares with a 2.4 percent average annual rate of growth over the period 1981-96 and so puts into perspective the order of magnitude of the problem to achieve such sustained annual growth rates for an economy vulnerable to exogenous shocks, such as droughts, outside the authorities' control. The government has recognised that there are a number of enabling factors which will, however, add to the resources the country has to offer in terms of labour, a diverse agro-ecology, the lake and the central position with a good infrastructure, relative to regions of its neighbours, Malawi enjoys. Actions have already been taken to improve basic literacy and numeracy levels through the introduction of free primary education and determined attempts to improve female education retention rates and the involvement of women in development; to remove blockages to entrepreneurial development and off-farm income generating activities through improved access to credit and the provision of timely market information, which is an essential corollary of deregulation and liberalisation for markets to operate effectively given the inherited dualistic structure of the agricultural sector and the oligopolistic nature of the formal industrial and commercial economy.

In conclusion, on past performance and the prospects for the economy, much has been achieved in recent years and the framework for continued growth and a more egalitarian distribution of resources is being put in place. However, it is also clear that there will be continued pressure on public resources despite re-prioritisation and cutbacks and a number of difficult measures still need to be implemented in almost all sectors in order to achieve sustained economic growth and marked improvements in the well-being of the population as a whole.

TRADE LIBERALISATION AND FACILITATION

In line with the requirements under the Economic Structural Adjustment Programme and also in a bid to free the private sector enterprise from bureaucratic delays and disincentives and to encourage innovative and effective business management, the Malawi Government undertook measures aimed at liberalising and facilitating trade. Notable measures include:

Import and Export Licensing

The Import and Export licensing system has been liberalised to the extent that the latest position is that only thirteen commodities/products require an import licence while only four commodities/products require an export licence. The licensing is principally done for health, security, safety and environmental reasons.

Import and Export Quota System

There are no import and export quotas imposed on importation and exportation of commodities/products.

Reduction of Tariff

Government has reduced the tariffs in the past years. The highest tariff is now 40 percent. For intra- COMESA trade, the country has reduced the original tariffs by 70 percent.

Decentralisation of Processing of Business Licensing

With the removal of restrictive and discriminatory practices and provisions in the Business Licences, the job of processing of application of business licensing has been delegated to the District Trade Officers or District Commissioners, where there are no District Trade officers.

Speedy Processing of Applications for Incorporation of Companies and Registration of Business names

Companies are now registered and incorporated within 14 days from the date of submission of the application.

Price Decontrol

Prices of all commodities/products except petroleum products have been decontrolled. Business organisations are now free to manage their own pricing policies.

INVESTMENT DEREGULATION AND FACILITATION (PROGRESS ON NEW LEGISLATION AND ITS IMPLEMENTATION)

Investment Incentives

Government is putting together mechanisms which will encourage the granting of incentives. While at present any investor who wishes to apply for incentives has to do so to the Minister of Finance, Government is in the process of putting into legislation a mechanism whereby an Incentives Committee will make recommendations on applications by investors for incentives to the Minister of Finance, Ministry of Commerce and Industry, the Malawi Investment Promotion Agency, and the Department of Income Tax, among others.

In the 1997 Budget, the Minister of Finance and of Economic Planning and Development introduced several measures aimed at promoting investment. These include:

- the reduction of corporate tax on firms manufacturing in Export Processing Zones to zero percent.

- new investments of between US$5.0 million and US$10.0 million will be given an option of paying either a reduced 15 percent corporate tax rate indefinitely, or taking a 5 year holiday; new investments in excess of US$10.0 million will be given a similar option, but with a tax holiday of 10 years. In both cases, where a foreign investor is involved, the foreign capital contribution must be no less than 30 percent.

- removal of duty on raw materials for manufacturing.

Legal and legislative development relating to investments.

Malawi has signed or initialled a number of investment protection agreements and protocols with Malaysia, Mauritius and the Republic of China

Laws affecting Telecommunications and Infrastructure

A number of laws affecting infrastructure have been or are about to be passed including the Electricity Act which allows, for the first time, private sector participation in electricity generation and distribution. The Malawi Posts and Telecommunications Act has also been passed and the Act formally sets up Malawi Posts and Telecommunications Corporation (MPTC) as a parastatal and allows private sector participation, though in a limited way, as the Corporation has been given powers as a regulator. Thus any new entrant into the telecommunications field has to be licensed by MPTC.

The Malawi Broadcasting Corporation (MBC) Act is being amended to allow other operators in broadcasting as well as to create an independent body to oversee the sector. In terms of Roads, the Road Authority Bill has been presented and the bill has been passed. An autonomous Board is in place which will be responsible for maintenance and rehabilitation of the national road network.

Issues Affecting Temporary Employment and Business Residence Permits.

The process of issuing Temporary Employment Permits is being revised and the new policy will contain provisions whereby: (i) investors shall be allowed to fill up to five or three or two key posts, whichever the case may be, with expatriate personnel as may be required. The key posts will depend on a threshold of initial investment capital and/or whether the project is locally/domestically or export oriented.

The Government seeks to encourage incremental investment and as such the policy on key posts will apply to those companies undertaking the following business ventures:

- ❑ establishing new businesses
- ❑ diversifying of products or services
- ❑ restructuring and/or expansion of existing firms

A Temporary Employment Permit Committee chaired by the Chief Immigration Officer and with representatives from the ministries of Home Affairs, Labour and Manpower Development, Department of Immigration and the Malawi Investment Promotion Agency, will be constituted.

All applications for TEPs will be acknowledged within two weeks of submission and a decision will be communicated within thirty working days from the date of submission.

In terms of the processing of Business Residence Permits, the application procedure is being reviewed in that all applicants will be allowed to enter the country as visitors/ tourists in order for them to study the areas they may wish to invest in. They will then be required to leave the country after collecting all necessary documents and information relevant to the submission of their application. The would-be investor would then submit the application together with his business plan including his capital investment while he/she is outside Malawi. If the application is successful, the applicant will be advised and will be required to enter the country within six months to register the business and bring his capital.

EXCHANGE AND PAYMENT SYSTEM AND FINANCIAL SECTOR REFORM

Government has eliminated all exchange and payments restrictions on current transactions. To this effect all approvals are handled by the Authorised Dealer banks without further reference to Exchange Control authorities. Consequently, the Malawi Government accepted obligations of Article VIII of the IMF Articles of Agreement, in December 1995. A gradual elimination of restrictions on capital flows is currently in process in order to encourage investment. Already, Malawi has removed restrictions related to the inflow as well as the profit repatriation of foreign direct investment, and has adopted a liberal attitude regarding portfolio investment by non-residents. Registration, however, is required in both cases for record purposes only. The registration process is a matter of routine which does not exceed ten working days unless more information is required from the applicant.

In keeping with the Government objective to increase competition in the banking sector, thereby making the investment climate more conductive, three new banking licences were issued in the course of 1995: the First Merchant Bank of Malawi and Finance Bank of Malawi commenced their operations in June and December 1995, respectively. Recently, the Malawi Savings Bank was also licensed following the restructuring of the Post Office Savings Bank. Further, the Malawi Rural Finance Company was also established with the sole aim of enhancing rural population participation in development activities by facilitating credit availability.

In addition, significant progress has been made in developing capital markets following the introduction of the Capital Market Development Act in 1991, the subsequent establishment of the Malawi Stock Exchange and the licensing of Stockbrokers Malawi Limited in 1995. The stockbroking company has also been instrumental in the development of secondary trading in government securities. Two shares have so far been listed on the Exchange and further listings are expected in the near future, especially in the context of the Privatisation programme. The Government is also drafting a new securities market law which will further strengthen the regulatory framework.

The conduct of monetary policy is based on the use of indirect, market-based, instruments. To ensure effectiveness of these instruments, substantial progress has been made in developing money markets. Besides trading in government securities, interbank markets for both domestic currency and foreign exchange have emerged. The Government will also introduce a book-entry system for government securities soon.

SUPPORT OF CO-SPONSORS

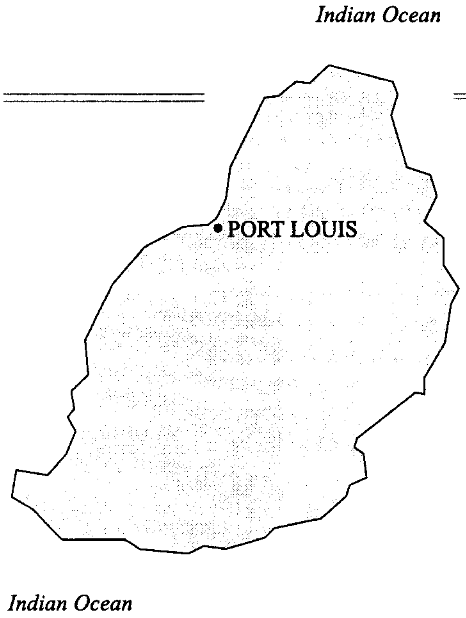
The CBI in Malawi continues to suffer from the lack of a dedicated Secretariat. The original target date of December 1994 to establish this body was reset to February, 1995. However, advertisements were only posted in 1996 and selection interviews took place in November. The committee recommendations have yet to be endorsed and so the Secretariat remains unstaffed. Partly as a result of the absence of this co-ordination body and partly from the high turnover of personnel responsible for CBI matters, the TWG has not met for some time. Budget support from both the World Bank and the EU for the Secretariat start-up costs and of ongoing CBI activities (including the bank's associated Fiscal Restructuring and Deregulation Project) are expected to continue in support of the programme.

CONSISTENCY OF CROSS-BORDER INITIATIVE (CBI) AGENDA WITH GENERAL MACROECONOMIC POLICY

The Government is currently pursuing macroeconomic policies aimed at maintaining external and internal balance, including fiscal discipline, restrained monetary and credit policies, and liberalisation of trade and payments system. The emphasis is to stimulate and facilitate increased private sector participation in development efforts through economic diversification, increased productivity, and improved competitiveness.

Malawi is participating in the Cross-Border Initiative (CBI) to facilitate cross-border trade, investment and payments in the COMESA/SADC/IOC subregion. The CBI agenda is in line with the general macroeconomic policies of the Government. However, Malawi had gone far ahead of many participating countries in the initiative. For example, as at December 1996, Malawi gave a 70 percent preference on import tariff to participating countries when the rest of these countries were still at 60 percent. At the moment almost all tariff and non-tariff barriers are removed except for a few to do with health, safety and national security. This has left the country at a disadvantage in its trade with countries that are still behind when there is no reciprocity. There are some alleged cases of dumping of goods in the country from other participating countries because of liberalisation of trade.

It is evident that those countries which have a strong industrial manufacturing base have benefited from this common market grouping within the region. However, Malawi has not benefited much from the CBI because of its weak industrial and manufacturing base. As a result, there is an influx of foreign goods in the market while its manufacturing sector is declining. The government needs to create a conducive environment for private sector investment in order for it to benefit from CBI. As an agricultural economy, Malawi needs to diversify in order to broaden the trading base, and also to engage in more agro-processing to add value to its commodity exports.



Mauritius

MAURITIUS

BACKGROUND

1. The Cross-Border Initiative (CBI) is primarily aimed at enhancing regional co-operation among the countries in Eastern and Southern Africa and the Indian Ocean that are members of COMESA, SADC and IOC in areas of trade, investment and payments. The Initiative has emerged as it has been recognised that regional economic co-operation is an essential element in strategies to attain international competitiveness in this part of the world in the emerging global order.

2. Voluntary participation by a willing group of countries, implementation of reforms based on the principle of reciprocity among the participating countries, and harmonisation of economic policy reforms across the countries so as to facilitate cross-border economic activity are some of the distinguishing features of the CBI.

TRADE LIBERALISATION AND FACILITATION

3. Trade has been extensively liberalised in Mauritius over the past decade. There are no restrictions on payment for imports. Quantitative restrictions have been removed and import licensing is limited to a small list of products for health, sanitary, environmental and strategic reasons. Price control has been lifted on all but a few essential items. Export tax on sugar has been abolished.

The coming into force of the WTO in January 1995 and the signing of the SADC Trade Protocol in August 1996 are two important events that will have significant bearing on the trade liberalisation policies of Mauritius.

4. Mauritius has, for the first time in its history of trade, made commitments to bind its tariffs on a number of products. This will definitely contribute to predictability in international trade. It has also been adhering to the transparency provisions of the WTO by making regular notifications of its trade policies and practices.

5. The Customs Tariff has undergone major reforms since 1994 and about 60 percent of imported goods attract duty between 0 percent and 20 percent which comprise mostly foodstuffs, raw materials for industries, capital goods, pharmaceuticals, chemicals and paper. The highest rates (55 percent and 80 percent) are charged on selected products such as tobacco, alcoholic beverages and motor cars.

6. A White Paper on Indirect Taxation Reform has been published by Government in May 1997 with a view to undertaking important reforms in the indirect tax system and the replacement of the present sales tax on goods by a value-added Tax on goods and services so as to improve tax buoyancy and to promote investment activity. This will imply further lowering of import duties with the reduction of number of rates and further moving towards an alignment in the tariff applicable to preferential and non-preferential sources.

7. Mauritius has also been taking a number of trade facilitation measures. The processing of customs trade documents using EDI has been introduced and will be further enhanced with the full implementation of the Tradenet – a nation-wide EDI trade application. This will significantly reduce the administrative bottlenecks to trade. Government has announced its intention to liberalise the air-cargo sector by the end of this year. The laws on copyright, trademark and patents are amended to bring them in conformity with the international obligations on intellectual property rights.

8. Studies are being carried out for the implementation of the harmonised external tariff. With regard to liberalisation of trade at regional level, Mauritius has been faithfully implementing the COMESA time-table of tariff reduction. But in 1996 Mauritius did not apply the 80 percent tariff reduction due to the fact that the overall compliance of other COMESA members was not satisfactory. Mauritius is prepared to scale down the COMESA tariffs provided that other members will reciprocate. Moreover, Mauritius is presently involved in the negotiation of the modalities and process of tariff reduction within SADC.

TRADE IN SERVICES

9. Mauritius is taking some positive steps to develop the trade in services. Tourism happens to be the main component of trade in services in Mauritius, followed by financial and telecommunications services.

10. During the Uruguay Round of negotiations, Mauritius made specific commitments regarding market access in tourism and telecommunications services. While it is the policy of Government to limit its tourist business to the upper segment of the market, there exists a certain degree of openness to foreign investment in hotel and tourism-related services.

11. Mauritius has also undertaken commitments to maintain transparency in telecommunications services and to allow cross-border movement of information. In its revised offer of commitments to the WTO, Mauritius is agreeable to ending the monopoly on telecommunications services by 2004.

INVESTMENT DEREGULATION AND FACILITATION

12. In 1996, Government set up a Task Force comprising public and private sector representatives to study the whole question of competitiveness and to formulate appropriate recommendations and measures. The recommendations of the Task Force were submitted to Government. Issues related to the facilitation of investment were also examined and the main recommendations are:

- ❑ to reduce processing and approval time for work and resident permits through computerisation and streamlining of procedures
- ❑ reduction of delays in obtaining Development Permit
- ❑ review of incentives to industry
- ❑ approval of authorisation to invest should be processed and granted within a month and licences should be issued within a shorter time period.

- review the role of the One Stop Shop and the granting of more powers to it.

- review the Export Credit Guarantee Scheme and consider a line of credit be considered for Eastern and Southern Africa countries.

A high level ministerial Committee, chaired by the Minister of Industry and Commerce, has been set up to monitor implementation of the recommendations. Furthermore, Government has agreed to the introduction of a Permanent Residence Scheme to attract investors. The modalities of the scheme are being worked out.

IMMIGRATION, RESIDENCE AND EMPLOYMENT

13. Foreign investors and businessmen who intend to visit Mauritius in connection with investment/business prospects are normally issued, on application, a short visa for a maximum period of up to three months for which they do not require a work permit. These applications are processed and finalised within a period of 5 to 7 working days provided all necessary information as required on the application form is submitted.

14. Any foreign businessmen/investor requires a work permit in case he intends to take up employment in Mauritius. Moreover, expatriate workers should ensure that they hold valid residence and work permits prior to travelling to Mauritius. However, in cases where local companies urgently require the services of expatriates to be employed in grades other than skilled (as machinist, operators etc.), on application, a temporary entry visa is granted pending the grant of a residence and work permit.

15. The granting of residence and work permits is not automatic but on application and provided that the post in which the expatriate will serve falls within the scarcity area as defined by the Ministry of Human Resource Development.

FINANCIAL SECTOR REFORMS

16. During the last few years, the Bank of Mauritius has done away with reserve requirements, quantitative control on bank credit to the private sector, selective credit and interest rate guidelines and has instead shifted to a monetary policy that relies upon market-based instruments. Interest rates are fully liberalised and banks are free to charge their own rates on deposits and loans and overdrafts.

17. Since July 1994, the determination of the Bank Rate, which is the Bank's minimum discount and advances rate, is linked to the average Treasury bill auction rate. The bank of Mauritius now focuses on the control of bank liquidity through a reserve money program in order to achieve the inflation target. The overall stance of monetary policies is formulated by a high level committee, namely the Monetary Policy Committee, chaired by the Minister of Finance, and comprising representatives of the Bank of Mauritius and the Ministry of Finance.

18. The risk-weighted capital adequacy ratio has been implemented in accordance with the Basle Agreement, and International Accounting Standards (IAS 30) have been adopted which call for a greater degree of transparency in banks' accounts. The capital adequacy ratio has been raised from 9 percent to 10 percent as from July, 1997.

19. Adequate provisioning for bad debts was implemented in 1996 and banks are required to classify their loans and advances into performing and non-performing ones.

20. The cash reserve ratio which commercial banks are required to maintain has been reduced from 8.0 percent to 6.0 percent and their non-cash asset ratio, from 20 percent to zero per cent as from 1 July 1997.

21. The proposal to create a Financial Services Commission (FSC) whereby all existing non-banking supervisory authorities, namely the Mauritius Offshore Business Activities Authority (MOBAA), the Stock Exchange Commission and the Insurance Unit would be grouped under the single umbrella of the FSC so as to ensure more effective supervision and better coordination had been indicated in the letter dated April 1995 and has not yet been finalised. However it is expected to be set up shortly.

22. To widen the range of financial instruments, non-bank institutions are allowed to issue Certificates of Deposits.

EXCHANGE SYSTEMS

23. All provisions under the Exchange Control Act have been suspended since July 1994. There are no restrictions on capital account transactions in respect of either inward or outward investment. There are no retention rules for foreign exchange earned or owned by residents.

24. The Government of Mauritius has, with effect from 29 September 1993, accepted the obligations of Article VIII, Sections 2,3 and 4 of IMF Articles of Agreement whereby it accepts to refrain from imposing restrictions on the making of payments and transfers for current international transactions or from engaging in discriminatory or multiple currency practices without IMF approval.

25. With a view to promoting greater competition in the foreign exchange market, foreign exchange dealing licences are issued under the Foreign Exchange Dealers Act.

26. Efforts are also actively being pursued by the central bank with a view to modernising the payments and clearing systems and electronic payments system with real time gross settlement for large value transactions currently under implementation.

FOREIGN EXCHANGE MARKETS

27. Since July 1994, in order to stimulate the development of a more efficient foreign exchange market, the Bank of Mauritius changed its role of a market maker into that of a market player. A foreign exchange market in US dollars has been established and the Bank of Mauritius intervenes in the foreign exchange market by buying and selling US dollars.

28. As regards management of foreign exchange, the Bank of Mauritius pursues a policy to ensure that the value of the Rupee vis-à-vis major currencies reflects the macroeconomic fundamentals of the country.

29. Since August 1996, the Mauritius Sugar Syndicate has released 25 percent of sugar proceeds directly to commercial banks through an auction process. With effect

from July 1997, the Mauritius Sugar Syndicate has been allowed to manage its entire foreign exchange earnings.

OFF-SHORE, FREEPORT AND STOCK EXCHANGE

30. Steps have been taken to integrate the onshore and offshore sectors and set up an international financial services sector. In this context, as from 1 July 1998, an Offshore Company will, under the new Income Tax Act 1995, be taxed at a uniform rate like other domestic incentive companies. However, foreign tax credits which provide credit on foreign source income will also be available.

31. The Double Taxation Avoidance (DTA) network is being expanded and new treaties are being negotiated so as to tap business opportunities in the region especially within the Indian Ocean Rim Association for Regional Co-operation (IOR-ARC). As to date, 18 DTAs have been ratified. Mauritius is also signatory to Investment Promotion and Protection Agreements with China, Germany, Indonesia, Mozambique, Pakistan and UK.

32. Offshore activities are also being combined with Freeport activities to build a regional trading hub.

33. Following a Mauritian delegation visit to Mozambique, an exclusive economic zone of 100,000 hectares in Beira, Mozambique has been earmarked for promoting regional investment and trade. In that context, several projects have been initiated to operate in the zone through the offshore or the Freeport sector.

34. The internationalisation of the Stock Exchange was initiated in the wake of the suspension of Exchange Control in Mauritius. Rules were reviewed to allow for listing of offshore funds in Mauritius and foreign investors are henceforth allowed on the Mauritius Stock Exchange. Under the Stock Exchange Foreign Investment Rule 1994, foreign investment through an offshore Entity may be effected in securities of listed Mauritius companies. A Central Depository System (CDS), i.e. an automated clearing and settlement system, has also been introduced.

COORDINATION WITHIN REGIONAL AND SUB-REGIONAL ORGANISATIONS

35. Mauritius belongs to the Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC) and Indian Ocean Commission (IOC) and IOR-ARC. Development within these organisations may possibly affect the implementation of the CBI.

36. The IOC Secretariat organised a meeting on 6 and 7 May 1997, to take stock of the progress made so far by the IOC Member States in implementing measures relating to the CBI and "Programme Régional Integre de Développement des Echanges" (PRIDE). In the context of PRIDE, a study has been carried out by Imani Consultants (Mauritius) Ltd on the IOC Rules of Origin.

37. Further, the IOC Secretariat has offered to assist with the coordination of a joint study to be financed by the European Commission for the four ACP members of the IOC, including Mauritius, on the implications of moving to the Harmonised External tariff.

38. Moreover, the SADC Technical Meeting on Investment, Trade and Finance and CBI, held on 18 -19 February 1997, Gaborone, which Mauritius attended, provided an opportunity for dialogue between SADC Member States and the CBI co-sponsors. How the SADC Trade Protocol could be implemented with the support of the CBI was discussed. It is to be noted that Mauritius has already ratified the SADC Trade Protocol.

39. The regional organisations to which Mauritius belongs are trying, through co-ordination as shown above, to avoid overlapping and duplicating in various initiatives especially in the trade sector.

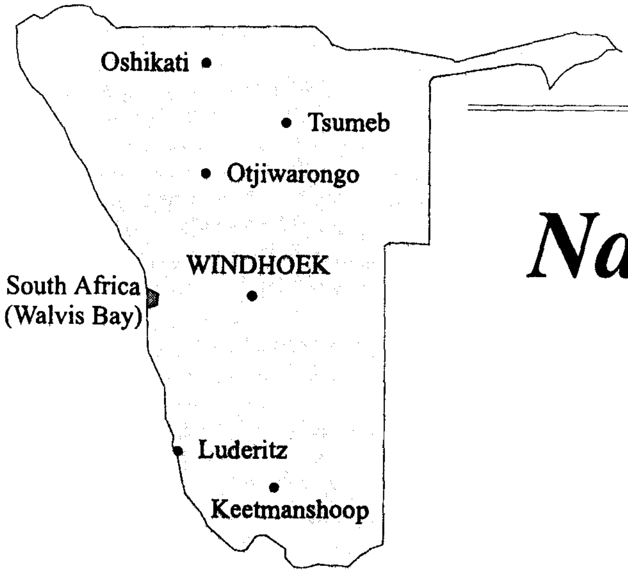
PRIVATE SECTOR INVOLVEMENT

40. Mauritius has a long-standing tradition of Government/Private sector dialogue which allows the private sector to voice its views on the development strategy of the country. This dialogue takes place at various levels both in a structured manner as well as on an ad hoc basic.

41. Government holds regular meetings with the private sector through the Joint Economic Council, the private sector coordinating body which comprises all the major business organisations, namely the Mauritius Chamber of Commerce & Industry (MCCI), Mauritius Chamber of Agriculture (MCA), Mauritius Employers' Federation (MEF), Mauritius Sugar Producers' Association (MSPA), Mauritius Export Processing Zone Association (MEPZA), Mauritius Bankers' Association (MBA) and 'Association des Hoteliers et Restaurateurs de l'Ile Maurice' (AHRIM). These meetings which are held at least twice a year are chaired by the Prime Minister and are attended by senior ministers and JEC members.

42. Since 1994, a Regional Co-operation Council (RCC) had been set up where both Government and the private sector representatives meet on monthly basis to discuss regional cooperation. Under the aegis of RCC, the Technical Working Group (TWG) was revived in early 1997 to enable Government officials and private sector to focus on issues related to the Cross-Border Initiative.

43. A joint public/private Select Working Group has been set up since early 1996 to develop a strategy for future ACP/EU relations in the context of the Post Lome IV arrangement and the World Trade Organisation.


Oshikati
Tsumeb
Otjiwarongo
WINDHOEK
South Africa
(Walvis Bay)
Luderitz
Keetmanshoop

Namibia

NAMIBIA

COUNTRY SPECIFIC BACKGROUND

1. Namibia was in the fortunate position to be among the first countries to benefit from the financial support provided by the CBI co-sponsors. Already at the 1996 meeting of all Technical Working Groups in Mauritius, the outline of the CBI Programme of Assistance was agreed upon between Namibia and the co-sponsors. This programme went into implementation in early 1997. The Letter of CBI Policy was, however, only formally signed off in August 1997, although the letter had been agreed in principle in 1996.

2. Namibia is also in the fortunate position that it is not subject to any Structural Adjustment Programme (SAP) or specific financial reform programme. The CBI financial assistance could therefore be used in full for capacity building and trade and investment facilitation measures.

3. In terms of Namibia's commitments to tariff reduction and foreign exchange liberalization measures, it stands guided by its membership to the Southern African Customs Union (SACU) and Common Monetary Area (CMA). SACU is implementing the South African tariff reduction offer to the World Trade Organisation (WTO) which is defined by South Africa's status with the WTO of a developed nation and not by the status of the BLNS[1] countries. This means that the allowed time-frame for tariff reduction for Namibia is shorter than for other developing countries. SACU is preparing a joint offer to SADC as part of the tariff reduction and harmonisation commitments under the SADC Trade Protocol. As part of the CBI activities, Namibia has identified

[1] Botswana, Lesotho, Namibia and Swaziland

the need for a review of its membership to the CMA. This review will take place in early 1998 and is expected to guide a Namibian initiative to discuss certain changes to the agreement with its CMA partners.

4. The implementation of the measures identified in the CBI Letter of Policy is on-going. In most areas substantial progress has been made over the past few years, in some progress has been slow. The areas of focus of the CBI agenda are elaborated upon below and further detailed in the country matrix.

TRADE LIBERALISATION AND FACILITATION[2]

1. Namibia is a signatory to the WTO Marrakech Agreement. Its commitments are largely guided by its membership of the SACU. As a SACU member, Namibia endorsed RSA's offer to the WTO and is therefore linked to the tariff reform programme of South Africa, reflecting its status with the WTO as a developed country. This implies that Namibia has made tariff concessions, cuts and bindings which exceed the commitments made by other developing countries. It is important to note that Namibia, by virtue of its membership to SACU, is bound by the common SACU regime applicable to customs valuation, rules of origin and other border measures appropriate to developed countries.

2. Namibia has signed the August 1996 "Protocol on Trade in the Southern African Development Community (SADC) Region" which sets out the general framework for the establishment of a Free Trade Area amongst the SADC members over a period of 8 years. It will, however, await the tariff reduction schedules which are to guide the implementation of the Protocol before ratification.

3. There is since 1992 a Preferential Trade Agreement in force between Namibia and Zimbabwe, providing for duty free market access for trade between these countries subject to specified rules of origin. SACU is currently negotiating a PTA with Zambia.

4. In the area of trade liberalisation the implementation of the tariff reduction programme as per the South African – which is also the SACU – offer to the WTO is

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[2] For details, reference is made to the CBI Policy Matrix.

on-going. The number of tariff lines has been considerably reduced, from 12,000 to approx. 4,000. Progress on the tariffication of the agricultural NTB's has been slow. Namibia has only limited influence on progress in the reduction of tariffs which process is controlled by South Africa. In terms of preferential access to its CBI partners, there is still no certainty over the future of Namibia's trade relations with third countries, i.e. other than the SACU member states. The decision whether or not SACU as an entity should enter into such preferential trade agreements is to be taken by the SACU ministers as part of the renegotiations. At present Namibia has a PTA in place with Zimbabwe only. The SACU-Zambia PTA is still under negotiation.

5. During 1997 no further progress on the renegotiations of the 1969 SACU Agreement was made. The last Customs Union Task Team (CUTT) meeting took place in November 1996. The issues agreed in principle are detailed in Annex 2. A SACU Ministerial Meeting has been called for early 1998 which is expected to put the renegotiations back on track.

6. Although at an earlier stage the TWG had in principle agreed to participate in the joint Swaziland-Namibia study on a Harmonised External Tariff (HET), at the August '97 TWG meeting it was decided to defer the HET analysis until further notice in view of the agreement in SADC on the modality of tariff reduction with countries presently working out their individual offers.

7. To reduce non-tariff barriers to trade has been an on-going effort. Areas of concern which are being addressed are the following:

Import and export licensing

The review of the Namibian import and export management system was not finalised by the envisaged time frame of July 1997. The consultants will only complete the review by the end of January 1998. The streamlining of this component of trade policy has been a priority for some time now and it is hoped that the review will come up with practical recommendations to effect changes in the system. A general import licensing system is foreseen.

Road user and transit charges

A new Road Traffic and Transport Act has been prepared and a new road user charges system is being developed which is guided by the principle of non-discrimination between local and foreign road users.

Customs Procedures

The Automated System for Customs Data (ASCYCUDA) is now operational in Namibia. The Customs and Excise Department is planning to upgrade the system to allow for interfacing with other users in the region and beyond. Trader and clearing agents will then also be able to directly access the system by computer. Furthermore, the new version will allow for a countrywide network. A single goods customs declaration form has been in use since April 1995.

Non-transparency in Trade (and Investment) Incentives

The streamlining of the existing incentives for traders and investors (in particular in manufacturing) forms part of the implementation of the 1996 FIAS[3] Road Map Study recommendations.

Access to Export Financing

No further progress has been made on the development and implementation of an Export Financing Scheme. The feasibility study provided for in the 1995-96 Development Budget was never carried out.

Competition Policy

A draft Namibian Competition Policy has been finalised (see section 5) which is expected to contribute to the practice of fair trade.

8. With respect to the so-called non-traditional NTBs, as identified in the Namibian Letter of CBI Policy, the following may be reported:

Trade Information

Although considerable progress has been made to capture import statistics using the Eurotrace system, accurate data on exports (commodity, value, and destination)

[3] Foreign Investment and Advisory Services

can still not be made available by the Central Statistics Bureau. The Bank of Namibia now has taken the initiative to work directly with the Customs and Excise Department to produce reliable export statistics. The availability of reliable trade data is an important element in the strategy to redirect the perspective of Namibian businesspersons towards new export destinations and sources of imports. The NNCCI[4] has established an Access Information and Marketing (AIM) Centre, which is serving the local and foreign business community.

Historic Structure of Namibian Trade – Export Diversification Drive

Historically Namibia's trade has been focused on South Africa and for certain exports Europe. The Government of Namibia is embarking upon various programmes to promote export diversification, with a strong industrial development orientation. Increased exports of Namibian goods will only be effected if the manufacturing base is strengthened. The **Export Processing Zone programme** is well under way with some 11 companies operational under the open, country-wide export regime with a total projected investment value of close to N$ 200 million and another 20 companies having been awarded EPZ status. The EPZ Development Programme is supported by CBI earmarked EC and World Bank funds (see below). *Industrial parks* have been constructed in Windhoek and Otjiwarongo with another under construction in Gobabis and a further 5 SME units planned for Keetmanshoop, Ohangwena, Uutapi, Karibib, Katima Mulilo, Rundu and Walvis Bay and an industrial park in Ondangwa. Furthermore, a **"Namibia: Policy and Programme on Small Business Development"** was recently adopted by the Namibian Government. In support of this policy an extensive SME development programme has been developed for implementation over the next 5 years. The **Duty Remission Scheme** as proposed by Namibia to the Customs Union Task Team – which is charged with the technical level renegotiations of the SACU agreement – has been adopted in principle but its implementation is awaiting the finalization of the renegotiations.

Capacity of Trade Facilitation Private Sector Institutions

The envisaged trade facilitation and export development structure for the Namibian National Chamber of Commerce and Industry has not yet been realised. They include the Trade Facilitation Secretariat and the NNCCI Trading House. The activities of the NNCCI and also the Offshore Development Company have been supported by the private sector component of the CBI Programme of Assistance (see below).

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[4] Namibian National Chamber of Commerce and Industry

A Namibian Export Promotion Strategy

An Export Promotion Strategy for Namibia to focus the efforts of both Government and private sector in support of trade expansion and diversification is being developed as part of the CBI Programme of Assistance.

TRADE IN SERVICES

1. The recognition of the importance of trade in services is reflected by Namibia's specific commitments to the General Agreement on Trade in Services. There are no sector specific commitments and the horizontal commitments ensure non-discrimination between foreign and local service providers. Foreign service providers will have to comply with the Namibian Immigration Control Act of 1993 and the Labour Act of 1995. The general criterion is that foreign nationals with relevant qualifications and investors with a sufficient capital base and serious investment plans should be able to obtain the relevant immigration documents without delays. To apply for such documents through the Investment Centre has proven to cut short the red tape (see below).

2. Namibia is a member of the Regional Tourism Organisation for Southern Africa (RETOSA) which became operational in 1996. The facilitation of cross-border traffic for tourism purposes features high on its agenda.

INVESTMENT DEREGULATION AND FACILITATION

1. Since Independence, there has never been an investment regime based on approvals by the authorities in place. Only if the investor applies for a Certificate of Status Investment, EPZ status or for preferential treatment under any of the incentives schemes, the investment plans require approval. The 1990 Foreign Investment Act is a public document and various sector specific brochures have been published since. A Business Guide to Namibia detailing, *inter alia*, the foreign investment regime was published in 1996.

2. The recommendations of a FIAS Road Map Study which identified numerous smaller and more serious obstacles to investments is currently under implementation as part of the TTIDP[5]. Various ministries and departments are involved in the project. Upon completion of this project, Namibia's investment and related procedures will have considerably improved offering a much more simplified and transparent environment for Namibian and foreign investors.

3. Namibia is a member of MIGA and has concluded double tax agreements with Germany, India, Mauritius and Sweden.

IMMIGRATION, RESIDENCE AND EMPLOYMENT

1. The Investment Centre (IC) functions as a one-stop-shop for foreign investors and deals also with all immigration procedures related to foreign investment. The IC has a permanent representative on the Immigration Selection Board. The IC prepares the files for submission to the Board. It takes about **one week** to process an application for a **business visa** with a maximum validity of 90 days for investors and/or business people wishing to investigate and assess investment and business opportunities in Namibia. It takes about **30 days** to process an application for an **employment permit** or a **Permanent Residence Permit**, though depending on the merits of the case this may be accelerated or the requirement waived in full.

2. There is free movement for Namibian and Angolan residents up to 60km on either side of the Namibian-Angolan border. To some extent Namibia has implemented the spirit of Article 2 of the COMESA Protocol on the elimination of visas for regional travellers. *Bona fide* travellers or business people from Angola, Botswana, Lesotho, Kenya, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe as well as South African citizens are exempted from visa requirements.

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[5] Transitional Trade and Investment Development Programme

EXCHANGE AND PAYMENTS SYSTEM AND FINANCIAL SECTOR REFORM

1. The relaxation of foreign exchange controls has been an area of good progress during the last two years. The CMA regime is moving towards a more liberal foreign exchange system. The individual measures are detailed in the CBI Policy Matrix. They include the introduction of EPZ Customs Foreign Currency Accounts, EPZ Non-Resident Accounts, deregulation of indicative limits for current account transactions for the payment of subscriptions, directors' fees, advertisements, examination fees, medical expenses, alimony payments, etc., increase in the maximum amount allowed to Namibian travelling overseas, study allowance for Namibian students abroad. Capital account transactions which have been relaxed include the introduction of asset SWAPS, increase in the limit of FDI, automatic approval for the remittance of dividends, and various allowances for Namibian corporations to raise foreign financing and to invest in SADC countries. Non-residents are not subject to any capital account restrictions.

2. The proposed review of Namibia's membership of the Common Monetary Area (see above) is expected to come up with recommendations as how to improve the foreign exchange environment for Namibia.

3. Generally, the financial sector measures identified in the CBI agenda have been complied with except for the development of foreign trade financing instruments (see section 20). Correspondent banking relations are in place using the SWIFT system, provided that they have a sufficient capital base foreign financial institutions may access the Namibian financial sector (in fact there is already Malaysian, French, German and South African interest in Namibian banks and there is foreign interest in the majority of the asset management companies that operate in Namibia). The establishment of a unified, inter-bank, spot exchange market will have to be promoted at regional level.

COORDINATION WITH REGIONAL AND SUB-REGIONAL ORGANISATIONS

1. With reference to section 2.5 above, the lack of progress with the renegotiations of the 1969 SACU Agreement has to date not adversely affected Namibia's participation in other regional initiatives. On an *ad hoc* basis the regional commitments are dealt with by SACU. An example in point is the joint SACU tariff reduction offer to SADC

which is currently being prepared. A SACU joint effort is further demonstrated in the negotiation of a SACU-wide Preferential Trade Agreement with Zimbabwe and Zambia.

2. Namibia is actively participating in the negotiations related to the implementation of the SADC Trade Protocol. SADC is an important building block for Namibia in its regional economic integration efforts.

SUPPORT OF CO-SPONSORS

1. A 14 months Transitional Trade and Investment Development Programme (TTIDP) was launched in February 1997 with financial assistance from the European Union (EU) under the CBI programme. This programme aims to build capacity and strengthen the institutional framework of the Ministry of Trade and Industry with special reference to the Investment Centre and the International Trade Directorate. The TTIDP forms part of a wider EU financed project "Support for Implementation of the Cross Border Initiative" which provides for:

- ❑ TTIDP technical assistance programme
- ❑ Direct budgetary support to the Namibian EPZ Development Programme, implemented by the Offshore Development Company (ODC)
- ❑ Private Sector Assistance with technical assistance to the Namibia National Chamber of Commerce and Industry (NNCCI)

General support to MTI, including, *inter alia*, coordination of the Economic Management Programme (EMP), technical advice to the Minister of Trade and Industry and the purchase of equipment and software for the establishment the National Trade Data Base which will be set up under the TTIDP.

A new three-year Trade and Investment Development Programme (TIDP) is currently being designed for implementation from 1998 as a follow-up to the transitional programme.

2. The World Bank financial assistance under the CBI-I programme was utilised for the following short-term activities:

- consolidation of the Namibian Letter of CBI Policy
- research project: "Namibia's Competitiveness Review"
- research project: "Facts and Figures for the Parliamentary Workshop on the proposed EU-RSA Free Trade Agreement"
- consultancy services on formulation of development projects
- development of a Relational Database Management System

Various computers and other office equipment for use by the Ministry of Trade and Industry were also purchased from the CBI/World Bank funds for phase I.

Some of the activities planned for the World Bank CBI II programme include:

- study tour for Namibian entrepreneurs to South Africa
- feasibility study on the establishment of the Namibia Women in Business (NAWIB)
- on-going technical assistance to the Office of the Minister of Trade and Industry

CONSISTENCY OF CBI AGENDA WITH GENERAL MACRO-ECONOMIC POLICY

1. Namibia's commitments to the CBI agenda merely re-enforce its priorities in the areas of trade liberalisation and facilitation, investment promotion and facilitation and liberalisation of the foreign exchange regime.

2. The support of the CBI co-sponsors has facilitated and in certain areas enhanced the implementation of general macroeconomic policy measures.

3. The Cross-Border Initiative has focused Namibia's commitments to facilitate and encourage cross-border trade and investments, offering a consolidated framework of action. In this regard the CBI Synthesis Paper prepared for discussion at the CBI Ministerial Meeting should be mentioned. The paper offers a consolidated view on history, progress and future options for the CBI which is very useful for Namibia to keep track of the developments in the region. For Namibia to know where it is placed regionally in terms of its commitments to and extent of implementation of the CBI agenda is an important tool in enforcing our commitments to cross-border trade and investment facilitation.

PRIVATE SECTOR INVOLVEMENT AND VIEWS

1. The private sector is represented on the Namibian Technical Working Group through the active and consistent participation of the Namibian National Chamber of Commerce and Industry (NNCCI). The Bankers' Association of Namibia is also a member of the TWG.

2. The NNCCI is included in the CBI Programme of Assistance, providing support for the following activities:

Development of information materials

This includes the production of a video feature, info stand for local and regional promotions, access to EUROSTAT data and other publications, catalogues, monographs, subscriptions to on-line data banks, etc.

Training workshops and seminars

Topics include: trade fairs, feasibility studies, business opportunities in SADC, international marketing, information, business opportunities in the EU, export essentials.

Technical assistance

- ❑ general backstopping at NNCCI
- ❑ new industries extension service
- ❑ organisation of mini campaigns and surveys
- ❑ investment promotion missions

3. The CBI Programme of Assistance further includes a number of seminars for senior banking managers and representatives of other financial institutions. These are scheduled in close co-operation with the Bank of Namibia. Topics identified for these seminars include: export financing, export credit guarantee schemes, export risk insurance and auditing of public incentive scheme related expenditures.

4. The NNCCI has attended various regional meetings organised by the CBI sponsors.

5. In a recent commentary on the CBI Synthesis Paper the NNCCI expressed the following views on CBI:

- ❑ It is quite obvious from the Draft Synthesis Paper prepared for the planned CBI Ministerial Meeting that there remain many unfinished agenda items for the countries participating in CBI. There is evidence that the CBI activities, especially the work of the TWG's, has given rise to new items on the agenda. Namibia seems to have performed satisfactory in terms of implementing its Letter of Policy. There are, however, many options left for Namibia in terms of the future of CBI. "The work of the local CBI Chapter must continue at all costs, even if it means that we have to secure funding from sources other than the co-sponsors. There remains a substantive agenda from the current Namibian Letter of CBI Policy as well as additional items identified by the TWG."

ANNEX 1: SACU RENEGOTIATIONS

SACU RENEGOTIATIONS

The renegotiations of the 1969 SACU Agreement were launched in November 1994 and are still on-going although the Customs Union Task Team (CUTT) had its last meeting in November 1996. It is not certain whether and when the negotiations will be concluded. Namibia set out the negotiations with the following brief:

Democratic governance and administration of SACU

- ❑ Common external tariffs to be set on a consultative and mutually beneficial basis
- ❑ Introduction of a lower and more uniform tariff system, and transparency in the new SACU tariff policy
- ❑ Accelerated tariff reduction to be introduced through reciprocal tariff phasing down agreements with SADC partners on a SACU-wide Preferential Trade Agreement basis
- ❑ Conformity with the WTO Marrakech Agreement and other international agreements
- ❑ Establishment of an appropriate and effective mechanism within SACU to deal with monopolies, cartels, dumping and other unfair trade practices
- ❑ A new clean revenue sharing formula reflecting the country's contribution to the common pool
- ❑ Address the problem of adverse polarisation effects in SACU

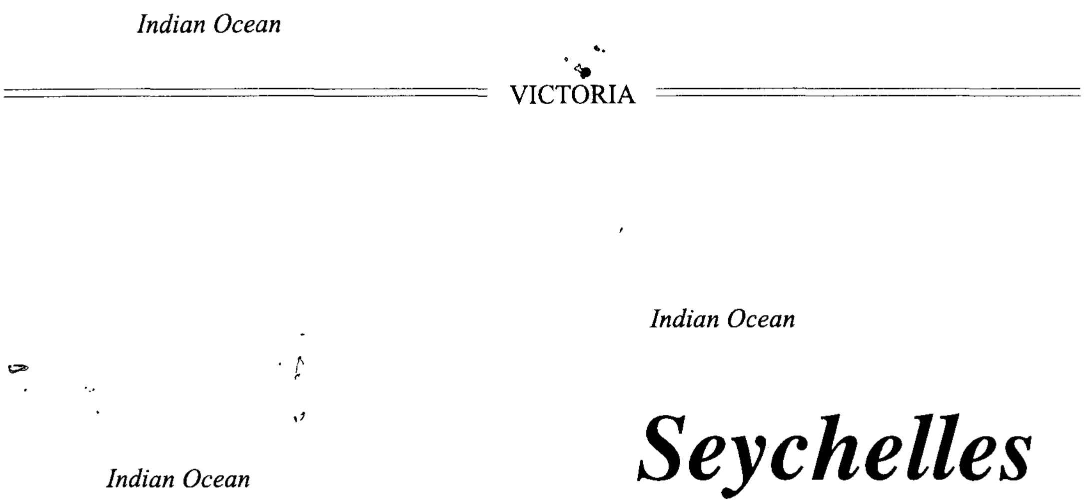
Principle agreement has been reached in the following policy areas:

- Tariff Policy
- Trade Relations with Third Countries
- SACU Competition Policy
- Industrial Development Policy
- Agricultural Policy

The institutional framework for a new SACU has also been agreed upon, with further details to be determined as to the functions of the proposed bodies. The key outstanding issue in the negotiations is the definition of a new Revenue Sharing Formula (RSF).

SACU is currently en-block negotiating a Preferential Trade Agreement with Zambia. It has been decided that in future such PTAs will be concluded between SACU and the country concerned and no longer with individual SACU members.

The on-going trade liberalisation programme implemented by SACU guided by the South African offer to the WTO Marrakech Agreement has brought down the number of tariff lines to about 4,000 from 12,000. Namibia is committed to this accelerated liberalisation of trade, which by virtue of South Africa's status as a "developed nation" with the WTO will be fast-tracked with tariff reductions subject to a shorter time frame than applicable for other "developing countries".



Seychelles

SEYCHELLES

COUNTRY SPECIFIC BACKGROUND AND CONSISTENCY OF CBI AGENDA WITH GENERAL MACROECONOMIC POLICY

The Republic of Seychelles has been participating in the Cross-Border Initiative (CBI) since the August 1993 Ministerial Meeting in Kampala, Uganda, where the Concept Paper was endorsed by participating countries.

This took place against the background of considerable political reform in Seychelles, which in turn set in train a process of economic reform and liberalisation.

Following the Seychelles authorities decision to adopt a politically pluralist system of government, a new constitution was approved in 1993 in a national referendum, thus giving birth to the Third Republic. Previously, there had been a one-party system for more than one and half decades, during which the Government had played an all-important central role in almost all aspects of the economy. Indeed, the public sector was responsible for as much as two thirds of GDP and employment in Seychelles.

Following the economic liberalisation measures that have been steadily implemented in recent years, the trend is being reversed, with government increasingly playing the role of facilitator while creating the enabling environment for the private sector. Such liberalisation has been most notable in the tourism and fisheries sectors, which together represent the pillars of the economy. In each of these sectors the Government has shedded off all of its commercial activities, which were previously being carried out by a range of parastatal organisations.

On the other hand, Government has made a concerted effort in recent times to diversify the country's limited economic base by laying the necessary framework to create an International Business Centre in Seychelles, the main thrust of which would involve an off-shore sector in financial services (registration of companies, trusts, banks and insurance, ships and aircrafts), as well as international free trade zone.

Status of Negotiations with the Co-sponsors.

Under the guidance of the TWG, Seychelles first completed a draft Letter of CBI Policy in January 1995, and submitted this to the Ministry of Finance and Communications for comment and eventual approval. A revised draft was submitted in September 1995. This draft, with minor modifications, was finally approved by Government in early March 1996, and submitted to the co-sponsors on 19 March 1996. The co-sponsors replied with comments on this revised draft in January 1997. A further revised Letter of CBI Policy was submitted to the co-sponsors in July 1997. The co-sponsors responded with further comments in December 1997.

TRADE LIBERALISATION AND FACILITATION

While Government has more speedily undertaken liberalisation in the real sectors of the economy (tourism, fisheries, agriculture, etc.) it has moved more gradually in other sectors, however its commitment to trade liberalisation is shown following Government's decision to join the World Trade Organisation (WTO), the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC). The fully government owned Seychelles Marketing Board (SMB) remains the monopoly importer of a number of essential commodities (such as meat, fruits, vegetables and the basic foodstuffs). However, the list of controlled imports are being reduced and periodically reviewed.

Previously all exports also had to be channelled via the SMB. Since 1993, all restriction on exports have been removed except for a short negative list commensurate with international treaties and conventions (e.g. CITES).

With regards to tariff reform, Government has already embarked on a comprehensive programme with the objective of reducing the cost of living and removing protection on certain local industries in order to generally foster competition. So far such tariff reform measures have not been applied on a preferential basis relative to imports originating from any particular countries or groups of countries.

Following the signature of the COMESA Treaty in September 1997, the Government of Seychelles now has obligations to remove tariff and non-tariff barriers on intra COMESA trade. It is envisaged that by the beginning of 1999, Seychelles will be in conformity with the COMESA preferential tariff regime.

Concomitantly, Seychelles will also be implementing CBI recommendations on tariffs and trade, albeit at a slower place than envisaged in the CBI "Road Map". While the authorities are satisfied that the revenue implications of intra-regional tariff reform are not prohibitive, especially considering the existing level of trade with COMESA and/or CBI countries, they are much more concerned of the potential adverse revenue implications of the COMESA Common External Tariff (CET) and/or the CBI Harmonised External Tariff (HET).

Government has given its full co-operation in a preliminary HET study that is expected to be finalised in early 1998 under the auspices of the CBI. The authorities would be apprehensive to implement the CBI and/or HET until a more comprehensive study is done, especially with regards to revenue implications.

TRADE IN SERVICES

As part of Government's policy to promote Seychelles as an international business centre, the framework and legislation has already been put in place to fully liberalise trade in services in line with CBI recommendations.

INVESTMENT DEREGULATION AND FACILITATION

Legislation has been introduced to facilitate and promote foreign direct investment, especially in the context of the International Trade Zone, which boasts some of the most attractive concessions and incentives internationally.

However, in the context of the domestic economy, Government has not as yet adopted an investment code, but has instead opted for the Investment Promotion Act (IPA) of

1995, under which investors may become eligible for highly competitive incentives and concessions on a "case-by-case" basis.

IMMIGRATION, RESIDENCE AND EMPLOYMENT

Seychelles is fully in compliance with CBI recommendations with regards to immigration, residence and employment. There are no visa requirements for any class of visitors entering Seychelles for a period of up to three months. The processing of residence and employment permits is especially facilitated under the Investment Promotion Act (IPA).

EXCHANGE AND PAYMENTS SYSTEMS AND FINANCIAL SECTOR REFORM

Seychelles has traditionally enjoyed a well developed financial and monetary system, having been a member of the IMF since 1976, shortly after becoming a sovereign state, and having always fully conformed with the provisions of the IMF Article IV of Association.

The Seychelles is one of the few countries in the world which has never practised foreign exchange restrictions. However, since the early 1990's there have been protracted balance of payments difficulties resulting in the drawing down of the country's foreign exchange reserves, with the Central Bank being unable to fully provide foreign currency cover to the commercial banks. As a result there have been payment arrears especially with regards to imports, with a significant backlog which peaked in early 1997. Since then the foreign exchange liquidity has been steadily improving and was given a further boost in December 1997 when Government successfully negotiated a syndicated balance of payments support facility. Once the foreign exchange liquidity difficulties are overcome, the payment and exchange system will be restored and will once again be fully in conformity with CBI recommendations.

CO-ORDINATION WITHIN REGIONAL AND SUB-REGIONAL ORGANISATIONS

While Seychelles is a founder member of the Indian Ocean Commission, the Government had previously been very cautious in its approach towards membership of other regional economic integration organisations, notably *COMESA* and *SADC*. This was largely because Government was still assessing the costs and benefits of joining such organisations, particularly in view of its dependence on imports and lack of products that can currently be exported to these markets. The high cost of membership contributions has also been an important consideration, especially in view of the small Government recurrent budget.

However, during 1997, Government took the decision to join COMESA and to apply for membership of SADC. In September 1997, Seychelles signed the COMESA Treaty, and the SADC Council of Ministers approved Seychelles' application to accede to SADC.

As a result of the decision to join COMESA, Seychelles now has an obligation to implement many of recommendations of the CBI, most notably with respect to the elimination of tariff and non-tariff barriers for intra-COMESA trade. In response to these obligations, Government has appointed a small Advisory Committee on Tariffs and Trade, with the responsibility for advising Government on a strategy that would allow for Seychelles to meet its obligations as a member state of COMESA (& SADC) in a manner that generates positive returns to the economy as a whole. In this connection, it has also been agreed to expand and strengthen the role of the TWG, so as to cover the broader issues of regional economic integration, rather than to restrict its attention on the CBI.

SUPPORT OF CO-SPONSORS

To date, support from the co-sponsors has been limited to the provision of secretariat support to the TWG, under the Framework Contract with IMANI Development. Besides providing direct assistance towards the drafting of Seychelles letter of CBI Policy, this support has also enabled the TWG to commission a number of studies on various issues related to the implementation of CBI recommendations, and particularly with regards to the revenue and other implications of tariff reform in Seychelles. The co-sponsors have also provided support for Seychelles to participate in a preliminary study on the Harmonised External Tariff. The co-sponsors will continue to provide for secretariat support to the TWG during 1998.

PRIVATE SECTOR INVESTMENT AND VIEWS

Until recently, the public sector had been the major investor in the Seychelles economy. Government policy is now to promote the private sector, whereby the Government becomes the facilitator and catalyst and the private sector takes the lead in development. Thus since 1993 there has been a trend towards increasing private sector investment, particularly in the tourism and fisheries industries.

At the same time, Government has continued to invest heavily in infrastructure, notably in relation to the recently established Seychelles International Trade Zone (SITZ).

Government has also started to involve the private sector in important infrastructural developments through *build, own, operate, and transfer (boot) schemes*. A number of planned projects have been transferred to the private sector, or in other cases as joint ventures between the Government and the private sector.

Furthermore, the establishment of the SITZ in 1995 is expected to act as the greatest catalyst for the development of the private sector. Already, nine companies have been licensed and are either operational or almost so. In November 1995, the world's largest tuna and seafood processor, Heinz, entered into a joint venture with the Government converting the local tuna canning factory, Conserverie de l'Ocean Indien, into a ITZ company - the Indian Ocean Tuna Ltd. The eight other companies operating within the ITZ are also likely to benefit the country through created spin offs, such as employment generation.

In line with this policy, Government has introduced a number of measures to promote private sector investment. *In tourism*, taxes have been removed from a number of services, such as restaurant, car and boat hire and water sports. *In agriculture*, reduced taxes on fuel and equipment and the liberalisation of trade, *including the abolition of the Seychelles Marketing Board's (SMB) monopoly on fruit and vegetables* have already produced results. Private firms are now permitted to import a number of products that were previously an exclusive monopoly of the SMB.

Social security charges levied on employers have been brought down from a previous upper limit of 80 percent to 40 percent of the wage bill, while employee's social security contributions have been kept at 5 percent. Taxes on building materials have been reduced, and revenue from renting houses is now tax-free. These reductions have been introduced with the aim of stimulating investment and employment.

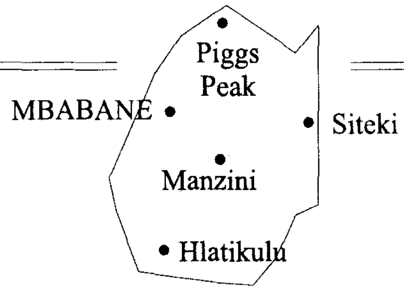
The Government continues to seek the views and inputs of the private sector with regards to regional integration policies and strategies, and encourages private sector participation in the TWG. Government fully supports measures and programmes to strengthen the role of the private sector in regional integration activities.

SUMMARY

While no formal agreement has yet been reached with the co-sponsors, Seychelles has already made considerable progress in implementing many of the recommendations of the CBI. For example, significant progress has been made in reforming and reducing tariffs, in a manner consistent with the CBI. Concerning the requirement to eliminate non-tariff barriers to trade, a gradual liberalisation is taking place, and the "negative list" of goods under the SMB monopoly has been reduced. Seychelles is also making efforts to conclude *double taxation avoidance* agreements with key countries, and is willing to conclude similar agreements with CBI participating countries. On the question of visa requirements for businessmen, Seychelles already conforms with the CBI.

At the national level, the major outstanding issue concerns the remaining trade monopolies enjoyed by the SMB. However, it is the view of the Government that due to specificities of the "micro-economy" of Seychelles, there is the danger of private monopolies replacing public ones and that consequently Government should continue to play a regulatory role especially with regards to supplies of essential commodities.

In summary, Seychelles has already introduced many of the reforms required under the CBI, particularly with regards to the reduction of tariffs, and the introduction of measures to promote investment. It is also evident that there is considerable convergence between the measures recommended under the CBI and the measures that Seychelles must adopt in order to conform to the WTO, and with membership of COMESA.



Swaziland

SWAZILAND

COUNTRY SPECIFIC BACKGROUND

Swaziland has participated in the Cross-Border Initiative since its inception in 1992 and also participates in a number of other regional economic co-operation schemes, including:

- the Southern African Customs Union (SACU)
- the Common Monetary Area (CMA)
- Southern African Development Community (SADC)
- Common Market for Eastern and Southern Africa (COMESA)

Swaziland is also a member of the ACP group under the Lomé Convention and has commitments to tariff reduction as part of the SACU offer to the WTO arrangements.

Swaziland's letter of policy in respect of participation in the CBI was accepted by the co-sponsors in 1996. Due to membership of SACU and the CMA, however, Swaziland's participation in the CBI in the areas of trade liberalisation and exchange and payments has had to be curtailed. (SACU is presently subject to renegotiation). In the interim, in accordance with the agreement reached with the co-sponsors, Swaziland has opted to participate in the areas of investment promotion and related institutional development.

In the past several years the Swaziland economy has suffered from a decelerating GDP growth, lower levels of foreign direct investment and budgetary deficits. While the GDP grew at 9.1 percent in 1991, a decline of 2.1 percent was recorded in 1992 (due to the world-wide economic recession and drought) and has since hovered around 3 percent. Population growth, however, has outstripped GDP growth and the declining per capita income and rising unemployment have become a major cause for concern. Attracting foreign direct investment has become more difficult with increased regional competition.

TRADE LIBERALISATION AND FACILITATION

As mentioned above, trade liberalisation by Swaziland is inhibited by obligations under SACU arrangements. However, Swaziland is committed to the implementation of the WTO offer as part of SACU. The TWG has finalised terms of reference for a study on the implications of implementing a harmonised external tariff, this may be conducted in conjunction with the Namibian TWG. A study on the economic impact on the BLNS countries of the proposed free trade agreement between South Africa and the European Union has now been completed and submitted to Government. The study was financed from the CBI framework contract.

With regard to trade facilitation, some progress has been made towards implementation of the COMESA Yellow Card System. The Ministry of Finance has already prepared for approval by Government the necessary framework for the introduction of the scheme by the Swaziland Royal Insurance Corporation. Government is also expected to issue a regional bond for the country to participate in the Regional Bond Guarantee Scheme. The implementation of Harmonised Road Transit Documentation has been delayed by the need to ensure conformity with SACU documentation. The matter is being discussed at the SACU level and should be finalised soon. The introduction of harmonised road transit charges is being discussed at the SADC level. Although a SACU study has been completed, implementation has been deferred in preference to a regional agreement by SADC.

TRADE IN SERVICES

Swaziland does not have any restrictions on trade in services. No action required.

INVESTMENT DEREGULATION AND FACILITATION PROCESS

An Investment Promotion Agency is to be established by September 1997. Funding for the project has been secured from the European Union under the CBI framework. An investment code is being finalised and a study has been commissioned by Government on the streamlining of the process and paperwork involved in the establishment of a business operation.

The Companies Act, 1912 is to be replaced by a new Companies Act. This and a Securities Bill are to be presented in Parliament soon. New tax legislation is also due to be tabled in Parliament shortly. The Tax Bill was drafted with a view to attracting foreign investment, widening the tax base, introducing an equitable tax structure and reducing corporate tax. Although the Bill aims to be revenue neutral, it has failed to gain widespread support, particularly from the private sector. The TWG is still finalizing its submission, which should carry private sector views, to the Ministry of Finance.

IMMIGRATION, RESIDENCE AND EMPLOYMENT

Not much progress has been made in this area. The TWG is in the process of collecting information on immigration policy and procedures with the intention of recommending a streamlined and transparent policy for the issuing of visas, residence permits and citizenship. The various options in respect of residence status are also being considered.

EXCHANGE AND PAYMENT SYSTEM AND FINANCIAL SECTOR REFORM

Swaziland acceded to (IMF) Article VIII status in 1989.

Swaziland's exchange controls are broadly similar to these obtaining in the other CMA countries. There are no restrictions on payments for goods and services (Article VIII status). There are restrictions, however, on the exportation of capital by permanent residents and citizens which could be seen to preclude cross-border investment. Although South Africa has introduced limited measures to allow residents to invest abroad and has announced policy to look favourably on outward investment into the SADC countries, no similar measures are being introduced as yet in Swaziland. A timetable for totally abolishing exchange controls has not yet been worked out, but should be negotiated among the CMA countries.

A financial sector study was undertaken by the World Bank in 1994/95. A framework for financial sector reforms, some of which have already been implemented, was recommended in the areas of monetary policy, banking supervision, commercial banking, development banking, financial institutions and linkages with other CMA members.

There is still very little activity on the Swaziland Stock Market. Joint listing with the Johannesburg Stock Exchange has been achieved, but not with other regional markets. Aspects of exchange control restrictions have to be looked into before achieving regional listings.

SUPPORT OF CO-SPONSORS

Under the CBI framework, the European Union will be providing financial support to the Government of Swaziland for the establishment of the Investment Promotion Agency. The EU has provided funding for a study, instituted by Swaziland on behalf of the BLNS countries, on the economic impact on BLNS of the proposed free trade agreement between South Africa and the European Union. The Swaziland TWG has continued to enjoy support from the co-sponsors with respect to payment for its secretariat.

The Swaziland TWG will be approaching the co-sponsors for the funding of a study on the implications of introducing a harmonised external tariff.

Swaziland has not sought external balance of payments and budgetary support at this stage.

CONSISTENCY OF CBI AGENDA WITH GENERAL MACROECONOMIC POLICY

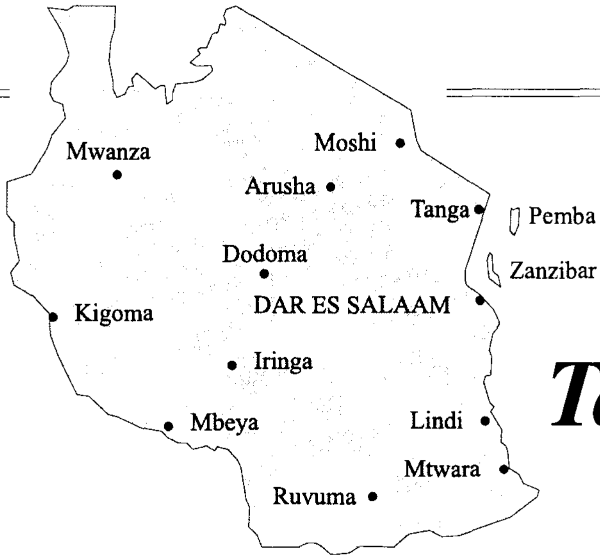
Swaziland's policy to promote foreign investment through the establishment of the IPA and tax and other legislative reform is consistent with the CBI agenda for the promotion of regional cross-border investment. However, Swaziland cannot unilaterally remove, at this stage, exchange control impediments to cross-border investment because of its membership of the CMA. With respect to tariff reduction on the basis of the CBI agenda, Swaziland is impeded by commitments to SACU. Serious budgetary constraints will have to be addressed in the implementation of tariff reductions. Reforms in the SACU Agreement and implementation of the Uruguay Round will result in the reduction of customs revenue.

PRIVATE SECTOR INVOLVEMENT AND VIEWS

The Swaziland TWG continues to enjoy private sector participation in its meetings. Apart from representation by Government and parastatal enterprises, attendance has been obtained from the Swaziland Chamber of Commerce and Industry, Sibakho Chamber of Commerce, the Swaziland Industrial Development Company and the Small Enterprise Development Corporation. Efforts are also being made to get representation from commercial banks.

CO-ORDINATION WITH REGIONAL AND SUB-REGIONAL ORGANISATIONS

Swaziland is a member of SACU, CMA, COMESA and SADC as well as participating in CBI. Overlaps in the roles of the groupings occur and streamlining of these organisations is necessary, but this goes beyond the brief of the TWG and the powers of any single member country.


Mwanza
Moshi
Arusha
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Pemba
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Kigoma
DAR ES SALAAM
Iringa
Mbeya
Lindi
Mtwara
Ruvuma

Tanzania

TANZANIA

TRADE LIBERALISATION AND FACILITATION

Import licensing was abolished in 1993. No non-tariff barriers (NTBs) exist in as far as trade is concerned. Export licensing and surrender value requirements have been abolished since July 1993.

In as far as trade facilitation is concerned, Tanzania continues to adhere to road transit charges as agreed upon by COMESA Council of Ministers. A Single Goods Customs Declaration Document (Bill of Entry) has already been introduced and is in use. With regard to the introduction of Bond Guarantee Scheme, the matter has already been discussed but its application is not enforceable unless there is a regional framework in place to reinforce it.

Trade in Services: Liberalisation of trade in services has fully taken place.

Investment deregulation and facilitation (progress on new legislation and its implementation):

Tanzania has gone to great lengths at simplifying investment procedures following the enactment of the new Investment Act in 1997. Tanzania Investment Centre has now been transformed to a "ONE STOP CENTRE" for investment, information, advice, registration of licences and certification. The new centre has now been transformed to an agency to facilitate private investments. Forty-five days statute of limitation of applications and automatic approval has been introduced.

Other measures which are aimed at attracting investments to Tanzania include removal of investment licensing, publication of investment code and regulations. Regarding harmonisation of the investment regime at East Africa level, this is being done under the auspices of the East African Co-operation.

IMMIGRATION, RESIDENCE AND EMPLOYMENT

Visa Requirements: Visa requirements for nationals of East Africa and SADC have been eliminated. The East African passport has already been launched. Visa requirements for some members of the COMESA have been removed.

Residence and employment permits: Permits are given in respect of employees under registered and certified investments, provided that such employees meet the relevant criteria. Short-term entry permits for border residents and visas at border entry points for tourists have been in existence since 1995.

Exchange and payments system and financial sector reform: The exchange and payments systems and financial sector are continuously being reformed to conform with other countries in the CBI and SADC.

Regarding the financial sector reform programme, the following have been achieved:-

- The banking system has been fully liberalised
- The exchange control on current account has been abolished,
- Foreign exchange allocation no longer exists,
- The exchange rate of the Tanzanian shilling is determined in the Interbank Foreign Exchange Market,
- The Tanzanian shilling is freely convertible with the Kenyan and Ugandan shilling.

- The Dar es Salaam Stock Exchange will start operations in early 1998.

- Interest rates are determined in the financial markets.

Other reforms in the financial sector undertaken include: introduction of foreign trade financing instruments and removal of impediments to entry to Tanzania by foreign financial institutions. In this respect foreign financial institutions wanting to open branches/offices in Tanzania are free to do so. So far there are more than 13 bank and 8 non-banks currently operating in the country.

Commercial banks operating in the country are free to establish correspondent banking relationships with their counterparts in other countries.

Current account transactions on the balance of payments is fully liberalised. However, capital account transactions in Tanzania are not yet fully liberalised. Foreign investment in Treasury Bills, for example, is not allowed. In order to ensure and guarantee eventual repatriation of dividends/profits and capital, foreign investments are subject to approval by Tanzania Investment Centre. Remittance of dividends is freely done through commercial banks upon presentation of audited accounts indicating declared dividends to be repatriated plus authenticated documents showing payment of all taxes. Investors are permitted to use up to 100 percent of their net foreign exchange earnings for debt servicing or remittance of profits and dividends. Grants or loans/overdrafts in foreign currency by a resident or individual/organisation to any non-resident person is prohibited unless specifically approved by the Bank of Tanzania.

Co-ordination within regional and sub-regional organisations: Tanzania is a member of the following organisations:-

Common Market for Eastern and Southern Africa (COMESA)

Southern Africa Development Community (SADC)

East African Cooperation (EAC)

Multilateral Investment Guarantee Agency (MIGA)

Tanzania has concluded double taxation agreements with Kenya, Uganda, Malawi and Zambia. Bilateral negotiations with other COMESA countries are in progress.

SUPPORT OF CO-SPONSORS

Business organisations which have received assistance from UNDP, Swedish International Development Agency and the World Bank for purchase of equipment and capacity building are: The Tanzania Chamber of Commerce, Industry and Agriculture, Confederation of Tanzania Industries and Tanzania Exporters Association.

The TWG has been functioning and has continued with regular meetings and follow-up of its decisions. The Secretariat which is receiving assistance from the co-sponsors is now in control of the day-to-day activities of the TWG and is regularly in consultation with its Chairman and TWG members.

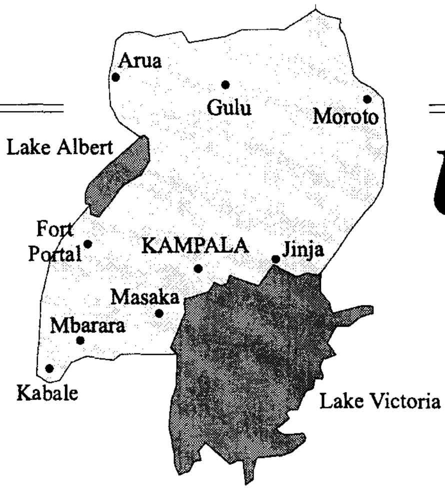
Tanzania qualified for EU balance of payment support after signing the Letter of CBI Policy. The amount is yet to be fully disbursed.

Consistency of CBI agenda with general macroeconomic policy

Tanzania is exercising caution in implementing some of the CBI policy agenda, in particular with regard to elimination of tariffs as this has revenue implications. Careful and step-by-step reduction of tariffs will be made.

Private Sector Involvement and Views: In view of the increasing role of the private sector in CBI and other activities, the Government has been inviting this sector to give advice on issues of fiscal and macro and microeconomic nature. The government has also been encouraging this sector to participate in regional trade fairs and buyers/sellers meetings. In addition it has become a practice to include members of the private sector in official delegations involving Heads of States.

In order to increase private sector participation in the TWG, we have invited two sectors to appoint one representative each. In addition to that, the Tanzanian TWG intends to run seminars to sensitise the private sector on the activities and opportunities available within CBI.



Arua
Gulu
Moroto
Lake Albert
Fort Portal
KAMPALA
Jinja
Masaka
Mbarara
Kabale
Lake Victoria

Uganda

UGANDA

GENERAL BACKGROUND

Since August 1993, the Government of Uganda has embarked on various steps towards the preparation of measures that could be supported under the Cross-Border Initiative (CBI).

In order to ensure the effective implementation of the initiative, a Policy Implementation Committee (PIC) was established and is chaired by the Minister of Finance. A Local Consultant provides the required technical assistance to the Technical Working Group (TWG) and the PIC.

In 1995, the Government of Uganda appraised the co-sponsors of its intention to initiate dialogue on the implementation of CBI.

At the time, Government pledged to continue strengthening the macroeconomic and structural performance of the economy in the context of global and outward looking liberalisation of the goods and factors markets.

In this regard, we provide an update on the situation on the ground today.

MACROECONOMIC SITUATION

The Government's main economic objective during 1996/97 was to consolidate the macroeconomic stability registered in the last five years and maintain economic growth. Although these objectives were broadly met, the almost nation-wide drought somewhat impacted on various sectors of the economy.

The continued control of inflation was achieved, as before, by a combination of tight fiscal and monetary policies. The increase in the net stock of Treasury Bills was supplemented by the issue of the new Bank of Uganda Bill. Treasury Bill interest rates averaged 12 percent over the year and the overall growth in the money supply remained consistent with a trend inflation rate of around 5 percent and with continued tight control on the fiscal side it was possible to allow substantial growth in private sector credit of over 20 percent without endangering the inflation target.

Total external debt by the end of December 1996 stood at US$3.59 billion. In this regard, Government negotiated and agreed with the World Bank and the International Monetary Fund on Uganda's access to Highly Indebted Poor Countries (HIPC) multilateral debt relief initiative. This represented a milestone in debt relief, granting assistance on multilateral debt for the first time and will result in over US$700 million reduction in Uganda's debt. Government has campaigned hard to present Uganda's case for maximum relief, and though Uganda has now become the first country to benefit under this initiative, there is some disappointment at the amount of relief that will actually be granted. Significant amounts of relief under the initiative will not become available until after the so-called "completion point" in April 1998, and no real benefits are expected until 1998/99. It is estimated that after the completion point, the net benefit to Uganda from HIPC will be of the order of US$25 million per year in reduced debt service.

Alongside this development under the HIPC, implementation of the debt strategy continued, and in particular Government remains committed to seeking grant finance where possible, and will only resort to new borrowing where all efforts to secure grants fail. Even then, except for emergencies , any new loan will be on highly concessional terms (i.e. at interest rates of less than 1 percent and with repayments spread over forty years).

TRADE IN SERVICES

Trade in services has now been fully liberalised. A number of foreign banks have opened their operations in Uganda. In addition, foreign firms involved in insurance and consultancy services have increased in numbers in the last two years.

IMMIGRATION, RESIDENCE AND EMPLOYMENT

Government is aware that continued cross-border trade, investments and payments, need to be supported by the liberalisation of labour movement within the region.

In this regard, short-term entry permits have been introduced. The PTA/COMESA protocol on the elimination of visas (first phase) has already been effected. In addition, Government has improved the processing of residence and employment permits.

COORDINATING WITH REGIONAL AND SUB-REGIONAL ORGANISATIONS

Government has had regular contacts with a variety of organisations involved in the Cross-Border Initiative. Periodic consultations have been made with the CBI co-sponsors i.e. the World Bank, International Monetary Fund, European Union, the African Development Bank.

Regular contacts have also been maintained with the Common Market for Eastern and Southern Africa (COMESA).

As recently as 1994, representatives of the Technical Working Group from Kenya, Uganda and Tanzania met in Nairobi, Kenya where they agreed to maintain regular contacts on all aspects of CBI. Since then annual meetings sponsored by the European Union have been held in Jinja – Uganda, Arusha – Tanzania and Nakuru – Kenya. At the time of writing this report, the East African TWGs meeting is planned for early September 1997. All along, it has been the desire of the Government of Uganda to continuously work with the other two countries (Kenya and Tanzania) in the context of regional cooperation. Within this East African Cooperation framework all efforts will be taken to ensure parallel and mutually reinforcing actions to markedly strengthen economic cooperation in the sub-region.

SUPPORT FROM THE CO-SPONSORS

The CBI efforts have received various types of assistance; and they are as follows:

Technical Working Group Secretariat

The European Union has provided funds to support the TWG Secretariat. The funds availed have been used for paying the Local Consultant and other operational costs related to public sensitisation and mobilisation.

The World Bank through the Institutional Development Fund (IDF) has recently allocated US$85,000. This is to be utilised in the following manner:

a. Undertaking research on CBI-related matters. At the time of writing this report, a study on the EA Tariffs Harmonization had started in the entire East African region. This study will be completed in September/October this year.

b. Mobilising and sensitising the general public on matters related to CBI.

RECENT LIBERALISATION IN THE UGANDA SECTOR OF TRADE

Introduction

In order to consolidate and sustain the achievements of the previous years in economic growth and development, Government has taken the following measures:

Government noted that the way forward is to integrate fully Uganda's economy into the world economy and to ensure that the private sector in particular, is facilitated to take maximum advantage of the commercial privileges provided under the WTO and other regional arrangements. Government has noted for example, the privileges provided under the grace period, before it is to implement certain provisions of the WTO Agreement such as GATT Definition of Value.

Legal Framework

The Uganda Law Reform Commission has a commercial law project component dedicated to reviewing all trade related legislation. This project will:

- ❑ Review trade related legislation and draft new legislation where necessary so as to bring domestic law and procedures in conformity with regional and WTO requirements. The focus is also on consumer protection to benefit the private sector.

- ❑ The judiciary has established a commercial section to expedite trade related cases so that they do not take too long.

- ❑ Government is undertaking sensitisation seminars to enable the private and public sector to better understand WTO Agreements and also build institutional and human resource capacities to further the programme of trade liberalisation.

Trade (Specific Actions)

Government is speeding up the measures to phase-out the Import Certification System in accordance with notification of its commitment to WTO. The ASYCUDA

System is being put in place and when it is fully established, the import licensing system will be phased out by 1998. As a move towards that direction, Import Certificates are now optional and are mainly being issued to those from whom they are demanded by coastal port authorities. Government has initiated the process of introducing GATT Valuation to replace BDV which is expected to apply at the FOB point for valuation instead of the CIF point especially for air freighted goods.

- Under the tariff reduction programme, government has reduced its tariff bands from six last year to five this year. These are Free or Zero, 5 percent, 10 percent, 20 percent and 30 percent. The maximum import duty is now 20 percent and the 30 percent is charged only on cigarettes and other tobacco related products. This goes further to strengthen the already effected reduction rate of 80 percent under COMESA.

INVESTMENT DEREGULATION AND FACILITATION

In addition, Government has established the Uganda Security Exchange in order to strengthen the privatisation process and enhance further access to the ownership of property. The Investment Code has been totally reviewed to take into account the experience learnt during the past years. The draft Code has been circulated to Kenya and Tanzania to enable them to harmonise the Code in the context of East African Cooperation and CBI. It is hoped that the result of the harmonisation exercise will create a much better and attractive environment for speedy inflows of investments and capital in the sub-region. In specific terms, the proposed Bills entail the following:

1. Draft Investment Promotion Bill, 1997

The draft Bill which seeks to repeal the Investment Code, 1991 is before Cabinet for consideration and highlights:

a. re-establishment of a strengthened Uganda Investment Authority as the One-Stop-Centre for the coordination, encouragement, facilitation and promotion of local and foreign investment;

b. to provide more favourable conditions and friendly environment for investment;

c. to provide for a competitive stable and predictable regulatory framework for investment;

d. to provide for the establishment of free export economic zones whose production is aimed towards the export market through a favourable incentive regime;

e. to provide for other related matters.

It is expected that Parliament will debate this Bill September/October this year.

2. Income Tax Bill, 1997

This Bill was laid before Parliament for debate recently but was referred to one of its Committees for first scrutiny. The Bill provides for favourable depreciation rates and other fiscal benefits for investors. It is expected that by early September, 1997, the Bill will be passed by Parliament.

3. Finance Bill, 1997

The Bill is before Parliament for debate. By virtue of the Taxes and Duties (Provisional Collection) Act, Cap. 177, some of the provisions of the Finance Bill, 1997 are already operational. Notable among these operational provisions is the repeal of sections 25 and 26 of the Investment Code, 1991 relating to tax holidays and first arrival privileges respectively. First arrival privileges will be assessed under Item 6 of the Fifth Schedule to the Finance Bill, 1997.

4. The Land Bill, 1997

The Bill is with the Attorney General's office for legal scrutiny. It is expected to be tabled to Parliament for debate by the close of the year. The Bill is subject to Article 237 of the Constitution.

5. Review of other Commercial Laws

A contract was recently concluded between the Government and Reid & Priest LLP and Bwengye, Tibesigwa and Company Advocates to review all commercial and related laws that affect private sector economic development in Uganda.

Draft bills on such commercial laws will be ready by the close of the year.

FINANCIAL SECTOR REFORMS (1996/97)

With respect to the privatisation of Uganda Commercial Bank (UCB), government has already pre-qualified submissions for potential investors in UCB. The government's preferred position is to get a strategic investor to take over management and controlling interest and sell the remaining shares to the public through the Uganda Securities Exchange.

In addition to the actions on UCB, substantial progress has been made with respect to other areas of the financial sector.

- A new clearing system for upcountry cheques has now been introduced. The clearance period of a cheque has henceforth reduced. Plans are underway to improve further the efficiency of the payments and settlement systems through increased automation and expanded services to other banks.

- The Bank of Uganda (BOU) is designing an appropriate regulatory framework for the micro-financial institutions.

- The BOU has successfully completed the restructuring of the second of the two banks in which it intervened.

- The BOU has also extended the 2 year moratorium on the licensing of the new banks with the exception of those applicants with wide international banking experience; those offering to engage in specifically approved new banking products and/or those willing to take over weak banks.

- With respect to the Co-operative Bank, progress continues to be made in its restructuring and re-capitalisation under the auspices of the USAID.

EXCHANGE RATE SYSTEM

The exchange rate has been market determined since November, 1993. The government's exchange rate policy will continue to be guided by the principle of allowing the exchange rate to respond to market conditions. Intervention in the foreign exchange market aims mainly at smoothing out short-run fluctuations.

All the current and capital account transactions are fully liberalised. The capital account was liberalised with effect from 1 July 1997.

CONSISTENCY OF CBI AGENDA WITH GENERAL MACROECONOMIC POLICY

The Government of Uganda has taken efforts to operate within the stated macro-economic policy in consonance with the CBI objectives. However, the past one year was difficult for many. In a number of areas (particularly in the North and East) drought and the cassava mosaic caused hardships and famine.

While agricultural output has been adversely affected this year, the growth in manufacturing has continued to be strong, thanks to the entrepreneurial spirit of Uganda's manufacturers. Manufacturing output increased by an estimated 14 percent with the broader industrial sector growing at 17 percent and the narrow index of manufacturing covering sugar, beer, soft drinks, cigarettes, textiles, cement, electricity, laundry soap and edible oils rose by 32 percent.

The new Tariff code reduced all the 30 percent import duty rates to 20 percent. These 30 percent duty rates apply only for non-COMESA imports.

To compliment these measures, all import bans will be phased out in the next two years. In April 1998, a start will be made by terminating the import bans for beer, sodas and batteries. One year later, the ban on cigarette imports will be lifted.

Substantial progress has been made over the past 12 months in finalising **Double Tax Treaties**. During this period, three treaties have been signed with Kenya, Tanzania and South Africa.

PRIVATE SECTOR INVOLVEMENT

Continued support for the private sector is a paramount necessity for Government. One key element to this is Government's commitment to macroeconomic stability. The relatively high GDP growth rate and the relentless determination to control inflation have been successful in instilling confidence in investors. By April 1997, the Uganda Investment Authority had a cumulative total of 2,166 project proposals, amounting to a planned investment of US$3.6 billion.

Government intends to make further investments in supportive infrastructure e.g. roads, power and water supply. In addition, the process of modernising all the relevant commercial laws is under way.

In order to encourage the growth of the private sector, government has put in place a Privatisation Programme. By mid 1997, 68 transactions had been completed with a combined sales value of Ug. Shs.140 billion. Several of the privatised enterprises, are already making an immense contribution to economic growth through increased capacity utilisation and expansion.

Government has continued to encourage establishment of trade associations. As a result, the Uganda Manufacturers Association, Uganda National Chamber of Commerce and Industry, Uganda National Farmers Association among others have grown from strength to strength.

BALANCE OF PAYMENT SUPPORT

During financial year 1996/97 the following financial support was provided.

Import Support

Loans

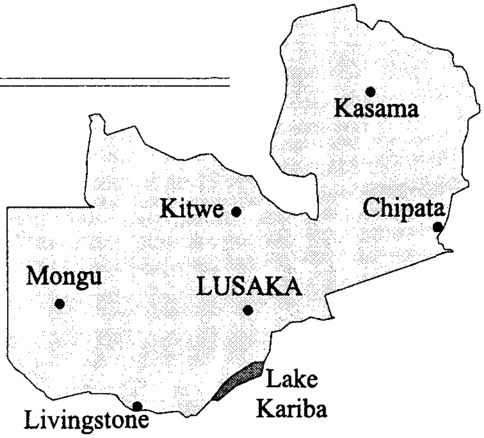
i. Financial Structural Adjustment Credit	US$47.0m
ii. Agricultural Structural Adjustment Credit	US$ 1.2m
	US$48.2m

Grants:

❑ Norway (Co-Finance – SAC II)	US$ 8.9m
❑ U.K. Budget Support	US$33.0m
❑ European Union (Stabex)	US$ 6.4m
	US$48.3m

Debt Relief

❑ USAID – ANNEP	US$ 5.3m
❑ MDF	US$41.7m
	US$47.0m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Kitwe
Chipata
Mongu
LUSAKA
Lake
Kariba
Livingstone

Zambia

ZAMBIA

BACKGROUND

1. Zambia's progress in the implementation of undertakings contained in the CBI letter of policy agreed with the co-sponsors in 1994 has been rapid. The government has remained firmly committed to its policy of liberalisation and decreased protection, while fulfilling its regional obligations.

2. These increases have been taken against the background of a pre-domestic public sector, state controls and low domestic savings and investment. Against this background, the government has proceeded with rapid reforms to re-orient the economy while being sensitive to the needs of achieving macroeconomic stability and the efficient delivery of goods and services.

3. In this regard, although the government remains committed to its reform programme, it is increasingly concerned at the lack of reciprocal treatment over trade and investment within the region, particularly with its key trading partners. It has become apparent to the Zambian government that there is a strong need to harmonise Zambia's regional trade relations in order to have a "level" playing field.

TRADE LIBERALISATION

Import Liberalisation

The government has remained committed to low tariffs by keeping the maximum and minimum at the same level of 25 percent and 5 percent respectively in the 1997 fiscal budget. However, VAT was reduced from 20 percent to 17.5 percent effective 1 July 1997.

With regard to intra – COMESA tariffs, Zambia has maintained the reciprocal rate of reduction at 60 percent although at the last COMESA Heads of States meeting in Lusaka, it agreed that all member states would move immediately to 80 percent preferential tariff rates. This has yet to be implemented. Zambia's main concern in this area is that since Zambia's original nominal tariffs were much lower than most of its regional trading partners, some imports into Zambia may already be at very low or zero rates of tariffs.

HET Study

The TWG has already approved the terms of reference for the above study and a team has been constituted to undertake the above study. The study team comprises representatives from MCTI, EBZ, MOFED and the TWG Secretariat. All the details have been sent to Imani for approval and subsequent funding of the study under the EU-Imani framework contract to provide support to national TWG's. The study is scheduled to commence in early July for completion by the middle of August 1997.

Trade Policy Study

Draft terms of reference for a study to develop a sustainable trade policy regime with a focus on exports have been prepared by the Secretariat. The main objectives of the study are to review current trade policy and analyse the extent to which this policy is consistent with current trends in the economy and the move towards greater regional integration. A sub-committee of the TWG is presently reviewing the draft TORs.

Export Liberalisation

A feasibility study on the establishment of Export Processing Zones (EPZs) was successfully conducted and completed under the direction of the TWG and sponsorship of the EU. The recommendations and findings of the study have been accepted by the government and a Task Force has been constituted to determine the modalities for the implementation of EPZs in Zambia.

Trade in Services

Liberalisation of trade in services has been completed with all sectors open to competition.

The tourism sector is currently in the process of privatisation. A medium-term tourism strategy has been developed with the policy objective of allowing the private sector to operate tourist ventures in the national parks and reserves. A number of leases have already been issued to private firms and individuals to run lodges and the major hotels have also been advertised for sale to the private sector.

INVESTMENT

Investment Deregulation and Facilitation

The Investment Centre has put in place administrative arrangements aimed at enabling the centre to act as a "one-stop centre". However, further legislative changes are required to make this effective.

Immigration, Residence and Employment

The report by Corpus Globe recommended modifications to the relevant pieces of legislation but these have yet to be implemented.

Stock Exchange Activities

The Lusaka Stock Exchange (LUSE), opened to traders in 1994 has seen rapid growth in trade in the last 12 months. It now has 7 listed companies including one cross-listing by Trans-Zambezi Industries (TZI) which is also listed on the Zimbabwe Stock Exchange and Luxembourg Stock Exchange. Any company registered with the Securities and Exchange Commission can trade in equities from other stock exchanges.

Payments and Exchange Systerms

Domestic financial and banking systems have been fully liberalised and strengthened by a new Banking Act of 1994 that aims to improve bank supervision by the Central Bank.

Restrictions on current account and capital account transactions have been removed in accordance with IMF article VIII and the kwacha is a freely convertible currency.

COORDINATION WITH REGIONAL AND SUB-REGIONAL ORGANISATIONS

1. Zambia is currently the Chairman of COMESA and is actively involved in dialogue with member states to increase the pace of regional trade integration.

2. Zambia has also signed up to the SADC Trade Protocol and is closely involved in the process through the MCTI.

SUPPORT OF CO-SPONSORS

1. The co-sponsors have provided consistent support to the CBI programme of action and to the functioning of the TWG. The World Bank and IMF have continued to support the government in private sector development.

2. The IMF recently approved Zambia's graduation to the Enhanced Structural Adjustment Facility (ESAF) and the World Bank recently granted Zambia a $35 million credit line for support to the private sector. This grant is being coordinated under MCTI. It will provide for low interest finance to the SME sector, technical assistance and export financing.

3. Through Imani, the EU is providing financial support to the TWG in the conduct of studies and other activities under the CBI.

CONSISTENCY OF CBI AGENDA

1. The CBI programme of action has been consistent with the general macroeconomic policy of Zambia, which has placed emphasis on expanding the role of the private sector by providing an enabling economic environment.

2. Many of the CBI measures coincided with government actions under the Structural Adjustment Programme (SAP). The commitment to SAP by government was a critical factor in the success of the CBI in Zambia. In addition the strong link between the TWG and the PIC comprising key economic ministries ensured effective implementation of policy at the highest level.

3. It is important to note that those CBI countries which have consistently implemented structural adjustment programmes have also successfully implemented their CBI programmes, since both programmes have basically the same agenda. Problems arise in those countries that are consistent in their application of structural reforms.

PRIVATE SECTOR INVOLVEMENT AND VIEWS

1. The TWG has consistently encouraged the private sector to be involved in the programmes of the CBI. It has urgently mounted sensitisation campaigns to inform the private sector about the work of the TWG. The Secretariat is invited to many forums to make presentations about the CBI. Most recently, the Secretariat was invited to participate in a 2-day meeting of the joint ZACCI – Zimbabwe National Chamber of Commerce.

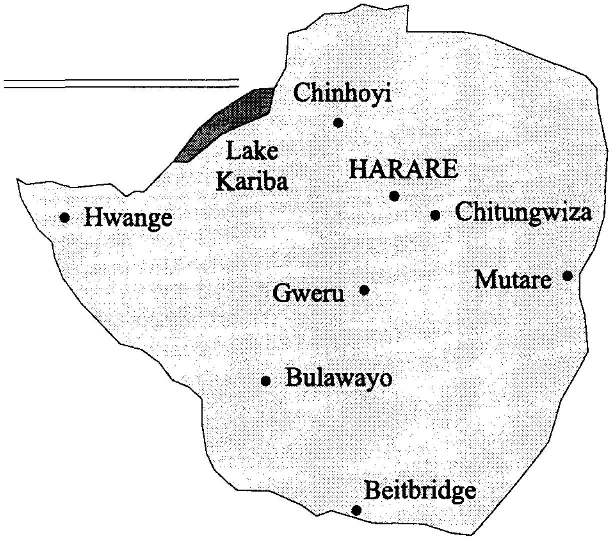
2. It is evident from the response of the private sector to the CBI that they are fully supportive of the CBI program of action since its objectives of promoting regional integration would benefit the private sector through the enlargement of the market. However, the private sector in Zambia is still of the view that Zambia's reform process has been faster than its key trading partners resulting in unfair terms of trade between Zambia and its neighbours.

3. In addressing the above concerns, the government and the private sector are agreed that the best move forward is through dialogue and negotiation with our key trading partners, in order to encourage them to open up their markets for Zambian exports. The CBI programme structure offers a good channel for such dialogue to take place since most of Zambia's trade partners are part of the initiative.

CONCLUDING REMARKS

1. It had been highlighted above that the key factor in the success of the CBI programme has been the commitment of the government with the technical input from the TWG and the strong support from the co-sponsors. As we approach the conclusion of the CBI programme in 1998, it is important that the process of regional integration is sustained in the near future. The TWG in Zambia has already begun discussing the future use of the CBI model and the role that the TWG structure can play at a technical level.

2. The TWG also feels that there is a need to harmonise all the regional integration initiatives currently in place at the moment to ensure a consistent and balanced approach towards the ultimate goal of economic union within the Eastern and Southern African, and Indian Ocean region.


Chinhoyi
Lake
Kariba
HARARE
Hwange
Chitungwiza
Mutare
Gweru
Bulawayo
Beitbridge

Zimbabwe

ZIMBABWE

COUNTRY SPECIFIC BACKGROUND

Zimbabwe, in tandem with thirteen other Eastern and Southern African and Indian Ocean Countries, subscribes to the Cross-Border Initiative (CBI). This programme, which started in 1992, is a fast-track mechanism which is designed to improve intra-regional economic cooperation amongst CBI member states.

Zimbabwe has already submitted her Letter of Policy and it is reliably understood that the co-sponsors have accepted it (Letter of Policy) in principle. However, no financial support has been disbursed because of our fiscal management problems and macroeconomic instability which led to the IMF putting Zimbabwe on a shadow programme. Disbursements of financial support are likely now that the IMF is probably going to issue a letter of comfort, to the co-sponsors, in view of the latest negotiations between IMF staff mission and the Zimbabwe Government in May – June, 1997. Once that financial support is made available further progress in the pursuit of the CBI programme will become possible.

TRADE LIBERALISATION ("ROAD MAP") AND FACILITATION

Since the inception of the Economic Structural Adjustment Programme, Zimbabwe has done much in an endeavour to open up the economy. Many controls which were inherent in the economy, prior to 1991, have been dispensed with.

The current account has been totally liberalised, for transactions purposes. The financial sector has been liberalised and companies can now maintain foreign currency denominated accounts. Work still needs to be done in this area in so far as those entrepreneurs who trade in goods that are handled by such statutory bodies as the Grain Marketing Board, the Minerals Marketing Corporation of Zimbabwe, etc. are concerned. Traders in these commodities get paid in the local currency. However, this does not present a major handicap since foreign currency is readily available from commercial banks.

The easing of price controls and exchange controls (to some extent) has improved business environment for both importers and exporters. Imported goods are now available, in abundance. The liberalisation of the financial sector has seen the proliferation of more financial institutions such as finance houses, merchant banks, bureaux de change, such that there is still competition in the sector. The exchange rate is now market determined.

At last Ministerial meeting in Mauritius, the co-sponsors made a proposal pertaining to the attainment of harmonised external tariff (HET) by October 1998 and this would be within the range of zero to 25 percent. However Zimbabwe, due to an adverse macroeconomic environment where interest rates and inflation are high, has not been able to pursue the CBI road map in toto. Some of Zimbabwe's trading partners such as South Africa, etc. enjoy single digit interest and inflation rates, such that if we were to reduce our tariffs in line with the CBI road map, without any adjustment on our inflation rates, our industry, would be prematurely exposed.

It was therefore against this background that the current tariff regime was conceived with an endeavour to protect our local industry since it was realised that out firms were not ready to compete given an uneven playing field obtaining on the international market.

TRADE IN SERVICES

Zimbabwe has liberalised trade in certain services. To date, tremendous progress has made particularly in the area of the financial sector reform.

Financial Sector Reform

Monetary Policy Reform: This has been characterised by a shift from direct to indirect methods of control, with open market operations being the primary instrument of market intervention.

Interest Rates: These have been deregulated and are now market determined. There has also been a partial deregulation of (POSB)) and Building Societies' rates.

New Instruments: Financial sector reform has facilitated the emergence of new instruments, e.g. Building Societies NCDs. This has resulted in the diversifications of the institutions' balance sheets.

New Entrants: The provision of financial services is now open to new entrants. The country now has five Commercial Banks, six Finance Houses, ten Merchant Banks, five Savings Banks (POSB), several Insurance Companies and Pension Funds.

EXCHANGE AND PAYMENTS SYSTEM

Since June 2 1994, Zimbabwe did away with the dual exchange rate regime and since henceforth, market determined exchange rates have become the norm. The Reserve Bank of Zimbabwe is responsible for managing foreign reserves. It intervenes in the foreign exchange market through open market operations to stabilise the market. Such intervention will be targeted at capturing the surplus/deficit condition in the market.

Zimbabwe accepted Article viii Section 2,3 and 4 obligations of the IMF Article of Agreement. The current account was fully liberalised for transactions purposes and dividend remittability is now 100 percent for new (post May 1993) investment. The capital liberalisation has commenced although on a cautious and phased basis. This has commenced with phased repatriation of corporate blocked accounts and we will continue to review the situation in line with the trends on the Balance of Payments account. The liberalisation of the financial sector has seen the proliferation of such financial institutions as bureaux de change, finance houses, banks, etc. and this has brought about a lot of competition and efficiency. However, what seems to be anathema is the high interest rates and inflationary tendencies that seem to be endemic in the economy. These twin evils (i.e. high interest rates and inflation) have to be reduced if the full benefits of the financial reform programme are to be realised. Moreover, the attendant legislative framework has to be worked out expeditiously in order to enable the financial sector to be streamlined accordingly.

INVESTMENT DEREGULATION AND FACILITATION – PROGRESS ON NEW LEGISLATION AND ITS IMPLEMENTATION

The Zimbabwe Investment Centre, a one stop window borne out of investment deregulation initiatives under ESAP, has increasingly held large volumes of investment applications. Much progress has been made in moulding a hospitable investment climate since the inception of ESAP in 1991, with the Centre's activities mainly rooted in investment promotion and facilitation. In July 1996, the Government opened up infrastractural investment to the private sector, an area which has always been the main domain of Government. These investments would take the form of Build Operate Transfer (BOT), Build Own Operate Transfer (BOOT) and joint venture arrangements. This should largely bolster infrastractural development, a major complement to private sector growth with effect from April 1, 1996. Infrastractural projects are taxed at a low rate of 15 percent for the first 5 years.

The Export Processing Zones became operational in August 1996 and offers several incentives to investors. The following incentives are offered to investors in Export Processing Zones:

a. 5 year corporate tax holiday and 15 percent corporate tax thereafter

b. exemption from capital gains tax, sales tax, resident and non-resident shareholder tax on dividends

c. exemption from customs duty on raw materials and machinery

d. exemption from income tax on employer benefits

IMMIGRATION, RESIDENCE AND EMPLOYMENT

Immigration regulations provide for companies who wish to engage expatriate staff under temporary work permits. These permits are issued by the department of Immigration upon application by the company who should prove that the requisite skills cannot be sourced locally.

The application process should take at most six weeks but efforts are being made to shorten the processing period. Permits are normally issued for 2 years, and renewable for further 3 years.

Permanent residence permits can also be granted to investors who:

- invest more than US$500 000 in a project approved by the Investment Centre

- invest not less than US$100 000 in a sole business venture, they will qualify for a three year residence permit with room for an indefinite extension at the end of a three year period subject to the project proving viable.

- possess professional or technical skills in the case of a foreign investor who invests US50 000 in a joint venture of his/her profession e.g. doctor, dentist, architect, electrical engineer, will qualify for a three year permit whose extension depends on project viability.

SUPPORT FROM CO-SPONSORS

One of the fundamental requirements upon CBI member states, was the drawing up of Letters of Policy. If a country's Letter of Policy was accepted by the co-sponsors, then that member state would be eligible for balance of payments support in view of the anticipated negative impact of structural adjustment programmes on CBI member states. The Letter of Policy for Zimbabwe was accepted in principle but without any disbursement of the support funds. Disbursement of support funds was not forthcoming because of fiscal management problems and macroeconomic instability which led to Zimbabwe being placed on a shadow programme by the IMF. Other donors withheld their financial support as well until the IMF had undertaken a review of the situation.

This review was done in May/June 1997 and the IMF has signalled that Zimbabwe was likely to improve its macroeconomic framework and therefore the donor fraternity is awaiting the IMF's letter of comfort before they can disburse the long awaited funding. Meanwhile the TWG has done a number of activities with some generous financial support from the World Bank and the European Union.

IMPLEMENTATION MATRICES PER COUNTRY

The state of progress on the implementation of measures agreed under the CBI for a number of participating countries is summarised below in the form of matrices, together with a regional overview. A simple coding system has been used for ease of reference. The matrices are based on information supplied by the Technical Working Groups to Imani Development, mostly in December 1997. The co-sponsors cannot guarantee the accuracy of the information nor accept any responsibility for the consequences of its use.

Guide to the Codes indicating degree of implementation:

1. Fully implemented
2. Partially implemented
3. Arrangements for implementation in place
4. Arrangements for implementation not yet identified

REGIONAL MATRIX ON IMPLEMENTATION OF CBI MEASURES AS AT DECEMBER 1997

SECTOR/AREA	MEASURE	Bur	Com	Ken	Mad	Mal	Mau	Nam	Sey	Swa	Tan	Uga	Zam	Zim
TRADE														
Foreign Trade Liberalisation	Abolish import licensing	2	1	1	1	1	1	3	2	2	1	2	1	1
	Abolish NTBs	2	2	1	1	1	2	2	2	2	2	2	2	2
	Eliminate tariffs on intra-regional trade	2	3	2	3	2	2	2	3	3	3	2	2	2
	Abolish export licensing	2	1	1	1	1	1	3	1	1	1	1	1	2
	Open up trade in services	2	2	2	2	2	2	2	1	1	1	1	1	3
	Harmonise external tariffs	4	3	3	3	4	3	3	3	3	3	3	3	3
Trade Facilitation	Implement harmonised transit charges	1	n/a	1	n/a	1	n/a	3	n/a	3	4	1	1	1
	Introduce single goods customs declaration document	3	n/a	3	n/a	1	n/a	1	n/a	3	1	1	1	1
	Introduce bond guarantee scheme	3	n/a	4	n/a	1	n/a	4	n/a	3	4	4	4	3
PAYMENTS														
Domestic Payments and Settlements	Complete financial sector reform programme	2	2	1	1	1	2	4	1	2	2	2	1	2
	Introduce foreign trade financing instruments	2	4	2	2	2	2	4	2	2	2	2	2	2
	Remove impediments to entry by foreign financial institutions	1	1	1	1	1	1	1	1	1	1	1	1	2

SECTOR/AREA	MEASURE	Bur	Com	Ken	Mad	Mal	Mau	Nam	Sey	Swa	Tan	Uga	Zam	Zim
PAYMENTS														
Exchange	Remove all restrictions on current account	1	2	1	1	1	1	2	2	2	1	1	1	1
Systems	Remove capital account restrictions	2	4	2	4	2	1	2	2	2	2	1	1	2
	Establish unified, inter-bank, spot exchange markets	4	4	1	1	1	2	4	4	1	1	1	1	1
INVESTMENT														
Investment	Simplify investment approval procedures	1	3	2	1	2	2	1	1	3	2	2	2	2
Regime	Remove investment licensing requirements	4	4	2	1	4	4	2	2	1	1	4	4	4
Immigration	Publish investment code and regulations	1	1	3	1	1	2	1	2	2	1	1	1	3
	Harmonise investment regimes	4	4	3	4	4	4	4	4	3	3	3	2	4
	Remove visa requirements at regional level	2	2	2	3	1	2	2	1	4	2	1	2	2
	Improve processing of residence and employment permits	2	4	1	1	2	2	1	2	2	1	1	2	2

SECTOR/AREA	MEASURE	Bur	Com	Ken	Mad	Mal	Mau	Nam	Sey	Swa	Tan	Uga	Zam	Zim
INVESTMENT														
Other	Join MIGA and similar bodies	3	4	1	1	1	1	1	1	1	1	1	1	1
	Conclude double taxation agreements	4	2	2	2	2	2	2	2	2	2	2	2	2
	Develop cross-listings on regional stock exchanges	4	4	2	4	4	3	2	3	4	3	3	3	2
INSTITUTIONS														
	Continue TWG activities	3	2	1	2	2	1	2	1	1	1	1	1	1
	Strengthen business organisations	2	2	2	2	2	2	2	2	4	2	2	2	2
	Give greater involvement to private sector in regional integration activities	2	2	1	4	1	1	1	2	3	2	1	2	2
PROJECT	Agree Letter of CBI Policy	3	1	1	1	1	1	1	2	1	1	1	1	1
DEVELOPMENT	Agree terms on follow-up to LCBIP	4	4	4	4	4	4	3	3	4	4	3	3	4

COMOROS

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Foreign Trade Liberalisation	Abolish Import Licensing	1	Import licensing was abolished since 1991, except for a short negative list.	
	Abolish other NTBs	2	There are no NTBs for goods in general except for ordinary rice and petroleum products both of which are only imported by state monopolies ONICOR and SCH respectively.	Both state monopolies are scheduled to be privatised.
	Eliminate tariffs on intra-regional trade	3	Currently little progress. The dispersion of the tariff structure has been narrowed to 3 categories. However, a lot of products previous taxed at 30% have been re-classified to 40%; a surcharge of 3% on imports has been introduced and excise duty has been introduced for tobacco and alcohol.	Comoros is ready to implement the 80% tariff reduction.
	Abolish export licensing	1	There is no export licensing.	
	Open-up trade in services	2	Trade in services has also been liberalised, specifically in insurance, banking, tourism and air transport. Maritime transport has been privatised.	Airport and harbour handling services are in the course of being privatised.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Trade Facilitation	Harmonise External Tariffs	3	HET study underway	
	Implement Harmonised Transit Charges	n/a		
	Introduce single goods declaration document	n/a		
	Introduce bond guarantee scheme	n/a		
PAYMENTS				
Domestic payments and settlements	Complete financial sector reform programme	2	The financial sector has been fully liberalised. However, the Comoros Franc and the French Franc parity is fixed at 75 FC to 1 FF.	
	Develop foreign trade financing instruments	4	The government has no capacity to launch trade financial instruments.	It is hoped that private financial institutions may introduce such instruments given the liberalised economic framework.
	Remove impediments to entry by foreign financial institutions	1	All barriers were lifted in 1991, but is disappointing that since then there is one commercial bank operating in Comoros. No new banks have come to Comoros in spite of the reforms in the financial sector.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
Exchange Systems	Remove all restrictions on current account transactions	2	There are restrictions on current account transactions.	
	Remove capital account restrictions	4	Repatriation of capital (dividends, interest, capital) requires central authorisation. Repatriation of capital and dividends that was registered at entry into Comoros is only notified to the central bank for records purposes and is not necessarily subject to central bank discretion.	
	Establish unified, inter-bank, spot exchange markets	4	No progress as there is only one commercial bank in the country.	
INVESTMENT				
Investment Regime	Simplify investment approval procedures	3	A new Investment Code was passed by Parliament in 1995 but it has not come into force because the appropriate legal instrument has not been issued and signed by the Prime Minister.	
	Remove investment licensing requirements	4		

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
	Publish Investment Code and regulations	1	The 1995 Investment Code has been extensively disseminated.	
	Harmonise investment regimes	4		
Immigration	Remove visa requirements at regional level	2	Entry permits are issued to nationals of COMESA states at points of entry. A few countries still require visas but even these can be obtained at the point of entry.	
	Improve processing of residence and employment permits	4	No progress, procedures for obtaining residence and employment permits are still very strict.	
Other	Join MIGA and similar bodies	4	Comoros is not yet a member of MIGA.	Comoros intends to apply once government and the central bank are able to fulfil membership conditions.
	Conclude Double Tax Agreements	2	Comoros has signed the Double Tax Agreement with Mauritius.	Comoros is ready and eager to sign with any other country.
	Develop Cross Listings on Regional Stock Exchanges	4	Not applicable as there is no stock exchange in the country.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INSTITUTIONS				
	Continue TWG activities	2	In 1994 and 1995 TWG meetings were not held. In 1996 one meeting of the TWG took place. A few meetings have been held in 1997 to reactivate the TWG. Howcvcr, duc to lack of a secretariat and a proper co-ordination of TWG activities and functions, it has been difficult for Comoros to make follow-ups on agreed issues such as a HET study.	
	Strengthen national and regional business	2	Though not under auspices of CBI, Comoros has established an Association for the Promotion of the Private Sector (APSP). The Chamber of Commerce is also being supported. To ensure its sustainable funding, the Chamber has also being allowed to run port handling services	
	Give greater involvement to private sector in regional integration activities	2	The Chamber of Commerce is part of the TWG and attends all CBI regional meetings.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PROJECT DEVELOPMENT				
	Agree Letter of CBI Policy	1	The letter of CBI Policy was finalised and was sent to the co-sponsors in August 1997.	
	Agree terms on follow-up to LCBIP	4		

KENYA

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Foreign Trade Liberalisation	Abolish Import Licensing	1		
	Abolish other NTBs	1	The Government has removed all trade restrictions, except for a short list of a few products controlled for health, security and environmental reasons.	
	Eliminate tariffs on intra-regional trade	2	Kenya published the COMESA 80% tariff reduction in May 1997.	Kenya is implementing the COMESA tariff reduction programme.
	Abolish export licensing	1	Abolished.	
	Open-up trade in services	2	Most activities in the services sector have been liberalised. These include banking, brokerage, and funds management services, telecommunication and energy sector, transport, tourism and insurance.	A study to explore the progress and possible impediments to complete liberalisation of the sector is envisaged to be done between January and June 1998.
	Harmonise External Tariffs	2	This is pending completion of the HET study and adoption of its recommendations.	Dependent on the outcome of the HET study which is on going

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Trade Facilitation	Implement Harmonised Transit Charges	1	Implemented in July 1997.	
	Introduce single goods declaration document	3	Kenya Revenue Authority has raised questions on operationalisation of the document with the COMESA secretariat. Response on the same is being awaited before introduction of the document.	Dependent on the COMESA secretariat response.
	Introduce bond guarantee scheme	4	Under consideration by the COMESA Secretariat.	Dependent on COMESA Secretariat's consideration of the scheme.
PAYMENTS				
Domestic payments and settlements	Complete financial sector reform programme	1	Implemented	
	Develop foreign trade financing instruments	2	A number of commercial banks are supporting regional trade through trade financing instrument.	The proposed Kenya Export Development Fund Project will further stimulate export financing.
	Remove impediments to entry by foreign financial institutions	1	Implemented	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
Exchange Systems	Remove all restrictions on current account transactions	1	Achieved in 1994. Foreign Exchange Control Act repealed in December 1995.	
	Remove capital account restrictions	2	There has been no restriction on inward foreign direct investments except in investments in the stock market shares. Foreign companies can own up to 40% of Kenyan stocks and shares while individuals can own up to 5%. There is no limit on the amount investors can repatriate. They must, however, produce proof of payment of their tax obligations along side other legal obligations. On outward investments, Kenya Residents are free to Invest outward up to US$500,000. For Investments in excess of this amount, commercial banks are required to inform Central Bank for Statistical purposes only.	Time frame to be determined at a later date.
	Establish unified, inter-bank, spot exchange markets	1	The inter-bank spot exchange rate market was fully liberalised on 18 October 1993 following a unification of the Central bank and commercial banks exchange rates.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
Investment Regime	Simplify investment approval procedures	2	A one stop investment approval has already been set up.	
	Remove investment licensing requirements	2	There has been no investment licensing as such but there are many business licenses which can pose problems.	Rationalisation of licences.
	Publish Investment Code and regulations	3	Kenya is still rationalizing licensing and approval systems before it considers enacting an investment code.	Subject to completion on the study of investment laws.
	Harmonise investment regimes	3	This is pending enactment of National Investment Codes among the three EAC Member States.	Dependent on how soon the National Investment Codes will be ready.
Immigration	Remove visa requirements at regional level	2	Kenya has ratified the first phase of the protocol. The COMESA Secretariat has circulated a draft protocol on free movement of persons, labour and service and the right of establishment and residence.	Dependent on completion of the second phase protocol by the COMESA Secretariat.
	Improve processing of residence and employment permits	1	Special attention is given to investment related work permits.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
Other	Join MIGA and similar bodies	1	Kenya is a member of MIGA and ICSID.	
	Conclude Double Tax Agreements	2	Kenya has double tax agreements with Zambia, Tanzania and Uganda.	Continuous
	Develop Cross Listings on Regional Stock Exchanges	2	A memorandum of understanding has been drawn among the Capital Markets Authorities of the three East African States which will allow the Cross Listing once Stock Markets have been established in Uganda and Tanzania.	Dependent on establishment of the stock markets in Uganda and Tanzania.
INSTITUTIONS				
	Continue TWG activities	1		None
	Strengthen national and regional business	2	This is being done at each organisation's initiatives.	None

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INSTITUTIONS				
	Give greater involvement to private sector in regional integration activities	1	The local associations have been requested to come up with propositions on how they can be strengthened to have greater involvement on the integration under CBI. The Kenya National Chamber of Commerce and Industry (KNCCI) is a member of Eastern Southern Africa Business Organization (ESABO), which is an initiative towards strengthening the business associations in the region. In East Africa the East African Business Council aims at strengthening the role of constituent associations in regional integration efforts. The EAC Commission, during the April 1997 Summit recommended the strengthening of the council and these associations.	None
PROJECT DEVELOPMENT				
	Agree Letter of CBI Policy	1		None
	Agree terms on follow-up to LCBIP	4		None

MADAGASCAR

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Foreign Trade Liberalisation	Abolish Import Licensing	1	Imports have been fully liberalised.	
	Abolish other NTBs	1	Traditional NTBs have been removed. Main NTBs are transport, standardisation, movement of people.	
	Eliminate tariffs on intra-regional trade	3	Preparations have been made for introduction of tariff preferences on a reciprocal basis, starting with 80%, but nothing yet operational.	Will introduce preferences when rules of origin within IOC have been agreed.
	Abolish export licensing	1	No restrictions except on minerals and certain flora and fauna items for environmental reasons	
	Open-up trade in services	2	Liberalisation has begun and covers financial services, consultancy, air transport and tourism.	Tariff setting in hotels will be abolished. Insurance and other state monopolies, such as ports, telecommunications will gradually be liberalised

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
	Harmonise External Tariffs	3	External tariffs have been classified in four rates with minimum rate at 10% and maximum at 30%. Study on harmonising tariffs within IOC underway.	Awaiting results of study before further action.
Trade Facilitation	Implement Harmonised Transit Charges	n/a		
	Introduce single goods declaration document	n/a		
	Introduce bond guarantee scheme	n/a		
PAYMENTS				
Domestic payments and settlements	Complete financial sector reform programme	1	Many measures have been introduced in recent years reforming the financial sector. The Central Bank has been given autonomy.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
	Develop foreign trade financing instruments	2	A pre and post export credit system already exists, but its operations are limited.	
	Remove impediments to entry by foreign financial institutions	1	The banking law grants access to the financial sector to foreign financial institutions.	
Exchange Systems	Remove all restrictions on current account transactions	1	Since May 1994, payments for current account transactions are liberalised.	
	Remove capital account restrictions	4	Cross-Border investments are generally not allowed, except in special cases and after thorough investigation. Permission is granted on a case-by-case basis.	When the economy is sufficiently stabilised, capital account restrictions will be relaxed.
	Establish unified, inter-bank, spot exchange markets	1	Operational since May 1994.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
Investment Regime	Simplify investment approval procedures	1	The procedures have been simplified and a one-stop-window has been set up and has been operational since April 1994.	
	Remove investment licensing requirements	1	The Investment Code has been repealed, with its contents being integrated into the general tax law, to remove all discrimination. The only investments needing approval are those in the EPZ and those for fishing and forestry.	
	Publish Investment Code and regulations	1	The previous Investment Code has already been repealed.	
	Harmonise investment regimes	4	No action yet.	
Immigration	Remove visa requirements at regional level	3	Visa regulations have been relaxed, with visas being available at the airport. COMESA Protocol not yet ratified.	
	Improve processing of residence and employment permits	1	Processing must take place within 15 days of application.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
Other	Join MIGA and similar bodies	1	Madagascar is a member of MIGA since 1989.	
	Conclude Double Tax Agreements	2	Has an agreement with Mauritius.	
	Develop Cross Listings on Regional Stock Exchanges	4	Madagascar does not have a stock exchange yet.	
INSTITUTIONS				
	Continue TWG activities	2	The TWG is continuing its operations.	
	Strengthen national and regional business	2	The Chamber of Commerce and Industry needs to be restructured.	
	Give greater involvement to private sector in regional integration activities	4		
PROJECT DEVELOPMENT				
	Agree Letter of CBI Policy	1	Agreed	
	Agree terms on follow-up to LCBIP	4		To be discussed.

MALAWI

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Foreign Trade Liberalisation	Abolish Import Licensing	1	Fully liberalised except for a small negative list based on health, security, safety and environmental reasons.	
	Abolish other NTBs	1	There are no NTBs to trade.	
	Eliminate tariffs on intra-regional trade	2	Tariffs have been reduced. The highest tariff is now 40%. From December 1996, Malawi gives a 70% preference on import tariff to participating CBI countries.	
	Abolish export licensing	1	Fully liberalised except for a small negative list.	
	Open-up trade in services	2	A number of laws have been passed which allow private sector participation in the energy and post and telecommunication sectors.	
	Harmonise External Tariffs	4		Need to undertake study on impact of harmonising external tariffs

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Trade Facilitation	Implement Harmonised Transit Charges	1	Implemented in 1992.	
	Introduce single goods declaration document	1	Fully implemented.	
	Introduce bond guarantee scheme	1	Implemented in 1993.	
PAYMENTS				
Domestic payments and settlements	Complete financial sector reform programme	1	The Capital Market Development Act, introduced in 1991, has made the new reform easier. The government has eliminated all exchange and payments restrictions on current transactions.	
	Develop foreign trade financing instruments	2	Established for small export-oriented enterprises.	
	Remove impediments to entry by foreign financial institutions	1	The Banking Act was amended in 1991 which facilitated some improvement.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
Exchange Systems	Remove all restrictions on current account transactions	1	Attained in January 1995.	
	Remove capital account restrictions	2	A gradual elimination of restrictions on capital flows is currently in process. Malawi has removed restriction related to the inflow as well as the profit repatriation of foreign direct investment	Further progress needed.
	Establish unified, inter-bank, spot exchange markets	1	Completed in March 1995.	
INVESTMENT				
Investment Regime	Simplify investment approval procedures	2	Since 1995 Malawi Investment Promotion Agency acts as one stop approval window and provides approvals within 45 days.	The government is in the process of putting into legislation a mechanism whereby an Incentives Committee will make recommendations on applications by investors.
	Remove investment licensing requirements	4	No progress	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
	Publish Investment Code and regulations	1	Published in June 1992.	
	Harmonise investment regimes	4	No progress	
Immigration	Remove visa requirements at regional level	1	COMESA nationals have visas automatically.	
	Improve processing of residence and employment permits	2	MIPA undertook steps to allow processing within 4 weeks. Business Residence Permits will be given after successful application.	A Temporary Employment Permit Committee will be constituted. All applications for TEPs will be acknowledged within two weeks of submission and a decision will be communicated within 30 working days from the date of submission.
Other	Join MIGA and similar bodies	1	Malawi is a member of MIGA.	
	Conclude Double Tax Agreements	2	Agreements concluded with Kenya and South Africa.	
	Develop Cross Listings on Regional Stock Exchanges	4	Malawi stock exchange is now established	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INSTITUTIONS				
	Continue TWG activities	2	TWG has not functioned well in recent years, due to lack of a Secretariat.	Plan to appoint Secretariat in January 1998.
	Strengthen national and regional business	2	The Chamber of Commerce is being revamped.	
	Give greater involvement to private sector in regional integration activities	1		
PROJECT DEVELOPMENT				
	Agree Letter of CBI Policy	1	Letter agreed and funds disbursed.	
	Agree terms on follow-up to LCBIP	4	No action	

MAURITIUS

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Foreign Trade Liberalisation	Abolish Import Licensing	1	Import licensing has been virtually removed. Only a few items are subject to control for health, sanitary, environmental and strategic reasons.	
	Abolish other NTBs	2	Quantitative restrictions on trade have mostly been removed. Mauritius has also been taking a number of trade facilitation measures. The processing of customs and trade documents using EDI has been introduced.	The processing of customs and trade documents using EDI will be further enhanced with the full implementation of Tradenet.
	Eliminate tariffs on intra-regional trade	2	Mauritius has been implementing the COMESA timetable of tariff reduction. But in 1996, it did not apply the 80% tariff reduction because the overall compliance of the other COMESA members was not satisfactory.	
	Abolish export licensing	1	There is no export licensing requirement, except for a few products for reasons of health and safety and in cases where quotas are imposed by the importing countries.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
	Open-up trade in services	2	During the GATT Uruguay Round of multilateral trade negotiations, Mauritius made specific commitments regarding market access in tourism and telecommunications services.	Mauritius proposes to end the monopoly in telecommunication services by 2004.
	Harmonise External Tariffs	3	Awaiting result of study carried out on the HET.	Discuss results of study
Trade Facilitation	Implement Harmonised Transit Charges	n/a		
	Introduce single goods declaration document	n/a		
	Introduce bond guarantee scheme	n/a		

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
Domestic payments and settlements	Complete financial sector reform programme	2	The Bank of Mauritius has done away with reserve requirements, quantitative control on bank credit to the private sector, selective credit control and interest rate guidelines and has instead shifted to a monetary policy that relies upon market-based instruments. Interest rates are fully liberalised and banks are free to charge their own rates on deposits and loans and overdrafts. Foreign exchange licences have been issued under Foreign Exchange Dealers Act. The Bank of Mauritius today focuses on the control of bank liquidity through a reserve money program in order to achieve the inflation target. The stock exchange of Mauritius was set up in 1989, wherein foreigners are allowed to trade. A freeport was established in 1992.	
	Develop foreign trade financing instruments	2	The traditional documents of international trade are still being used, namely invoices, bills of lading, insurance documents and Airway bill.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
	Remove impediments to entry by foreign financial institutions	1	No restrictions on foreign banks. No limit on amount of foreign ownership. No discrimination as far as reserve or paid up capital are concerned.	
Exchange Systems	Remove all restrictions on current account transactions	1	No restrictions on capital account transaction in respect of both inward and outward investment. From 1993, Mauritius has accepted the obligations of Article VIII, section 2, 3 and 4 of IMF Articles of Agreement, whereby it accepts to refrain from imposing restrictions on the making of payments and transfers for current international transactions or from engaging in discriminatory arrangements or multiple currency practices without IMF approval.	
	Remove capital account restrictions	1	There are no restrictions on capital account transactions.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
Exchange Systems	Establish unified, inter-bank, spot exchange markets	2	The bank of Mauritius has changed its role of market maker into that of a market player. A foreign exchange market in US Dollar has been established through a page in Reuters screen and the Bank of Mauritius intervenes in the foreign exchange market only by buying and selling dollars. The Central Bank will also pursue a policy to ensure that the value of the rupee vis-à-vis the other major currencies reflects the macro-economic fundamentals of the country.	
INVESTMENT				
Investment Regime	Simplify investment approval procedures	2	A Task Force which was set up by the Government in 1996 to study the whole question of competitiveness has made recommendations relating to, inter alia, facilitation of investment. A high level Ministerial Committee has been set up to monitor the implementation of the recommendations.	The government proposes to take steps for approval of investment applications to be processed and granted within a month and licences issued within a shorter time period.
	Remove investment licensing requirements	4		

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
	Publish Investment Code and regulations	2	Mauritius has already harmonised and simplified its different investment incentives through the Industrial Expansion Act promulgated in 1993.	
	Harmonise investment regimes	4		
Immigration	Remove visa requirements at regional level	2	Mauritius has not yet ratified the COMESA Protocol on elimination of visas.	
	Improve processing of residence and employment permits	2	Foreign investors and businessmen who intend to come to Mauritius for investment/business purposes are normally issued on application a short period visa for a maximum of up to 3 months for which they do not require a work permit. In cases where local companies urgently require the services of expatriates to be employed in grades other than skilled, a temporary entry visa is granted.	
Other	Join MIGA and similar bodies	1	Mauritius is a member of MIGA.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
	Conclude Double Tax Agreements	2	Double Tax Agreements have been concluded by Mauritius with many countries including Botswana, Namibia and Mozambique.	
	Develop Cross Listings on Regional Stock Exchanges	3	Is being considered.	
INSTITUTIONS				
	Continue TWG activities	1	TWG meetings are again being held regularly.	
	Strengthen national and regional business	2	Various initiatives exist between Government and the Business Community.	
	Give greater involvement to private sector in regional integration activities	1	The private sector is represented on the Mauritian TWG. The Regional Cooperation Council which was set up by the Government in February 1996 to give the necessary political impetus and orientation to the regional cooperation strategy of Mauritius comprises representatives of the private sector.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PROJECT DEVELOPMENT				
	Agree Letter of CBI Policy	1	Mauritius submitted its letter of CBI Policy in April 1995.	
	Agree terms on follow-up to LCBIP	4		

NAMIBIA

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Foreign Trade Liberalisation	Abolish Import Licensing	3	Import-Export Management Review is being carried out as part of the CBI sponsored *Transitional Trade and Investment Development Programme*. Initial findings of review are due by January 1998.	***Expected outputs of Review:*** ❑ proposal for streamlined system of import/export licensing, incl. minimum list of imports/exports subject to licensing ❑ schedule for phasing out the general licensing system ❑ manual for new Management Information System ❑ trained import and export licensing officials in all relevant ministries ***Time-frame:*** Review to be completed by February 1998. Recommendations to be discussed and where acceptable implemented during 1998.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
	Abolish other NTBs	2	Abolition of NTB's is on-going process. Recent trade related measures include: from 1992: no direct market intervention by the Meat Board of Namibia in terms of the application of the restrictive import permit system 1996: deregulation of sunflower seed and its products (removal of QR's)	No specific activities have been identified at this stage.
	Eliminate tariffs on intra-regional trade by 1996	2	***Regional Measures*** Namibia has signed the August 1996 "Protocol on Trade in the Southern African Development Community (SADC) Region". There is since 1992 a Preferential Trade Agreement in force between Namibia and Zimbabwe. SACU is currently negotiating a PTA with Zambia.	1. Implementation of tariff reduction offer to the WTO is on-going. 2. Renegotiation of SACU Agreement to be resumed with a Ministerial meeting in preparation for early 1998. 3. Continued participation in the SADC Trade Protocol negotiations and implementation of agreed measures.
	Abolish export licensing	3	See above	See Above

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
	Open-up trade in services	2	Namibia has made specific commitments i.r.o. the tourism and energy sectors to the General Agreement on Trade in Services (GATS) in support of increased foreign investment in these sectors.	No specific activities have been identified at this stage. WTO desk officer in MTI – who has recently attended a training course at the WTO Secretariat – keeps up-to-date with developments in GATS.
	Harmonise External Tariffs	3	Namibian tariff reduction offer to SACU for joint offer to SADC in preparation.	***Time-frame:*** 15/1 Namibian offer to SACU to be tabled at SACU meeting. 31/1 SACU offer to SADC to be tabled at SADC meeting.
Trade Facilitation	Implement Harmonised Transit Charges	3	The Government in its White Paper on Transport Policy endorses the user-pay principle and has approved a system of road user charges with a Dedicated Road Fund for Namibia, based on full cost recovery of all road provision, maintenance and administrative charges. These charges will be applied equally to Namibian and foreign road users.	It is not yet known when the Dedicated Road Fund will become operational.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
	Introduce single goods declaration document	1	One form for the declaration of imports and exports, the Namibian Single Administrative Document or NAMSAD 500, is in use since April 1995.	No further actions required.
	Introduce bond guarantee scheme	4	Not implemented to date.	No specific activities have been identified at this stage.
PAYMENTS				
Domestic payments and settlements	Complete financial sector reform programme	4		
	Develop foreign trade financing instruments	4	Earlier plans to set up an Export Financing Scheme have not materialised as yet.	There is no commitment on the future establishment of the proposed Export Financing Scheme at this point in time.
	Remove impediments to entry by foreign financial institutions	1	Provided that they have a sufficient capital base, foreign financial institutions may access the Namibian financial sector without further restrictions.	No further actions required.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
Exchange Systems	Remove all restrictions on current account transactions	2	Authorised Dealers can at their own discretion supply foreign exchange in payment of imports, provided that the invoice has been certified by the Customs authority and submission of the required import permit issued by the Ministry of Trade and Industry. ***Recent changes:*** 1996: introduction of EPZ Customs Foreign Currency Account, exempted from the statutory off-shore holding limits and the foreign currency conversion requirements (within 7 days) 1996: introduction of the EPZ Non Resident Account, denominated in N$ and used for normal operational requirements of the EPZ enterprise and for local investment purposes 1997: deregulation of indicative limits set for current account forex transactions in respect of payments of subscriptions, director's fees, congress/ seminar/conference/ examination fees, medical expenses, alimony payments, advertising payments, etc.	Liberalisation of current account transactions is an on-going process, with the Bank of Namibia as a lead agency. No specific activities have been identified at this stage.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
	Remove capital account restrictions	2	***Recent changes:*** 1996: remittance of dividends without prior approval by the Bank of Namibia 1996: free remittance of proceeds from the local sale or redemption proceeds on non-resident owned assets 1996: introduction of assets swap facility 1997: increase in limit in respect of Foreign Direct Investment from N$20 to N$30 million 1997: introduction of a new facility of N$50 million for approved projects in SADC 1997: allowance to Namibian corporations to raise foreign financing on the strength of their local balance sheet 1997: allowance to Namibian institutional investors to source in 1997 offshore investment of up to 3% of new inflow of funds during 1996 subject to an overall limit of 10% of total assets 1997: allowance to Namibian institutional investors to invest in 1997 up to 2% of the net inflow of funds during 1996 in securities listed on registered stock exchanges in any SADC member country	Liberalisation of capital account transactions is an on-going process, with the Bank of Namibia as a lead agency. No specific activities have been identified at this stage.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
	Establish unified, inter-bank, spot exchange markets	4	Namibia is awaiting a regional initiative to implement this component of the CBI agenda.	No specific activities have been identified at this stage. A regional initiative should be taken.
INVESTMENT				
Investment Approval	Simplify investment approval procedures Remove investment licensing requirements Harmonise investment regimes	1 2 4	Investment approval is only required if the investor applies for a Certificate of Status Investment, EPZ status or for preferential treatment under any of the existing incentives schemes. An application for the said certificate is usually processed in about 7 days.	The improvement of the investment climate is an on-going process. Some of the FIAS recommendation are administrative in nature, others require a high level policy decision. The Investment Centre continues to facilitate the implementation of the Road Map in MTI and other ministries.
	Publish Investment Code and regulations	1	The "1990 Foreign Investment Act" was published. In addition, various sector specific brochures have been published targeting the manufacturing sector and EPZ companies. Furthermore, the "Business Guide to Namibia" which was published in 1996 details the foreign investment regime pursued by Namibia.	The Investment Centre is planning to update and improve the "Business Guide to Namibia", introduce a (bi-)monthly Newsletter, publish the 1998 edition of The Investor and issue various leaflets and brochures on specific investment related topics during 1998.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
Immigration	Remove visa requirements at regional level	2	*Bona fide* travellers or business people from Angola, Botswana, Lesotho, Kenya, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe as well as South African citizens are exempted from visa requirements. Namibia has, therefore, to some extent already implemented the spirit of Article 2 of the Protocol. There is free movement for Namibian and Angolan residents up to 60km on either side of the Namibian-Angolan border.	Namibia is participating in the discussions of a SADC Protocol on the movement of people. ***Time-frame:*** Namibia is following the SADC time-table on immigration procedures.
	Improve processing of residence and employment permits	1	The Investment Centre (IC) functions as a one-stop-shop for foreign investors and deals also with all immigration procedures related to foreign investment. It takes about **one week** to process an application for a **business visa** with a maximum validity of 90 days for investors and/ or business people. It takes about **30 days** to process an application for an **employment permit** or a **Permanent Residence Permit**, though depending on the merits of the case this may be accelerated or the requirement waived in full.	No specific activities have been identified at this stage.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
Other	Join MIGA and similar bodies	1	Namibia is a member of the Multilateral Investment Guarantee Agency (MIGA) and has concluded bilateral Investment Protection Treaties with Germany, Malaysia and Switzerland.	The conclusion of bilateral Investment Protection Treaties is an on-going activity guided by investor's requirements.
	Conclude Double Tax Agreements	2	To date Double Tax Agreements have been signed with Germany, India, Mauritius and Sweden.	The conclusion of Double Tax Agreements is an on-going activity guided by investor's requirements.
	Develop Cross Listings on Regional Stock Exchanges	2	To date 26 out of 34 companies have a dual listing on the Namibian Stock Exchange (NSE) and the Johannesburg Stock Exchange (JSE). There are no other regional cross listings. The Bank of Namibia is promoting such regional dual listings by two facilities introduced in 1997: 1. Increase in limit in respect of Foreign Direct Investment from N$20 to N$30 million 2. Introduction of a new facility of N$50 million for approved projects in SADC	The cross-listing of Namibian companies on regional stock markets is on-going, driven by private sector needs and promoted by the Bank of Namibia.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INSTITUTIONS				
	Continue TWG activities		During 1997 only one full meeting of the TWG was held.	
	Strengthen national business organisations		CBI sponsored programme for the Namibian National Chamber of Commerce and Industry (NNCCI) is being implemented, consisting of the following components: ❑ ***development of information materials*** incl. a video feature, info stand for local and regional promotions, access to EUROSTAT data and other publications, catalogues, monographs, subscriptions to on-line data banks, etc. ❑ ***training workshops and seminars*** topics: trade fairs, feasibility studies, business opportunities in SADC, international marketing, information, business opportunities in the EU, export essentials ❑ ***technical assistance*** general backstopping at NNCCI new industries extension service organisation of mini campaigns and surveys ❑ ***investment promotion missions***	
	Give greater involvement to private sector in regional integration activities		–	
PROJECT DEVELOPMENT				
	Agree Letter of CBI Policy		Agreed	

<table>
<tr><th>SECTOR/AREA</th><th>MEASURE</th><th>CODE</th><th>CURRENT STATUS</th><th>PLANNED CHANGES/TIME FRAME</th></tr>
<tr><td colspan="5">PROJECT DEVELOPMENT</td></tr>
<tr><td></td><td>Agree terms on follow-up to LCBIP</td><td colspan="3">An EU funded “Transitional Trade and Investment Development Programme” for 1997-98 in support of the Ministry of Trade and Industry is under implementation with the following key components:

Directorate of International Trade
❑ drafting of an export development strategy
❑ strengthening of export promotion function
❑ streamlining of import-export management (see above)
❑ development and implementation of trade data base
❑ strengthening of Trade Policy Unit
❑ establishment of Trade Policy Analysis Unit (research)
❑ training on trade policy research and studies

Investment Centre
❑ implementation of the 1996 FIAS Investor Road Map recommendations
❑ development of operational framework for economic counsellors
❑ coordination of industrial sector and product profiles
❑ development and implementation of investment promotion database

General Services Directorate
❑ enhancement of project preparation capacity and development planning function in MTI

Internal Trade Directorate
Competition Policy Review

A new three-year Trade and Investment Development Programme (TIDP) is currently being designed for implementation from 1998 as follow-up to the transitional programme.</td></tr>
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SEYCHELLES

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Foreign Trade Liberalisation	Abolish Import Licensing	2	Licenses issued automatically, other than for a limited number of essential commodities which remain the monopoly of the Seychelles Marketing Board (SMB). Licensing is otherwise purely for monitoring as opposed to control purposes.	Government intends to revise existing legislation within the next 2 years with a view to further liberalisation.
	Abolish other NTBs	2	Apart from the SMB monopoly imports, the only remaining NTBs are temporary import quotas imposed due to foreign exchange constraints.	The foreign exchange shortage is expected to be resolved within the next 18 months as a result of fiscal management measures.
	Eliminate tariffs on intra-regional trade	3	Government actively pursuing in line with COMESA / CBI obligations. However, in view of Seychelles' recent accession to the COMESA Treaty, 1999 is the expected target date for compliance with COMESA / CBI obligations.	No time frame decided. However, the newly formed Committee on Tariffs and Trade is to make recommendations to Government by the middle of January 1998, with a view to possible implementation in 1999.
	Abolish export licensing	1	Fully implemented.	
	Open-up trade in services	1	Fully implemented.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
	Harmonise External Tariffs	3	Government actively pursuing in line with COMESA / CBI obligations.	COMESA time frame is the target.
Trade Facilitation	Implement Harmonised Transit Charges	n/a		
	Introduce single goods declaration document	n/a		
	Introduce bond guarantee scheme	n/a		
PAYMENTS				
Domestic payments and settlements	Complete financial sector reform programme	1	Financial sector in Seychelles has been extensively reformed and liberalised.	
	Develop foreign trade financing instruments	2	Typical foreign trade financing instruments (such as *Letters of Credit*, *Sight Bills* and *Export Re-Finance Schemes*) exist within the financial sector. However, there are no *export credit guarantee schemes* in place.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
	Remove impediments to entry by foreign financial institutions	1	Fully implemented.	
Exchange Systems	Remove all restrictions on current account transactions	2	No formal exchange controls exist, although access to foreign exchange is limited by short supply.	Government to address foreign exchange constraints during the next 18 months through continuing fiscal management measures.
	Remove capital account restrictions	2	As above.	As above.
	Establish unified, inter-bank, spot exchange markets	4	Administrative or legislative arrangements not yet identified.	
INVESTMENT				
Investment Regime	Simplify investment approval procedures	1	Although no investment code has been introduced, approval procedures have been greatly simplified and investment applications are dealt with on merit and speedily.	
	Remove investment licensing requirements	2	No impediments. Investment licences issued on merit on a "case by case" basis.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
	Publish Investment Code and regulations	2	The Investment Promotion Act (1995) largely serves this purpose.	No changes planned at present, though Government is continually reviewing legislation.
	Harmonise investment regimes	4	No difficulties envisaged in conforming with requirements of CBI / COMESA.	Following signature of COMESA Treaty, Government will review during 1998.
Immigration	Remove visa requirements at regional level	1	Fully implemented. There are no visa requirements for entry to Seychelles.	
	Improve processing of residence and employment permits	2	Provided for under Investment Promotion Act (1995).	
Other	Join MIGA and similar bodies	1	Seychelles has been a member of MIGA since 1993.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
	Conclude Double Tax Agreements	2	Government's policy is to conclude agreements with as many countries as possible. Negotiations are currently ongoing with a number of countries, including: India, Germany, China, Thailand, Philippines, Singapore, Malaysia, Canada, Cyprus, Tunisia, Cuba, South Africa. Agreements with Russia and Indonesia have already been signed.	Seychelles is keen to conclude agreements with all COMESA / SADC member states, and will continue to pursue during 1998. Requests to commence negotiations have already been submitted to a number of member states.
	Develop Cross Listings on Regional Stock Exchanges	4		
INSTITUTIONS				
	Continue TWG activities	1	The TWG's role is to be expanded and strengthened in view of Seychelles' membership of COMESA and SADC.	Effective from early 1998.
	Strengthen national and regional business	2	Seychelles Chamber of Commerce and Industry revived and currently very dynamic – actively encouraged by Government.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INSTITUTIONS				
	Give greater involvement to private sector in regional integration activities	2	Government supports measures and programmes to strengthen the role of the private sector in regional integration activities. Private sector represented on TWG.	The private sector has proposed to Government establishment of a Joint Economic Council to discuss macro-economic policy issues. This is under consideration.
PROJECT DEVELOPMENT				
	Agree Letter of CBI Policy	2	Revised LCBIP submitted to co-sponsors in July 1997.	It is hoped that the co-sponsors will respond formally in early 1998, in order that negotiations can commence.
	Agree terms on follow-up to LCBIP	3	Awaiting response from co-sponsors.	

SWAZILAND

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Foreign Trade Liberalisation	Abolish Import Licensing	2	Import permits are still required, but are used largely for statistical purposes. Imports are not restricted by foreign exchange considerations; effectively implemented.	There are intentions to introduce a negative list and such a list has been prepared, but not yet implemented. The list will include items such as those noted below.
	Abolish other NTBs	2	NTB's, in the form of quantitative restrictions, may be applied to certain agricultural products depending on local supply; this mainly affects intra-SACU trade. Certain items, such as medical equipment and weapons, require special authorization.	
	Eliminate tariffs on intra-regional trade	3	Swaziland has no tariffs on trade within SACU. However, as a member of SACU, it is unable to unilaterally remove tariffs on trade with other CBI countries.	The SACU agreements are being re-negotiated, although currently stalled.
	Abolish export licensing	1	Swaziland has no export licensing; the only control is to ensure the repatriation of export earnings.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
	Open-up trade in services	1	No restrictions apply.	
	Harmonise External Tariffs	3	This is dependent on SACU.	
Trade Facilitation	Implement Harmonised Transit Charges	3	As at February 1997, a consultancy had been completed and the final report was awaited. Outcome unknown.	Implementation has been deferred pending a SADC agreement, which is awaiting a study regarding the co-ordination of SADC / COMESA.
	Introduce single goods declaration document	3	This has been delayed since it needs to be confirmed by the SACU partners.	
	Introduce bond guarantee scheme	3	Initially expected by December 1997, but cost is a significant factor.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
Domestic payments and settlements	Complete financial sector reform programme	2	Underway in response to World Bank report, produced in 1995: ❑ Local asset requirements of commercial banks abolished in May 1996. ❑ Central Bank no longer pays interest on commercial banks asset reserves. ❑ Central Bank has ceased taking term deposits. ❑ Central Bank issuing bills in order to expand the market.	
	Develop foreign trade financing instruments	2	There is no restriction on availability of foreign exchange for trade purposes; normal banking channels are used. An Export Finance Credit Guarantee Scheme is in place. It is currently subject to a review.	
	Remove impediments to entry by foreign financial institutions	1	No barriers apply specifically to foreign institutions. All applications are treated on merit irrespective of source.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
Exchange Systems	Remove all restrictions on current account transactions	2	Subject to CMA.	Restrictions are being lifted slowly by South Africa. Swaziland has little control.
	Remove capital account restrictions	2	Subject to CMA.	South Africa has allowed limited asset swaps. Swaziland will follow suit when the Securities Bill is passed by parliament.
	Establish unified, inter-bank, spot exchange markets	1	South Africa manages the exchange rate of the Rand and, therefore, of the Emalangeni. Essentially free market forces apply.	
INVESTMENT				
Investment Regime	Simplify investment approval procedures	3	The FIAS report to document all existing requirements recently completed. This will be a base document for the new Investment Promotion Authority.	The IPA legislation has been passed by Parliament, but is awaiting Royal Assent. A contract has been awarded for the establishment of the IPA.
	Remove investment licensing requirements	1	There are no specific licensing requirements to FDI, other than CMA exchange control requirements.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
	Publish Investment Code and regulations	2	An investment code is under preparation. There is no restriction on investment in Swaziland and regulatory instruments are already in place.	
	Harmonise investment regimes	3	Subject to CMA.	
Immigration	Remove visa requirements at regional level	4	Visas not required for SACU.	No progress.
	Improve processing of residence and employment permits	2	Effort are being made to reduce the processing time.	The new Investment Promotion Authority Act provides for a 60-day statute of limitations on permit renewals.
Other	Join MIGA and similar bodies	1	Swaziland is a member of MIGA.	
	Conclude Double Tax Agreements	2	Swaziland has double tax agreements with the United Kingdom, South Africa and Botswana.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
	Develop Cross Listings on Regional Stock Exchanges	2	Companies are listed on both the Swaziland and Johannesburg Stock Exchanges.	Discussions are on-going within SADC. CMA restrictions apply.
INSTITUTIONS				
	Continue TWG activities	1	Continuing	
	Strengthen national and regional business	4	Private sector responsibility.	
	Give greater involvement to private sector in regional integration activities	3	The Swaziland Chamber of Commerce and Industry and the Sibakho Chamber of Commerce are both members of the TWG.	Increased private sector involvement is important; for example, the private sector is not aware of the terms of the SADC Trade Protocol.
PROJECT DEVELOPMENT				
	Agree Letter of CBI Policy	1	Swaziland's Letter of CBI Policy was accepted by the co-sponsors by letter received in December 1996.	
	Agree terms on follow-up to LCBIP	4		

TANZANIA

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Foreign Trade Liberalisation	Abolish Import Licensing	1	Import licensing was abolished in 1993.	Accomplished.
	Abolish other NTBs	2	Imports to Tanzania of above US$ 5000 are subject to compulsory pre-shipment inspection for quality, quantity and price comparison.	
	Eliminate tariffs on intra-regional trade	3	Reduction of COMESA tariffs by 70% has been published in the Customs Tariff Book but not yet applied.	The rates will be applied after approval.
	Abolish export licensing	1	Export licensing and surrender value requirements have been abolished since July 1993. However, exporters are required to fill in Form CD3 for purely statistical purpose.	Accomplished.
	Open-up trade in services	1	Trade in service are fully liberalised.	Accomplished.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
	Harmonise External Tariffs	3	Quite a number of external tariffs have been harmonised. The maximum rate is now 30%. Other duties and import charges have been incorporated into the tariff structure. A study on "Customs Duty Harmonisation in East Africa" which is currently in progress is expected to assess the viability of establishing a CET within East Africa and its impact on revenue and suggest alternative sources to compensate for areas of loss.	Awaiting report on current study on impact of harmonising external tariffs. 1998
Trade Facilitation	Implement Harmonised Transit Charges	4	Tanzania adheres to road transit charges as agreed upon by the COMESA Council of Ministers, as a special dispensation, although these are not according to the harmonised rates.	
	Introduce single goods declaration document	1	It has been introduced and is being used.	Accomplished.
	Introduce bond guarantee scheme	4	Discussed and agreed upon but not applied. There has to be a regional legal framework in place to enforce it.	To be enforced when a regional legal framework is in place.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
Domestic payments and settlements	Complete financial sector reform programme	2	The financial sector reform programme is progressing well. ❑ The banking system has fully been liberalised, ❑ Exchange control on current account has been abolished, ❑ Foreign exchange allocation no longer exists, ❑ Exchange rates of Tanzania shilling is determined in the Interbank Foreign Exchange Market, ❑ The Tanzania shilling is freely convertible with the Kenyan and Ugandan shilling, ❑ Interest rates are determined in the financial market..	Continuous.
	Develop foreign trade financing instruments	2	Some measures have been introduced in the financial market.	
	Remove impediments to entry by foreign financial institutions	1	The Banking and Financial Institutions Act of 1991 allows free entry of foreign financial institutions. In total there are more than 13 banks and 8 non-banks currently operating.	Accomplished.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
Exchange Systems	Remove all restrictions on current account transactions	1	Current account on the balance of payment is fully liberalised.	Accomplished.
	Remove capital account restrictions	2	Foreign investments in Treasury Bills is not allowed. In order to ensure and guarantee eventual repatriation of dividends/ profits and capital, foreign investments are subject to approval by Tanzania Investment Center. Remittance of dividends is freely done through commercial banks upon presentation of audited accounts indicating declared dividends to be repatriated plus authenticated documents showing payment of all taxes. Investors are permitted to use up to 100% of their net foreign exchange earnings for debt servicing or remittance of profits and dividends. Grants or loans/overdrafts in foreign currency by a resident or individual/ organisation to any non-resident person is prohibited unless specifically approved by the Bank of Tanzania.	Continuous.
	Establish unified, inter-bank, spot exchange markets	1	Introduced since 1994.	Accomplished.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
Investment Regime	Simplify investment approval procedures	2	Approval procedures have been simplified following the enactment of the new Investment Act in 1997 and transforming the Tanzania Investment Center to a "ONE STOP CENTER" for investment, information, advice, registration of licenses and certification. The new Center has now been transformed to an agency to facilitate private investments.	Accomplished.
	Remove investment licensing requirements	1	Removed.	Accomplished.
	Publish Investment Code and regulations	1	Publication of an investment code and regulatory instruments has been made.	Accomplished.
	Harmonise investment regimes	3	At East Africa level this is being done under the auspices of the East African Cooperation.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
Immigration	Remove visa requirements at regional level	2	Visa requirements for nationals of East Africa and SADC have been eliminated. The East African passport has already been launched. Visa requirements for some members of the COMESA have been removed.	Visas for the remaining members of COMESA to be eliminated soon.
	Improve processing of residence and employment permits	1	Permits are given in respect of employees under registered and certified investments provided that such employees meet the relevant criteria.	Accomplished.
Other	Join MIGA and similar bodies	1	Tanzania is a member of MIGA and International Center for the Settlement of Industrial Disputes (ICSID).	Accomplished.
	Conclude Double Tax Agreements	2	Double taxation agreements with Kenya, Uganda, Malawi and Zambia exist. Bilateral negotiations with other COMESA countries are in progress.	Conclude double taxation agreements with other COMESA states.
	Develop Cross Listings on Regional Stock Exchanges	3	No stock exchange exists in Tanzania. The Dar es Salaam Stock Exchange is expected to start operations soon.	Cross listings on regional stock exchange will start after stock exchange is in place.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INSTITUTIONS				
	Continue TWG activities	1	TWG has continued with regular meetings and follow-up of its decisions. The Secretariat is now in control of the day-to-day activities of the TWG with regular consultations with the Chairman and TWG members.	Continuous.
	Strengthen national and regional business	2	The Government has forged good working relations with various business organisations and has assisted these organisations in securing assistance from international organisations for purchase of equipment and capacity building. The business organisations which have received such assistance are:- 1) Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA). 2) Confederation of Tanzania Industries (CTI). 3) Tanzania Exporters Association (TANEXA). 4) TCCIA is a member of the East African Business Organisation. 5) A council to coordinate the activities of the business organisations in Tanzania will soon be formed.	The TWG intends to run sensitisation workshops for the private sector to enable them exploit available facilities in this Initiative and thereby expand their scope doing business with CBI member states.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INSTITUTIONS				
	Give greater involvement to private sector in regional integration activities	2	In view of the increasing role of the private sector in CBI activities, the Government has been encouraging this sector to participate in regional trade fairs and buyers/ sellers meetings. In addition it has now become a practice to include members of the private sector in official delegations involving Heads of States.	Continuous.
PROJECT DEVELOPMENT				
	Agree Letter of CBI Policy	1	Agreed and funds partially disbursed.	Commitments which go along with acceptance of Letter have not been fully implemented.
	Agree terms on follow-up to LCBIP	4		

UGANDA

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Foreign Trade Liberalisation	Abolish Import Licensing	2	A small negative list of beer and soft drinks still in place.	This list will be removed by mid-1998.
	Abolish other NTBs	2	Some NTBs are yet to be abolished.	All existing NTBs to be removed by 1998.
	Eliminate tariffs on intra-regional trade	2	Reductions have reached 80%.	100% reductions should be achieved in 1999.
	Abolish export licensing	1	Done; only a small negative list based on environmental concerns still exists.	Situation to be improved in collaboration with the National Environmental Management Authority.
	Open-up trade in services	1	This has been done.	Government continues to encourage investors in service.
	Harmonise External Tariffs	3	Maximum external tariff now 20%. Study on harmonisation within EAC underway.	Awaiting outcome of study
Trade Facilitation	Implement Harmonised Transit Charges	1	Approved in 1995/1996 budget, gazetted and in force.	None.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
	Introduce single goods declaration document	1	Has long been in use.	
	Introduce bond guarantee scheme	4	This has not yet come into force.	Ministry of Finance to discuss with the relevant authorities.
PAYMENTS				
Domestic payments and settlements	Complete financial sector reform programme	2	Programme being implemented.	Programme to be completed at the end of 1997.
	Develop foreign trade financing instruments	2	This is being done through the Financial Sectors Reform Programme.	Programme to be completed at the end of 1997.
	Remove impediments to entry by foreign financial institutions	1	Free entry exists.	
Exchange Systems	Remove all restrictions on current account transactions	1	System is fully liberalised.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
	Remove capital account restrictions	1	This was removed in 1996; no restrictions exist in capital transfers.	
	Establish unified, inter-bank, spot exchange markets	1	Done; effective from 1996.	
INVESTMENT				
Investment Regime	Simplify investment approval procedures	2	Investment procedures are liberal but are hampered by unnecessary bureaucratic delays.	Government will strengthen the electricity water and telecoms agencies to provide services in a faster manner.
	Remove investment licensing requirements	4		
	Publish Investment Code and regulations	1	This has been done by the Ministry of Justice.	
	Harmonise investment regimes	3	Being looked at within EAC.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
Immigration	Remove visa requirements at regional level	1	Visas abolished for COMESA countries.	
	Improve processing of residence and employment permits	1	Application takes less than a month.	Government is working towards an agreement that will ensure free mobility of labour. However, this will be done in collaboration with the COMESA states.
Other	Join MIGA and similar bodies	1	Uganda is already a member of the MIGA.	
	Conclude Double Tax Agreements	2	Double taxation agreements exist with Zambia and South Africa.	Negotiations continue with Kenya, Zimbabwe, Tanzania among others.
	Develop Cross Listings on Regional Stock Exchanges	3	The Kampala Stock Exchange will begin operating soon.	Plan to link KSE to the Nairobi Stock Exchange.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INSTITUTIONS				
	Continue TWG activities	1	On-going.	More activities are planned for 1998.
	Strengthen national and regional business	2	These are being assisted by a variety of donors.	Discourage the proliferation of such associations if any capacity building and institutional building is to be done.
	Give greater involvement to private sector in regional integration activities	1	The private sector is involved in the TWG activities e.g. seminars, workshops and meetings.	More people need to be involved.
PROJECT DEVELOPMENT				
	Agree Letter of CBI Policy	1	Agreed	
	Agree terms on follow-up to LCBIP	3	Government working within the LCBIP framework.	

ZAMBIA

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Foreign Trade Liberalisation	Abolish Import Licensing	1	Abolished completely.	
	Abolish other NTBs	2	A temporary ban of wheat flour imports has been effected.	This is a temporary measure and is to be reviewed shortly.
	Eliminate tariffs on intra-regional trade	2	Currently at 60%.	Intend to reduce further after January 1998 budget in line with COMESA programme.
	Abolish export licensing	1	Removed completely.	
	Open-up trade in services	1	Fully liberalised	
	Harmonise External Tariffs	3	HET Study underway.	Government assessing revenue impact.
Trade Facilitation	Implement Harmonised Transit Charges	1	Fully implemented.	
	Introduce single goods declaration document	1	Fully implemented.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
	Introduce bond guarantee scheme	4	Awaiting COMESA decision on the scheme.	Zambia has agreed in principle but awaits modalities.
PAYMENTS				
Domestic payments and settlements	Complete financial sector reform programme	1	Financial sector fully liberalised.	
	Develop foreign trade financing instruments	2	Commercial banks and forex bureau able to transact without any administrative barriers.	
	Remove impediments to entry by foreign financial institutions	1	Fully liberalised.	
Exchange Systems	Remove all restrictions on current account transactions	1	No restrictions.	
	Remove capital account restrictions	1	No restrictions.	
	Establish unified, inter-bank, spot exchange markets	1	Fully liberalised.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
Investment Regime	Simplify investment approval procedures	2	Investment Centre able to process applications within 30 days.	Further steps are being addressed to simplify procedures.
	Remove investment licensing requirements	4	Government policy not changed.	
	Publish Investment Code and regulations	1	Investment Act in place and guidelines are regularly published.	Amendments to the Investment Act are being prepared to simplify procedures and interpretation of regulations.
	Harmonise investment regimes	2	This is on-going.	EPZs are to be introduced next year.
Immigration	Remove visa requirements at regional level	2	Visas are still required for Angola, Mozambique and Francophone countries.	Implemented on a reciprocal basis.
	Improve processing of residence and employment permits	2	Investment license holders given preference.	Legal and administrative changes still being considered.
Other	Join MIGA and similar bodies	1	Zambia is a member of MIGA.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
	Conclude Double Tax Agreements	2	Concluded with Botswana, Tanzania and Kenya.	Plan to extend to all COMESA countries.
	Develop Cross Listings on Regional Stock Exchanges	2	The Securities Act in place allows cross-listing.	
INSTITUTIONS				
	Continue TWG activities	1	Government fully supports TWG activities.	Initiatives underway to re-establish the PIC.
	Strengthen national and regional business	2	TWG working closely with the chamber movement.	A joint TWG-ZACCI workshop to be held early next year.
	Give greater involvement to private sector in regional integration activities	2	Private sector included on the TWG and official trade and investment missions.	
PROJECT DEVELOPMENT				
	Agree Letter of CBI Policy	1	Fully agreed and signed in July 1994 and being implemented.	
	Agree terms on follow-up to LCBIP	3	TWG preparing a position paper.	Much of future position likely to be influenced by consultative meeting with Paris club scheduled next year.

ZIMBABWE

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
Foreign Trade Liberalisation	Abolish Import Licensing	1	Imports have been liberalised. A very short negative list exists for health & security reasons.	
	Abolish other NTBs	2	Zimbabwe is studying ways of removing further NTBs.	
	Eliminate tariffs on intra-regional trade	2	Zimbabwe is close to following the CBI timetable, currently at 80% preference.	
	Abolish export licensing	2	There are generally no controls to exports. Export permits are required for a few items related to food and minerals.	
	Open-up trade in services	3	Zimbabwe has identified some of the services to be liberalised in line with the WTO stipulations and has began liberalisation of areas such as telecommunications, broadcasting, banking and transport.	A Communications Bill which seeks to remove the government's monopoly in broadcasting and telecommunications is scheduled to be introduced in parliament during 1998.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
TRADE				
	Harmonise External Tariffs	3	The customs tariff was substantially revised in February 1997.	Awaiting outcome of current study on HET.
Trade Facilitation	Implement Harmonised Transit Charges	1	Zimbabwe is operating on the COMESA harmonised road transit charges.	
	Introduce single goods declaration document	1	One customs bill of entry form is in use.	
	Introduce bond guarantee scheme	3	Zimbabwe signed the agreement but has not yet implemented it.	The implementation rests with regional Chambers of Commerce.
PAYMENTS				
Domestic payments and settlements	Complete financial sector reform programme	2	Legislation for liberalisation of the financial sector has been presented to Cabinet but is yet to be debated in Parliament.	Continuous.
	Develop foreign trade financing instruments	2	Private companies can now borrow up to US$5m from off-shore sources without seeking approval.	
	Remove impediments to entry by foreign financial institutions	2		

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PAYMENTS				
Exchange Systems	Remove all restrictions on current account transactions	1	In February 1995, Zimbabwe acceded to the IMF Article VIII Sections 2,3, and 4 which requires the removal of all restrictions on current account transactions.	
	Remove capital account restrictions	2	Work is underway to relax certain aspects related to capital account transactions. The phasing out of corporate blocked funds commenced in 1995.	
	Establish unified, inter-bank, spot exchange markets	1	A market determined exchange rate is now in place. Bureaux de Changes are also in operation.	
INVESTMENT				
Investment Regime	Simplify investment approval procedures	2	For projects worth less than US$10m and in preferred areas, processing is done within 2 days. Others take 10 days. The requirement to refer projects above US$40m to Govt. has been dispensed with. Obtaining of necessary operating licenses has improved due to closer to liaison with relevant departments	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
	Remove investment licensing requirements	4	No progress.	
	Publish Investment Code and regulations	3	The study to draft the Investment Code has been completed and relevant documentation is being submitted to Cabinet for approval.	To be presented to Cabinet in 1998.
	Harmonise investment regimes	4	No progress.	
Immigration	Remove visa requirements at regional level	2	Visas are not required for most regional visitors.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
	Improve processing of residence and employment permits	2	Relatively easy facilitation through ZIC as follows:- i. For individuals investing in excess of US$500 000 residence permit is granted automatically; ii. For individuals investing US$100 000 a 3-year residence permit is granted which is convertible to permanent residency depending on project viability. iii. For individual who has stayed in Zimbabwe for 3 years and has professional and technical skills and is investing US$50 000 in a Joint Venture with a Zimbabwean partner, a 3-year residency is granted which is convertible to permanent residency if project proves viable. iv. If a potential investor has been working in the country for 3 years and subsequently wishes to bring in US$50 000 for 100% ownership investment, permanent residence is automatically granted.	
Other	Join MIGA and similar bodies	1	Zimbabwe is a member of MIGA, ICSID and OPIC and has a number of bilateral agreements.	

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
INVESTMENT				
	Conclude Double Tax Agreements	2	Zimbabwe has double taxation agreements with Botswana, Mauritius, Namibia, South Africa, UK, Sweden, Netherlands, Bulgaria, Canada, Malaysia, Germany, Poland and France.	
	Develop Cross Listings on Regional Stock Exchanges	2	Cross listings take place on some counters with the Johannesburg Stock Exchange.	
INSTITUTIONS				
	Continue TWG activities	1	TWG meets regularly	
	Strengthen national and regional business	2		More support needed to strengthen functions of national business organisations.
	Give greater involvement to private sector in regional integration activities	2	The Confederation of Zimbabwe Industries and the Zimbabwe National Chamber of Commerce are represented on the TWG. They are also involved in regional trade negotiations.	Efforts are underway to expand private sector representation on the TWG.

SECTOR/AREA	MEASURE	CODE	CURRENT STATUS	PLANNED CHANGES/TIME FRAME
PROJECT DEVELOPMENT				
	Agree Letter of CBI Policy	1	Terms on the Letter of CBI Policy have been agreed to in principle and funds are due to be disbursed imminently.	
	Agree terms on follow-up to LCBIP	4	Nothing yet happening, due to lateness in disbursement of original funds.	

COMESA

INTRODUCTION

1. The COMESA Treaty, which sets the agenda for COMESA, covers a large number of sectors and activities. However, the fulfilment of the complete COMESA mandate is regarded as a long-term objective and, for COMESA to become more effective as an institution, it has defined its priorities within its mandate, over the next 3 to 5 years, as being ***Promotion of Regional Integration through Trade Development.*** The role of the COMESA Secretariat is to take the lead in assisting its member States to make the adjustments necessary for them to become part of the global economy within the framework of WTO regulations and other international agreements. This is to be done by promoting "outward-orientated" regional integration.

2. The aims and objectives of COMESA are closely mirrored by those of the Cross-Border Initiative (CBI). COMESA sees CBI, with its interventions in foreign trade liberalisation, trade facilitation, domestic payments and settlements, exchange systems, streamlining the investment approval system and liberalising immigration procedures, as a "fast-track" for member States, with a shortened timetable. COMESA countries which implement the CBI are taking advantage of the "variable speed" provisions of the COMESA Treaty and, by implementing liberalising measures faster than other COMESA member States, are greatly enhancing their economic growth potential.

MONETARY AND FINANCIAL COOPERATION

3. One of the key COMESA programmes, which is also strengthened by the CBI and national Structural Adjustment Programmes, is in the area of monetary and financial co-operation. Since the establishment of PTA/COMESA, a number of achievements have been made in this area and COMESA member States have agreed to co-operate in monetary and financial matters in accordance with the COMESA Monetary Harmonisation Programme which, among other things, provides for the use of market determined exchange rates; the harmonisation of fiscal policies; the moderation of monetary expansion; ensuring an adequate flow of credit to the private sector; eliminating direct controls on bank lending; de-regulating interest rates; and using indirect instruments of money.

PRIVATE SECTOR ASSISTANCE

4. The COMESA Secretariat is making use of recent advances in information technology to fulfil its role of providing commercially valuable information to the business sector to enable them to take advantage of business opportunities emerging in the region. Specifically, the COMESA Secretariat has established a website on the Internet (http://www.comesa.int) which is to be up-dated on a regular basis and which is intended to be self-financing (after the initial pilot period) and so will have to meet the needs of the users for them, or advertisers, to be willing to pay for this information. The website provides information on a country as well as a sector basis. It uses information from a number of sources, such as the in-house TINET and ASYCUDA databases (which have front-ends attached to make them searchable) as well as information from member States themselves (including Central Banks and relevant Ministries) and other international sources.

The COMESA Secretariat is also keen to work with the CBI to assist the private sector to take advantage of the opportunities available under the market-based economies. This can be done through, for example: coordinating the harmonising of standards, quality control procedures, certification schemes, technical regulations and other related activities which could constitute barriers to trade; assisting with the development of national and regional competition policies and industrial strategies; and working with donors and financial institutions to set up investment guarantee funds and short-term trade finance.

TRADE FACILITATION

6. The aims and objectives of the COMESA and CBI programmes are perhaps closest in the area of trade liberalisation. The COMESA programme is to establish a Free Trade Area (FTA) by the year 2000 (with the CBI target of zero-tariffs by 1998) and all countries are supposed to have reduced tariffs by 80 percent as at October 1996. Five countries (Comoros, Kenya, Sudan, Uganda and Zimbabwe) have reached this level, with Eritrea, Malawi and Mauritius on 70 percent and processing the 80 percent level. Tanzania has temporarily suspended the COMESA tariff reduction programme. All other countries, except Angola, Ethiopia and the Democratic Republic of Congo (which have yet to reduced tariffs by the 60 percent reduction rate), and those countries which still enjoy a derogation from publishing these tariffs (Lesotho, Swaziland and Namibia) have reduced tariffs by either 60 percent or 70 percent.

7. The trade liberalisation and facilitation measures instituted by COMESA are now bearing fruit. Intra-COMESA trade has grown from US$834 million in 1985 to US$2,400 million in 1996, and recent studies indicate that this level of trade can be further increased to about US$4,000 million annually. The challenge facing COMESA is to exploit this potential further.

8. Issues currently being addressed by COMESA, in the context of CBI and the COMESA tariff reduction programme, are the perceived short-term inequitable revenue losses experienced by some countries and the implementation of the programme at different rates by member States. With the achievement of a Free Trade Area these issues will be resolved, but already studies suggest that revenue losses from reduced tariff levels are more than compensated for from resulting revenue gains from other parts of the economy.

9. The simultaneous implementation of the COMESA tariff reduction programme (leading to a customs union), the proposed SADC FTA, the trade agreement of SACU and the Cross-Border Initiative (CBI) tariff reduction programme could, at the very least, lead to some confusion amongst the business communities of the region and the COMESA Secretariat would like to work with interested parties, possibly through the CBI programme, to harmonise these various programmes to ensure more effective regional integration takes place and to allow the benefits of free trade to be enjoyed by the whole region.

10. In line with both the CBI and COMESA programmes, steady progress has been made in elimination of non-tariff barriers (NTBs) such as in liberalisation of import licensing, removal of foreign exchange restrictions and taxes on foreign exchange, removal of import and export quotas, removal of road blocks, easing of Customs formalities, extending times that border posts are open, etc. There are, however, still a number of improvements required to make intra-regional trade easier, such as improving the transport and communications structures, ease visa requirements, improve information and access to information on trade opportunities, further reduce customs and bureaucratic procedures at border crossings etc. Many of these (such as improving the transport and communications infrastructure) will require significant investment and will only be achieved over a medium to long term time scale and is an area in which donor support and foreign private sector investment will be needed for some time to come.

11. One specific NTB is the amount of documentation required to move goods between COMESA countries. To assist with the removal of this NTB, by reducing the multiplicity of customs documents, COMESA has designed the COMESA Customs Document, or COMESA-CD, which was scheduled for introduction by all COMESA member States by 1 July 1997.

12. COMESA has reached an agreement to implement a Common External Tariff by the year 2004 and as this currently stands the CET will be 0 percent, 5 percent, 15 percent and 30 percent on capital goods, raw materials, intermediate goods and final goods respectively. The implementation of the CBI Harmonised External Tariff supports the early implementation of the CET.

13. If the Eastern and Southern African region is to achieve significant economic growth, it must do this through full integration into the world economy within the framework of GATT/WTO. The COMESA Secretariat is keen to work through CBI to disseminate information on WTO and the world trading system, and to develop capacity in the region, to allow countries in the region to more actively participate in the global economy. Issues which could be addressed, through a series of training sessions in conjunction with the TWGs, include topics such as: the nature and scope of the current Uruguay Round Agreements, the advantages and opportunities of these the Agreements to developing countries and the place of LDCs in the current multilateral trading and investment regime; notification procedures; dispute prevention and settlement mechanism; trade related investment measures (TRIMs); intellectual property rights; trade in services; subsidies, countervailing duties, dumping and anti-dumping measures, duty draw-backs and remissions or rebates; free trade zones and free processing zones; and government procurement.

TRANSPORT AND COMMUNICATIONS FACILITATION

14. In the area of transport and communications facilitation the COMESA Secretariat is implementing: the Harmonised Road Transit Charges; the COMESA Transit Plates; COMESA overload controls; maximum vehicle dimensions; the COMESA Yellow Card Scheme; coupon system for road transit charges; introduction of COMESA immigration counters at border posts; and the high frequency cross-border land mobile radio communications system. These programmes are fully supported under CBI.

15. In order to allow COMESA country registered trucks to do business in all member States by using a carriers' license issued in the country of residence, COMESA has introduced a COMESA Carriers' Licence system and all member States which have not yet put the COMESA Carriers' License into force agreed to do so by 30 September 1997.

16. COMESA has also introduced a Customs Bond Guarantee Scheme, the objective of which is to eliminate the avoidable administrative and financial costs that are associated with the current practice of nationally executed customs bond guarantees for transit traffic. It has not yet come into force but all member States have agreed to ratify the scheme as soon as possible to eliminate the need to open and close customs bond guarantees at each port of entry. The introduction of the Bond Guarantee Scheme is expected to release over US$200 million held in bonds at any one time.

17. As a result of COMESA transport facilitation measures, transport costs have been reduced by a factor of about 25 percent and efforts are underway to reduce them further.

CONCLUSION

18. As has already been mentioned, COMESA is a strong supporter of the CBI process and sees it as a useful instrument to further the process of regional integration. CBI supports the COMESA programmes by supporting integration activities at the country level and has also assisted to put regional integration onto the agenda of structural adjustment. In turn, COMESA provides a useful input into the CBI process by providing an institutional structure to act as a "lock-in" mechanism for integration measures implemented by countries in the region.

ANNEX 1

STATUS OF PUBLISHING COMESA TARIFFS BY MEMBER STATES

Member State	Tariff Reduction as at end 1997
Angola	no COMESA tariffs published
Burundi	60% tariff reduction
Comoros	80% tariff reduction
D.R. Congo	no COMESA tariffs published
Eritrea	70% tariff reduction
Ethiopia	no COMESA tariffs published
Kenya	80% tariff reduction
Lesotho	derogation as part of SACU
Madagascar	no COMESA tariffs published
Malawi	70% tariff reduction
Mauritius	70% tariff reduction
Mozambique	no COMESA tariffs published
Namibia	derogation as part of SACU
Rwanda	60% tariff reduction
Seychelles	Joined COMESA in 1997 – no COMESA tariffs published
Sudan	80% tariff reduction
Swaziland	SACU derogation expired September 1997
Tanzania	temporarily suspended COMESA tariffs in the June 1997 budget
Uganda	80% tariff reduction
Zambia	60% tariff reduction
Zimbabwe	80% tariff reduction

ANNEX 2

STATUS OF IMPLEMENTATION OF TRANSPORT AND COMMUNICATIONS PROGRAMMES

COUNTRY	RTC	RCTD	Axle Load Limits	Max. Length 22.0m	YC	CCL	CS	Transit Plates	Overload Control	MWG	HFX	Telecom Agreement
Angola	No	No	Yes	No	No	No	No	No	No	No	No	No
Burundi	Yes	Yes	Yes	No (18)	Yes	No	No	No	No	No	Yes	No
Comoros	N/A	N/A	No	No	N/A	N/A	N/A	N/A	No	No	N/A	No
Eritrea	No	No	Yes	*No	No	No	No	No	No	No	No	Yes
Ethiopia	No	No	Yes	* (18)	Yes	No	No	No	No	No	Yes	Yes
Kenya	Yes	Yes	Yes	No (18)	Yes	Yes	No	No	No	Yes	Yes	Yes
Lesotho	No	No	No	No	No	No	No	No	No	No	Yes	No
Madagascar	N/A	N/A	No	No	N/A	N/A	N/A	N/A	No	No	N/A	No
Malawi	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Mozambique	No	No	Yes	No (18)	No	No	No	No	No	No	Yes	No
Mauritius	N/A	N/A	No	No	N/A	N/A	N/A	N/A	No	No	N/A	Yes
Namibia	No	NO	No	Yes	NO	No	No	No	No	No	No	No
Rwanda	Yes	Yes	Yes	No (18)	Yes	No	No	No	No	No	Yes	No
Sudan	Yes	Yes	Yes	No (18)	No	No	No	No	No	Yes	No	Yes
Swaziland	No	No	No	Yes	(Yes)	No	No	No	No	Yes	Yes	Yes
Tanzania	No	Yes	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Uganda	Yes	Yes	Yes	No (18)	Yes	Yes	No	No	No	Yes	Yes	Yes
Zaire	No	Yes	Yes	No (18)	No	No	No	No	No	No	Yes	No
Zambia	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes
Zimbabwe	es	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No

ABBREVIATIONS

CCL	COMESA Carrier Licence
CS	Coupon System for payment of road transit charges
COMESA TRANSIT PLATE	Fitted at the front and rear of heavy goods commercial vehicle involved in COMESA transit operations
HFX	High Frequency X-Border Land Mobile Radio Communications System
MWG	Multi-Disciplinary Working Group
OVERLOAD CONTROL	This is an application of fees based on pavement damage (Fourth Power Law)
RCTD	Road Customs Transit Declaration Document
RTC	Harmonised Road Transit Charges
TELECOM INT. AGR.	Agreement on Telecommunications Network Inter-connectivity and Tariff Harmonisation
YC	COMESA Yellow Card Scheme
TELECOM AGREEMENT	Telecommunication Inter-connectivity Network Plan Agreement

KEY: The following symbols denote:

No	=	No implementation
Yes	=	Implemented
(Yes)	=	Swaziland will soon commence issuing and accepting the Yellow Card
*	=	It is recommended that Ethiopia be allowed to maintain its current Vehicle dimension regulations because of the terrain and road design limitations.
N/A	=	Not Applicable

EAST AFRICAN CO-OPERATION

With the shifting political and economic climate within East Africa and the renewed thrust within Africa generally towards regional integration and a more open regionalism, the three East African countries agreed on the establishment of the Permanent Tripartite Commission for East African Cooperation (CEAC) in 1993. The Secretariat of the Commission for East African Cooperation was installed in Arusha, Tanzania, in March 1996. In April 1997, the CEAC prepared a basic document: "East African Cooperation Development Strategy", with four main thrusts:

- ❑ to promote the spirit of regional cooperation, which is deeply rooted in the history of the region and in the minds of its people, while avoiding the problems of similar endeavours in the past;

- ❑ to support the existing forces which have a major interest in the strengthening of regional institutions and in the free movement of people, capital, goods, as well as services and information within the region;

- ❑ to place immediate emphasis on economic cooperation, with a view to promoting enhanced political cooperation and integration in the long run; and

- ❑ to reinforce institutional capacities for regional cooperation with the EAC Secretariat as a small but effective coordinating body, to organise and supervise special activities, studies and research aimed at facilitating decision making in areas relevant to regional integration.

The role of economic cooperation and integration therefore features very prominently in the development strategy and is seen as the single most important element for the CEAC. The Heads of State have acknowledged the important role played by the CBI and have adopted the CBI measures into the strategy for the EAC.

The Commission recognises the role of other regional integration institutions and works on the principle of "variable geometry". To that end a Memorandum of Understanding was signed with COMESA, which, inter alia, referred to the two institutions *"Working together to ensure the effective implementation of the Cross-Border Initiative"*. This therefore reflects the common acceptance of the CBI measures. A similar MOU has been drafted with SADC; whilst another is under preparation with IGAD.

The EAC Development Strategy makes strong references to the areas of economic integration. A number of priority areas have been identified in this strategy. Those areas which fit into the core areas of regional integration as enunciated by the CBI would include: harmonisation of fiscal and monetary policies; immigration; promotion of investment; and trade and industry. The main priority currently given by the CEAC is for policy-oriented programmes, relating to policy harmonisation, rationalisation and administration. Within the policy area are harmonisation and rationalisation of macro-economic and sectoral policies. The macro-economic policy work (covering both fiscal and monetary policies) aims to bring about economic stability to create a conducive environment for trade and investment. The objective is to have target levels of budget deficit; liberalisation of trade policies; harmonisation of investment incentives; development of capital markets; cross-listings of stocks and eventual establishment of a regional stock exchange.

Reasonable progress has already been made in some of the above areas, given the short time in which the CEAC has been established. This progress includes:

- ❑ convertibility of national currencies;
- ❑ repatriation of national currencies;
- ❑ tariff preferences of 80 percent given by Kenya and Uganda on EA imports, along with imports from all other COMESA countries. Tanzania has published, but not yet implemented the preference margin;
- ❑ partial liberalisation of the capital account, in which an investor in a member State is free to invest up to certain limits in other member States. Exchange control approval is currently required for investments above these limits;
- ❑ agreements to avoid double taxation;
- ❑ pre-budget consultations between Ministers of Finance.

Plans are at an advanced stage for the introduction of East African passports and inter-State border passes, both of which will facilitate cross-border movement of persons. The border pass will be a document which regular border crossers can have, which only needs to be shown at the border, rather than having to complete forms and have their passport stamped.

Studies have also recently been initiated in a number of relevant areas. These include:

- study on proposed collection of customs duties at first point of entry into the EA region (this also touches on the issue of establishing a Customs Union);

- studies in each member State on the harmonisation of external tariffs, which also assesses the impact of removal of tariffs on intra-regional trade;

- study on liberalisation of tourism towards a single market in EA;

- study on the establishment of the EAC database to monitor economic integration within the context of EAC;

- study on the impact of economic liberalisation on industrial development in East Africa, as a background study to the formulation of an industrial development strategy for the EAC region.

Four meetings have been held to date of the East African TWGs, with the last meeting being in October 1997 in Uganda. These meetings have been useful occasions for furthering the implementation of the CBI measures within East Africa and for working on harmonisation of various macro-economic policies.

A policy-action matrix of planned integration measures has been prepared by the Secretariat for the period 1997 to 2000. A number of these policy-actions fall within the areas covered by the CBI. These include the following areas:

- easing of border controls

- reduce border crossing formalities by minimising number of players at the borders

- introduction of an inter-State pass

- free movement of capital
- cross-listing of companies on national stock exchanges
- establishment of an EA stock exchange
- liberalisation of the capital account
- introduction of a single currency
- harmonisation of fiscal and monetary policies

Monetary Issues

- formulation of standardised prudential requirements on licensing of commercial banks
- setting up a framework for macro-economic variables

Fiscal Issues

- simplification of customs documentation
- customs duty collection at first point of entry
- reduction of internal tariffs on basis of CBI recommendations
- initiate study on Common External Tariff and possibility of establishment of an EA Customs Union

- identify and put in place specific sectoral policies to facilitate trade and investment

- initiate a study on the impact of liberalisation of tourism industry within EA

- harmonise investment codes of member States

- establish EA industrial standards for local manufactured products

- joint promotion of trade and investment

- East Africans investing in member States to be given similar treatment as nationals.

It is thus apparent that work within East Africa as developed by the Commission for EAC is very much in line with the objectives of the CBI.

Le Secrétariat de la COI a collaboré avec l'Initiative Transfrontalière (ITF) dès son origine. En effet, la première réunion des Groupes de Travail Techniques (GTTs) s'est tenue à Maurice en juin 1992 avec le concours de la COI. A plusieures occasions la COI a organisé des réunions avec ses Etats Membres afin de préparer et coordonner leur position dans les rencontres de l'ITF.

Parallèlement aux actions de l'ITF, la COI a lancé le Programme Régional Intégré de Développement des Echanges (PRIDE). Ce programme d'un montant de ECU 9.3 million a comme principal objectif de renforcer la compétitivité des entreprises COI dans le marché régional et mondial. Le PRIDE comporte des modalités d'appui pour les entreprises ainsi qu'un nombre de réformes de la politique commerciale qui constituent l'objet d'un cadre général d'actions. Les mesures préconisées sont sensiblement similaires à ceux proposées au niveau de l'ITF. Le siège du PRIDE se trouve à Madagascar. Il y a également une antenne à Maurice, tandis que le site du volet information commerciale se trouve au siège du Secrétariat de la COI.

Le cadre général d'actions du PRIDE prévoit de diminuer voire éliminer les contraintes réglementaires qui entravent le commerce régional, notamment les barrières tarifaires, les restrictions portant sur les opérations courantes et le flux des capitaux ainsi les entraves aux importations et exportations intra-îles et la libre circulation des personnes. Les mesures de libéralisation étant conformes à celles de l'ITF, les résultats valables au niveau du PRIDE le seront aussi au niveau de l'ITF.

Les appuis directs en faveur du secteur privé comprennent:

- ❑ appui aux bureaux d'entreprises dans les Etats Membres de la COI;
- ❑ campagnes d'information auprès des opérateurs;
- ❑ publications de brochures;

- organisation de missions commerciales;

- organisation de fora d'investissement et de partenariat;

- formation relative au normes et qualités.

En Mars 1995, le Secrétariat de la COI a organisé la première réunion de coordination des organisations régionales impliquées dans l'ITF. A côté de la COI, les organisations représentées étaient: COMESA, SADC et EAC.

Un examen détaillé de l'avancement de la mise en oeuvre du cadre général d'actions du PRIDE était l'objet d'une réunion en Mai 1997, organisée par le Sécretariat de la COI. Cette réunion a confirmé un progrès significatif dans l'exécution des mesures. Il a été constaté également que le calendrier prévu n'a pas pu être respecté par tous les pays membres de la COI. La réunion a eu un effet d'encouragement mutuel sur la mise en oeuvre des réformes.

A plusieures occasions la COI a soulevé la problématique d'application des règles d'origine. Une étude a été entrepris avec l'appui de l'ITF, afin de clarifier cette problématique et de faire des propositions concrètes. La COI a organisé des réunions des représantants des services techniques des differents pays en vue d'examiner la question des règles d'origine.

La COI est également impliquée dans une étude pour examiner les effets économiques de la mise en oeuvre du Tarif Extérieur Harmonisé (TEH) préconisé dans l'ITF. Il est considéré souhaitable que la politique commerciale des pays membres de la COI s'inscrit dans le cadre du TEH.

1. The Cross-Border Initiative (CBI) was designed to assist the participating countries individually and collectively, to establish a single economic space that enables them to compete among themselves and internationally. The general thrust of the initiative is the speedy liberalisation of the finance, trade and investment systems of the participating countries. In SADC, Malawi, Mauritius, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe are participating voluntarily in the programmes of the initiative.

2. In the context of CBI, participating countries adopted a framework which leads to:

a) free trade by 1998 and removal of non-tariff barriers to trade.

b) the elimination of barriers to cross-border flows of services, labour and capital.

c) coordination of reforms in the financial sector, exchange control systems, domestic banking, clearance and payment systems and the deregulation of investment procedures.

This framework should be supported by appropriate stable macroeconomic policies.

3. The thrust of the CBI policy framework does not contradict the SADC thrust in the Finance and Investment Sector and the objectives of the SADC Trade Protocol. The provisions and objectives of the SADC Trade Protocol can yield results only if the exchange control systems, and the investment regulations are liberalised to facilitate cross-border capital movements. Current assessment of intra-SADC trade shows that

70 percent of goods traded in SADC, in value terms, have tariffs of less than 5 percent. This effectively implies a possibility of having a partial free trade area in SADC. This coincides with the objective of CBI to achieve free trade by 1998.

4. A seminar held in Gaborone in February 1997, to discuss the compatibility between the CBI and the Trade Protocol, noted that to be successful in contributing to growth and poverty reduction, trade liberalisation needs to be pursued within a broader macroeconomic framework which addresses production and financial capacities of the economy as well as infrastructure constraints. The SADC Trade Protocol was viewed as an important step in the direction of creating a common and harmonised economic space among member states that is conducive to regional integration in order to be competitive with the rest of the world.

5. There was consensus that whatever has been achieved by participating countries under CBI and other trade arrangements should be maintained and lessons drawn from this be used in the process of implementing the SADC Trade Protocol. SADC was urged to put more effort to accelerate the achievement of free trade in the region which would facilitate its integration into the global economy. The CBI provisions can assist in accelerating the process of regional integration as they facilitate the liberalisation of the countries' economies.

6. SADC accepts the principle of variable geometry which allows those member States who would like to move faster in reducing their tariffs to do so which could compel the slow movers to accelerate their pace of trade liberalisation in the process of implementing the trade protocol, there is need to strengthen and enhance capacity at national and regional level. It may also be appropriate for SADC to devise a lock-in mechanism which persuades countries to accelerate trade liberalisation and move towards the CBI implementation targets. The lock-in mechanism will need to take cognisance of the need to harmonise external tariff regimes, transit arrangements, customs documentation and rules of origin provisions with existing bilateral and regional trade arrangements.

7. The CBI provisions as well as assistance given to participating countries give confidence to the countries to forge ahead with the liberalisation of their economies and putting the economies on a positive growth path. SADC views CBI as complimentary to its Trade Protocol and would like to see its members emulating the progress being made under the CBI framework.

ANNEX A: SUMMARY MINUTES OF THE SECOND MINISTERIAL MEETING ON THE CROSS BORDER INITIATIVE

March 23-24, 1995, Mauritius

SESSION 1: STATUS OF IMPLEMENTATION OF THE CBI

Delegations reporting on progress in implementation of the CBI action program adopted at Kampala, Uganda in 1993, reasserted their strong commitment to the CBI. They reported substantial progress with trade reform, particularly the elimination of trade licensing and other non-tariff barriers, liberalization of payments on the current account, and in designing more liberal and transport investment regimes.

A number of countries had made progress in preparing letters of CBI policy (LCBIP). Two countries had agreed with the steering committee o the cosponsors of their LCBIPs while six had drafts which were at an advanced stage o discussion. The meeting agreed that it would be important that all countries complete and discuss their LCBIPs with the co-sponsors before the end of 1995. The meeting also agreed that implementation in the remaining countries should be enhanced by establishing Policy Implementation Committees (PICs) by May 1995 in countries that had not yet done so.

Several countries were concerned about: (i) the impact of tariff reduction on tax revenue; (ii) technical assistance in the context of designing and implementing CBI policies; (iii) the need for regional infrastructure as an important complementary factor both to facilitate regional trade and to attract foreign investment.

The co-sponsors noted these concerns and indicated that the impact of tariff reform on revenues would be addressed by appropriate technical assistance by the co-sponsors in the context of the overall structural adjustment program. Regarding infrastructure, co-sponsors noted that their individual financial assistance program already included substantial support or investment in infrastructure. Furthermore, the co-sponsors would be supportive of regional infrastructure projects by the participating countries in the context of their individual public investment programs that would complement and enhance the achievement of CBI objectives.

SESSION 2 : GUIDELINES ON IMPLEMENTATION OF RECIPROCAL ACTIONS

The countries that had taken the lead in implementing the CBI actions expressed concern that they would face an undue cost in the absence of reciprocal actions by the other countries were in their own interest and were worthwhile in the absence of reciprocal actions. In the particular case of regional tariff preferences, it was agreed that the CBI countries would make preferences available to all other participants who commit themselves to reciprocate within a specified period of time (generally not more than a year).

The meeting agreed that arrangements to monitor CBI actions should be decided by discussion between the cosponsors and the individual countries.

SESSION 3: HARMONIZATION OF TRADE POLICIES TOWARDS THIRD COUNTRIES

The proposed "road map" presented to the participating countries features:

i) Elimination of tariffs on intra-regional trade by October 1998 beginning with an increase of the preference rate to 70 percent, followed by further increases to 80 percent by October 1996 and 90 percent by October 1997.

ii) Adoption of a harmonized external tariff by 1998 with 2-3 non-zero rates; 15 percent trade weighted average tariff and a maximum rate of 20-25 percent. The tariff harmonization would involve adopting a common definition of goods bearing similar tariffs and similar rules for exemptions from customs duties.

iii) Harmonization of the limited list of items subject to NTBs for non-protective purposes.

The meeting endorsed the proposed road map as a means of operationalizing the trade reform objective of the CBI. Several countries indicated their readiness to embark on implementation of the road map and noted that their ongoing reform programs embodied many of its recommendations. The remaining countries indicated that the road map was acceptable but in order to define a precise path along the general road map, they would have to take account of a number of factors. The results of the forthcoming COMESA CET study will be helpful in this regard. The countries also sought assurance that co-sponsors would assist with additional financing requirements associated with the implementation of policy reforms. The meeting agreed that countries that were ready to implement the proposals in the road map should proceed to do so. The co-sponsors emphasized that they would provide all necessary support to any country that was ready to implement a program based on the road map.

SESSION 4: HARMONISATION OF OTHER POLICIES

The meeting endorsed the approach proposed in the paper, regarding harmonisation of investment incentives, transit regulations; taxation; customs administration and company law.

Ministers suggested that in harmonising their policies emphasis should be placed on coordination between the countries, the sub-regional organisations and COMESA. Donor support for implementation should focus on the dissemination of existing information and studies in order to facilitate harmonisation. Consultations with the private sector would be essential at both the national level and in the coordination at the regional level to agree on concrete programs.

SESSION 5: THE ROLE OF REGIONAL ORGANISATIONS

The Ministers welcomed the proposals of the paper and the statements of the regional organisations and noted that the CBI would greatly facilitate ongoing regional integration efforts. They were reassured on coordination and (i) welcomed the willingness of the regional organisations to collaborate with each other in furthering the objective of regional integration, and (ii) encouraged the involvement of the regional organisations in the design of policies enunciated in the countries' LCBIP. The meeting noted that action at the sub-regional level is complementary to the objectives of COMESA.

SESSION 6: MEASURES TO ASSIST THE PRIVATE SECTOR

The meeting agreed that governments had to create a conductive and enabling environment for cross border private sector in undertaking economic restructuring. In this regard, the meeting noted: (i) the consultant's proposals to develop a regional export credit guarantee scheme and the setting up of an electronic market place, and (ii) initiatives similar to the PRIDE project to facilitate the access of the private sector to business services. However, the meeting urged that further consultations be undertaken with the governments and private sectors of interested countries to determine the feasibility of the proposals.

CBI: Follow-up Actions for 1995 (to be appended to the minutes)

1. During the reminder of 1995, the COMESA Secretariat will proceed with necessary consultations with the WTO regarding the COMESA treaty;

2. The COMESA study on the common external Tariff (CET) will be completed, discussed and disseminated by October 1995;

3. For all countries that have not been done so, the 70 percent preference under COMESA will be effected by October 1995;

4. In cases where this has not already done so, Policy Implementing Committees (PIC) would be formally constituted and notified to the co-sponsors by June 1995;

5. Draft CBI policy letters will have been prepared and transmitted to co-sponsors, latest by September 1995, with a view to completing the review, discussion, and approval process with the co-sponsors by December 1995;

6. Co-sponsors will, during the next 30 days, provide an initial reaction to any draft CBI policy letters that have already been submitted. Where additional discussions with co-sponsors may be required, a schedule will be proposed in the 30 day period;

7. CBI participating countries will, by the end of 1995, have assessed their technical assistance requirements - particularly in the customs and domestic revenue areas - and taking into account requests that have already been made in conjunction with ongoing structural adjustment programs, will submit specific TA requests to the cosponsors;

8. The co-sponsors, drawing on the results of the forthcoming CET study, and in coordination with the regional organisations, will prepare by the end of 1995 proposals for harmonization of external tariffs, including classification of commodities across tariff bands. They will arrange for an early meeting of country representatives to consider these proposals.

9. The co-sponsors would arrange for a feasibility study on export credit insurance proposals by the end of 1995, and will organize aa meeting on this theme with the private sector representatives.

10. By April 1995, the regional organizations will make available to all their members and to each other a listing of all the studies relevant to harmonization that are available.

11. The European Commission intends to continue preparation for a regional level project to assure continuity of the support provided to the CBI work at the national level, inter alia to facilitate the functioning of the technical working groups.

ANNEX B

SECOND MINISTERIAL MEETING OF THE CROSS-BORDER INITIATIVE

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ANNEX C

TWG AND PIC CONTACT DETAILS

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Burundi:			
❑ PIC Chairman	Dr M. Sinamenye Governor, Bank of Burundi	257-2 22744	257-223128
❑ TWG Chairman	Mr Cyprien Sakubu, Ministry of Commerce and Industry	257-2 133447/8	257-213446
❑ Secretariat (?)	Mr Prime Nyamoya	257-2 22096(Office) 257-2 25531(Home)	257-221341
Comoros:			
Kenya:			
❑ PIC Chairman	Hon. K N K Biwot Minister of State, Office of the President	254-2 227411	254-2 252777
❑ TWG, Chairman	Mr Z N Mwaura, Deputy Chief Economist East African and Regional Co-operation, Office of the President	254-2 338111	254-2 219365
❑ Secretariat	Mr Bernard Kagira	254-2 543351	254-2 211701

COUNTRY	NAME	TEL. NO.	FAX. NO.
Madagascar:			
❑ PIC, Chairman	Vice-Premier Ministre chargé des Finance et de l'Economie	261-2022 35374	261-2022 23040
❑ TWG, Chairman	Mr A. Rajaobelison, Secretariat d'Etat a l'Economie et au Plan	261-2022 20284/5	261-2022 28508
❑ Secretariat	n/a		
Malawi:			
❑ PIC	Hon. Justin Malawezi Vice President and Minister of Finance	265 782199 265 782533	265 781679
❑ TWG, Chairman	Mr Patrick Kamwendo, Deputy Chief Economist Ministry of Finance	265 782199 784824 826209	265 781679
❑ Secretariat	n/a		
Mauritius:			
❑ PIC, Chairman	Mr R Bheenick Minister of Economic Development and Regional Co-operation	230-201 3575 230-201 2673	230 2113095
❑ TWG Chairman	Mr D. Dusoruth, Principal Economist Ministry of Finance	230-201 2586	230-208 7854
❑ Secretariat	n/a	–	–
Namibia:			
❑ PIC	Hon. W I Emvula Deputy Minister of Trade and Industry	264-61 2837111	264-61 220148 253866

COUNTRY	NAME	TEL. NO.	FAX. NO.
❑ TWG, Chairman	Ms Paulina Elago, Director, Trade Ministry of Trade and Industry	264-61 2837111	264-61 220148 253866
❑ Secretariat	Mrs E van der Linden	264-61 259060	264-61 259060
Seychelles:			
❑ PIC, Chairman	Hon. J. Michel Vice President and Minister of Finance and Communications	248 382000	248 225265
❑ TWG, Chairman	Mr T. Jones, Director, Multi-lateral Affairs Ministry of Foreign Affairs, Planning and Environment	248 224688	248 224845
❑ Secretariat	Mr B. Rassool	248 225060	248 224923
Swaziland:			
❑ PIC	Rev. A.M.C. Dlamini Minister of Enterprise and Employment	268 43201	268 44711
❑ TWG, Chairman	Mr Cyril Kunene Principal Secretary Ministry of Enterprise and Employment	268 43201	268 44711
❑ Secretariat	Mr M Hall	268 20080	268 20080
Tanzania:			
❑ PIC, Chairman	Hon. Daniel Yona Minister of Finance	255-51 46208	255-51 116597
❑ TWG, Chairman	Mr G Mgonja Deputy Principal Secretary Ministry of Finance	255-51 113334	255-51 110326 117790
❑ Secretariat	Mr L. Mmasi Mr T Mworia	255-51 114099	255-51 114099

COUNTRY	NAME	TEL. NO.	FAX. NO.
Uganda:			
❑ PIC, Chairman	Hon J. Mayanja-Nkangi Minister of Finance	256-41 111174/6 112854	256-41 110326 117790
❑ TWG, Chairman	Mr K. Muhakanizi, Economic Advisor to Minister Ministry of Finance	256-41 230290 232370	256-41 250005
❑ Secretariat	Dr S. Katabaazi	256-41 257510	256-41 232716
Zambia:			
❑ PIC, Chairman	Hon. R. Penza Minister of Finance	260-1 250544 250593	260-1 251078
❑ TWG, Chairman	Mr O Sikufweba, Director, Commerce and Trade, Ministry of Commerce, Trade and Industry	260-1 223617	260-1 226673
❑ Secretariat	Mr J Kasanga	260-1 227889/90	260-1 227891
Zimbabwe:			
❑ PIC, Chairman	Hon. H Murerwa Minister of Finance	263-4 794571	263-4 792750
❑ TWG, Chairman	Ms R. Faranisi, Director, Ministry of Finance	263-4 734780/8	263-4 793998
❑ Secretariat	Mr K. Atkinson Mr R P Hess	263-4 774233/5	263-4 774232