REGIONAL INTEGRATION AND COOPERATION IN AFRICA

CROSS-BORDER INITIATIVE

Eastern and Southern Africa and Indian Ocean

Volume 4

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
European Commission
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CROSS-BORDER INITIATIVE

Eastern and Southern Africa
Indian Ocean

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) was developed by representatives of the participating countries 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. It is co-sponsored by the African Development Bank, the European Commission, the World Bank and the International Monetary Fund.

The CBI is primarily aimed at creating the conditions for 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 TWGs identified the main constraints on increased regional trade, payments and investment and made recommendations on how to overcome them. The recommendations were reflected in a Concept Paper, which was adopted by the participating countries at the First Ministerial Meeting (Kampala, August 1993). The Concept Paper has been translated into specific country-level policy programmes, described in "Letters of CBI Policy". At the Second Ministerial Meeting (Mauritius, March 1995), a "Road Map" for the removal of intra-regional tariffs as well as for the harmonisation of external tariffs was agreed.

By the time of the Third Ministerial Meeting (Harare, February 1998) most of the participating countries had adopted Letters of CBI Policy and made significant progress towards implementation of the reform agenda. The meeting made an assessment of the CBI so far and recommended to continue and broaden the initiative by accelerating the trade reform agenda and to put more emphasis on investment facilitation issues. The Fourth Ministerial Meeting (Mauritius, October 1999) adopted a "Road Map for Investment Facilitation". The meeting underscored the leadership of the process by the participating countries by changing the name into "Regional Integration Facilitation Forum (RIFF).

The present CBI Volume 4 contains country reports and other reference documents prepared since the Third Ministerial Meeting. Country reports are reproduced in their original language. This volume is published by Imani Development on behalf of the participating countries, with financial support from the European Development Fund. 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 publishers and co-sponsors cannot, therefore, 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

Regional intergration continues to figure prominently in the debate on improving the economic outlook in Africa. There is a broad consensus that regional integration can contribute to sustainable growth via increased competition and efficiency. It also integration is a way to improve participation of small economies in the world trading system. Because of these important positive effects, regional integration is a central element of the Cotonou Agreement, signed in June 2000, between the ACP countries and the European Union.

Despite its recognised potential, the record of regional integration in Africa has been to be below expectations. Clearly, regional integration is not a panacea; it needs to be complemented by sound macroeconomic policies and other requirements such as structural stability, good governance and prevalence of the rule of law. A key success factor is ownership of integration policies by the development actors, particularly the private sector. Actual implementation of regional integration initiatives has often been delayed and sometimes been reversed. The Cross-Border Initiative to Facilitate Trade, Investment and Payments in Eastern and Southern Africa and the Indian Ocean (CBI), right from its inception in the early 1990s, has addressed the pre-conditions for successful regional integration, particularly the consistency of national and regional policies and the involvement of the private sector. The initiative focused on the practical constraints that limit beneficial cross-border economic activities. It is a result of broad collaboration between governments willing and ready to subscribe to policy reforms, economic integration organisations in Eastern and Southern Africa and four co-operating partners: the African Development Bank, the International Monetary Fund, the World Bank and the European Commission.

The CBI was neither a new institution, nor a new trading bloc, nor an alternative to structural adjustment. A number of special features of the CBI deserve to be highlighted. Amongst these is the emphasis on outward orientation as a challenge and an opportunity to regional integration initiatives undertaken in Sub-Saharan Africa. In addition, the need for consistency between national-level work, including structural adjustment, and the programmes of the regional organisations, has been underlined. The CBI reforms were, in fact, conceived through a decentralised process by national Technical Working Group (TWGs), comprising representatives from both the public and the private sector, *in collaboration with the regional organisations, co-operating partners 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 that 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 advanced steadily. From the identification of common constraints and the first recommendations of the TWGs in 1992, the CBI moved to the ministerial endorsement in 1993 of a Concept Paper. This Concept Paper included a Common programme of Action that was the basis of country-specific programmes (Letters of CBI Policy). Subsequently, CBI participants formulated an approach for the harmonisation of external tariffs.

By the time of the Fourth Ministerial Meeting in October 1999, virtually all of the fourteen countries, which initially expressed interest in the initiative, had accomplished good progress in the implementation of the CBI agenda. While recognising the considerable progress achieved in the implementation of the initial trade and trade related agenda, the Ministerial Meeting adopted a "Road map for Investment Facilitation". It was underlined that the essential conditions for attracting investment include peace and political stability, good political and corporate governance, macroeconomic stability, continued trade liberalisation and investment deregulation. Such policies would also create an environment in which capital could return to Africa. The countries further recognised that actions were needed in areas such as tax reform, judicial and institutional reform, privatisation and improved infrastructure. As far as the management of the CBI process is concerned, the participating countries wished to mark their assimilation of the CBI agenda by changing the name from CBI to the Regional Integration Forum (RIFF). This change in name also recognises a more marked leadership of the process by the participating states.

As the process moves forward and the number of participant countries increases, 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 to achieve the objectives of the CBI/RIFF and, beyond that, to contribute to the sustained development of the region.

Richelle.

Koos Richelle
Director-General for Development
European Commission

GLOSSARY OF ABBREVIATIONS

ADF	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	Chambers de Compensation de la ZEP
CEPGL	Communauté Economique des Pays des Grands Lacs
CMA	Common Monetary Area (Rand zone)
COI	Commission de I'Océan Indien
COMESA	Commmon 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 Centre for the Settlement of Industrial Disputes
IMF	International Monetary Fund
IOC	Indian Ocean Commission
ISO	International Standards Organisation
ITC	International Trade Centre/UNCTAD/WTO
L/C	Letter of Credit
MIE	Multinational Industrial Enterprises
MIGA	Multilateral Investment Guarantee Agency
NMA	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 African
SYDONIA	Systéme Automatise des Données Douanières
UAPTA	Unit of Account of the PTA
UEMOA	Union Economique et Monétaire Quest 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 I'Afrique de I'Est et de l'Afrique Australe

THE CROSS-BORDER INITIATIVE: A SUMMARY UPDATE AND OVERVIEW

By Richard Hess, Imani Development (International) Ltd

1 THE INITIATIVE

The Maastricht Conference on Africa (July 1990) came to a general consensus on the desirability of more regional 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. Moreover, there had been a growing recognition of the importance of the regional dimension of adjustment and a realisation that the implementation of structural adjustment reforms over the past decade has created an improved basis for cross-border economic activity in SSA.

Against this background, and following the Maastricht Conference, the Commission of the European Communities (EC), World Bank, International Monetary Fund (IMF) and the African Development Bank (ADB) (the co-sponsors) began to collaborate 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 would be on measures that promote the mobility of factors, goods and services across national boundaries in the region with relatively low tariff barriers against third parties. These efforts led to the Cross-Border Initiative in Eastern and Southern Africa and the Indian Ocean region, where, as a result of adjustment reforms, there had been progress towards flexible exchange rate policies, trade liberalisation and macro-economic stability as well as a particularly strong resolve to strengthen financial and economic linkages among the countries.

Based on past experience with regional integration schemes and the lessons of a decade of adjustment in SSA, the co-sponsors observed the following guidelines in promoting the CBI:

a) The programme to implement the initiative had to be truly nationally conceived to ensure ownership. This entailed a preparation process involving the public and private sector representatives of the countries in identifying the constraints to cross-border activity and the measures to overcome them.

b) The CBI-supported programme of action had to be consistent with the adjustment priorities of the participating countries, be anchored in an outward-oriented policy framework, and have added value compared to the reforms supported under the ongoing variety of adjustment programs, by accelerating the reform process.

c) The CBI should contribute to capacity building by relying primarily on local resources to design the programme.

d) The CBI should not lead to the creation of a new regional institution to implement the programme and should continue to emphasise national action in the context of each country's policy framework.

e) The CBI supported reforms should be consistent with the long-term vision of an African economic community. This would be ensured through consultation with the relevant regional institutions. The CBI's focus was to be on helping to create the conditions for economic integration among those selected countries which volunteered to implement the proposed reform agenda. Therefore, the initiative was seen as a "building block" in the long term process of creating an African economic community.

f) The CBI should support the efforts of the relevant sub-regional organisations in so far as they are consistent with the objectives of eliminating obstacles to cross-border economic activity. This would imply the involvement of and support to the PTA/COMESA, SADC, IOC and subsequently the EAC.

The Cross-Border Initiative was therefore established to facilitate increased intra-regional economic linkages, specifically concerning trade, investment and payments and thus to improve regional integration within Eastern and Southern Africa and the Indian Ocean region.

The CBI aimed at channelling 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 of participating countries with low effective protection vis-à-vis third parties. It would have 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 would likely hesitate to take if they were acting alone; harmonisation of economic policy reforms across the countries so as to facilitate cross-border economic activity. In addition, the CBI would have the potential for the kind of peer pressure for reform that is not always present in the context of adjustment dialogue between individual countries and the donors. Moreover, the CBI would provide the participating countries with a visible vehicle for mobilising donor assistance and for attracting direct foreign investment.

Countries which responded to the initiative and participated in the initial workshop, which was held in Mauritius in June 1992, were:

- Burundi
- Comoros
- Ethiopia
- Kenya
- Madagascar
- Malawi
- Mauritius
- Namibia
- Reunion
- Rwanda
- South Africa
- Swaziland
- Tanzania
- Uganda
- Zambia
- Zimbabwe

At that workshop, discussions centred on the study undertaken by the lead consultants, Imani Development, to identify the main constraints to intra-regional trade, investment and payments.

The next phase of the initiative started immediately after the Mauritius workshop, when national Technical Working Groups (TWGs) were established. These groups included representatives from both the private and public sectors. TWGs were established in all the countries that participated in the workshop except for Ethiopia and South Africa, where private consultants were appointed to carry out independent research. National research was undertaken between June and November 1992. Recommendations were developed in the form of action plans, detailing measures that should be undertaken primarily at the national level, in order to overcome the identified constraints.

Representatives from all the TWGs attended a second workshop that was held in Harare, Zimbabwe in December 1992. The private consultants who undertook the research in Ethiopia and South Africa also participated. The main objective of this workshop was to discuss the findings from the national reports and to prepare a Common Programme of Action (CPA). The national TWGs had all identified the major constraints in their countries to intra-regional economic linkages. The CPA that was adopted comprised of measures that would be undertaken on a reciprocal basis between those countries committing themselves to the programme. It was recognised that not all countries would be able to commit themselves to the proposed CPA, at least for the time being, so the initiative would move on the basis of variable speeds.

Following the Harare workshop, letters were sent by the co-sponsors to the relevant Ministers in each country which had established a TWG, sending copies of the CPA, inviting the country to express its interest in principle in implementing the measures. By the end of May 1993, all thirteen countries had responded positively. Further research and promotional work was undertaken in the participating countries during the year. The activities undertaken by the TWGs covered three main areas: promoting the initiative; building a consensus within the country on the initiative, and undertaking further research which would help governments in determining the implications and costs of implementing the agreed measures.

The co-sponsors prepared a Concept Paper (CP), which was based on the measures contained in the CPA. This paper became the discussion document at a meeting of senior officials from participating countries, regional organisations and the co-sponsors which was held in Brussels on 24 June 1993. This meeting adopted the CP with some slight modifications. A Ministerial meeting was subsequently held on 27 August 1993 in Kampala at which the following countries were represented:

- Burundi
- Comoros
- Kenya
- Madagascar
- Malawi
- Mauritius
- Namibia
- Rwanda
- Seychelles
- Tanzania
- Uganda
- Zambia
- Zimbabwe

Organisations represented at that meeting included the IOC, the PTA, the SADC, the Economic Commission for Africa (ECA), the Organisation of African Unity (OAU), and the Global Coalition for Africa (GCA), as well as the four co-sponsors. This meeting gave its endorsement to the CP, whilst a number of issues relating to the implementation of the measures were raised, such as the impact on government budgets and balance of payments as well as the danger of de-industrialisation. The question of compensation was raised by the governments, and the co-sponsors expressed their willingness to make funds available to help with revenue implications during the transitional phase. The co-sponsors requested the participating countries to establish Policy Implementation Committees (PICs) to approve policy changes.

By the end of 1995, fourteen countries had requested to enter negotiations with the co-sponsors in the context of the CBI. These were Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. Informal discussions with the new South Africa government revealed potential interest in their further participation in this initiative.

Those countries that responded positively were requested by the co-sponsors to prepare Letters of CBI Policy (LCBIP). These letters would spell out the country's current status on implementation of the CP measures and give indicative plans for implementation of the outstanding measures. They would also raise any problem areas that needed to be brought to the attention of the co-sponsors. These letters would be prepared as drafts and would be submitted to the co-sponsors for comment. Exchanges would thereafter take place between the country and co-sponsors until such time that a letter acceptable to each party was finalised and signed. On acceptance of the letter by the co-sponsors, financial assistance would be released for the country.

As the countries responded positively, the TWGs were offered further technical assistance through short-term consultancies under the Imani Development framework contract. One of the main areas of such assistance during this phase was to help draft amendments to the country's legal and regulatory framework to enable implementation of the agreed measures. This involved identifying the relevant legislation and administrative arrangements in the areas of trade, investment, finance and payments and assessing those sections and provisions which would need to be changed in order to bring them into conformity with the CBI measures. Draft amendments to legislation were thereafter prepared together with an action plan and timetable for implementation of the reforms. Support was given to the country consultants by an experienced lawyer from the region who subsequently produced a synthesis report of all the country papers.

Technical assistance was also offered to all participating countries to help them assess the implications of implementing the CBI measures, to prepare for negotiations with the co-sponsors and to assist in the preparation of Letters of CBI Policy. This offer was taken up by most of the countries and requests were submitted. Short-term technical assistance contracts were subsequently issued.

Funding was also made available under the framework contract to re-appoint local consultants as secretariats to the TWGs in those countries which requested such assistance. Secretariats were therefore subsequently engaged under the framework contract in Burundi, Madagascar, Malawi, Seychelles and Tanzania. The World Bank had provided assistance for a limited period in Kenya, Malawi, Namibia, Swaziland, Uganda, Zambia and Zimbabwe, although secretariats had not actually been appointed in a number of these countries due to administrative problems.

The IOC Secretariat held two meetings of its members (Comoros, Madagascar, Mauritius, Reunion and Seychelles) in 1994, specifically to discuss progress with the initiative, funded under the Imani framework contract. A meeting of the East African Co-operation countries (Kenya, Tanzania and Uganda) in Nairobi, Kenya, sponsored by the World Bank, was held in August 1994. Further EAC meetings were held in Jinja, Uganda in October 1994, and subsequently every year on a rotational basis, financed under the Imani framework contract. These meetings at the sub-regional level were useful in helping the countries move ahead with the initiative. They provided opportunities for neighbouring countries to discuss matters of common interest and for them to monitor progress in each other's countries. As such they provided a way of encouraging the slower countries to move more rapidly on implementation.

A second Ministerial meeting was held in Mauritius on 23-24 March 1995. Government delegations from the following thirteen countries attended this meeting:

- Burundi
- Comoros
- Kenya
- Madagascar
- Malawi
- Mauritius
- Namibia
- Seychelles
- Swaziland
- Tanzania
- Uganda
- Zambia
- Zimbabwe

Organisations represented at that meeting included secretariats of the IOC, COMESA, SADC and the Global Coalition for Africa (GCA), as well as the four co-sponsors. The government of South Africa attended as an observer.

This meeting discussed the experiences of the participating countries concerning implementation of the CBI and planned the way ahead for further achievement. By this time, eight countries had either agreed their letters of CBI policy with the co-sponsors or had prepared drafts that were at an advanced stage of discussion. The meeting agreed that the other countries would submit draft letters to the co-sponsors by September 1995 at the latest with a view to acceptance by the co-sponsors by December 1995. The meeting further agreed that the principle of reciprocity would be maintained where necessary, which for many countries was particularly important in the realm of regional tariff preferences. In many other areas however, action would often be taken unilaterally because of its intrinsic value. The EC agreed at this meeting to develop a project to provide funding to give support to the TWGs and PICs. This project was tendered and a framework contract was subsequently issued to the winning firm, Imani Development, in November 1995.

A "road map" was discussed and approved for future action. This contained the following elements:

- elimination of tariffs on intra-regional trade by October 1998;

- adoption of a harmonised external tariff by 1998 with two to three non-zero rates: 15 per cent trade weighted average tariff and a maximum rate of between 20 and 25 per cent;

- harmonisation of the limited list of items subject to non-tariff barriers for non-protective purposes.

Agreement was further reached on the need for harmonisation of other policies including investment incentives, transit regulations, taxation, customs administration and company law. It was agreed to adopt the COMESA rules of origin. The regional organisations expressed their continued support for the initiative and agreed that they would have an important role in helping with the implementation, particularly with the co-ordination of policy harmonisation, both at the sub-regional level as well as at the regional level. A meeting for representatives of the secretariats of the regional organisations and the co-sponsors was held immediately following the Ministerial meeting. This meeting was useful in clarifying the roles of the regional organisations in the initiative and in planning their future involvement. The regional organisations agreed to initiate base-line studies in a number of areas requiring harmonisation and to follow these up with recommendations, discussion and subsequent agreement for implementation by their member States.

The co-sponsors expressed their continued willingness to provide technical assistance to those countries requesting help in implementing the agreed measures. Financial assistance would continue to be provided to assist with the transitional costs of implementation in the context of a coherent macroeconomic framework and to ensure consistency with the adjustment process. The measures foreseen would be included in Policy Framework Papers agreed by participating countries and the Bretton Woods Institutions. This assistance would be provided on a country-by-country basis after agreement on the letter of CBI policy had been reached between the government and the co-sponsors.

A regional meeting for representatives of the national TWGs was held in Mauritius 1-2 April 1996. Delegations from the following thirteen countries attended this meeting: Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Seychelles, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. Organisations represented at that meeting included the secretariats of the IOC, COMESA, and the OAU as well as the four co-sponsors. The meeting reported on progress made in respect of CBI issues by each country, which showed that good progress had been made in some countries whilst others were moving at a slower pace. Extensive discussions revolved around the development of a Harmonised External Tariff (HET) and agreement was reached on the structure and timing for implementation of the HET.

Discussions were also held on the need for the co-sponsors to provide projects that would give direct support to the private sector in the region. Such assistance was seen in the context of the development of support programmes, such as a regional credit insurance mechanism, ESARIM (Eastern and Southern African Regional Insurance Mechanism) and an African Regional Exchange (AFREX), for which feasibility studies were undertaken. Direct assistance would also be provided through such avenues as loan guarantees, export financing, enterprise development schemes and capacity building.

An action plan was developed at this meeting, which included, inter alia, the following key elements:

a) The remaining draft letters of CBI policy would be prepared and submitted to the co-sponsors before 30 June 1996, with the finalisation and approval by the co-sponsors to be done by 30 September 1996.

b) The TWGs would do further work on harmonisation of external tariffs in order to prepare for the next ministerial meeting. This would include:

- developing a "target" HET based on 6-digit HS tariff codes, to classify raw materials and capital goods, intermediate goods, and final consumer goods to low, intermediate and higher rates respectively;

- preparing a list of existing NTBs and a schedule for their elimination except for agreed items;

- preparing a list of customs duty exemptions and a schedule for their elimination consistent with international treaty obligations;

- preparing revenue impact estimates of the various HET scenarios;

- preparing evaluations of the industrial and social impacts of customs duty reform.

c) All countries should introduce an 80 per cent tariff preference by October 1996.

The co-sponsors undertook to provide guidance and assistance in respect of the HET work and to respond quickly to requests for technical assistance. Most CBI countries undertook studies to assess the implications of harmonising their external tariffs. Some of these studies were handled at the sub-regional level, such as those in the four IOC countries and those in the three EAC countries. In both sub-regions the studies were co-ordinated in conjunction with the secretariats of the sub-regional institutions. National studies were undertaken in Zambia and Zimbabwe. Whilst Namibia and Swaziland were both interested to have such studies undertaken, they decided it would be better to have the study undertaken at the SACU level, rather than for individual SACU members, and as such would need agreement from all the SACU members. However this study was never undertaken. Two studies were however subsequently undertaken (1996 and 1998) in the SACU region on the impact on the BLNS countries of the proposed Free Trade Agreement between South Africa and the EU.

Several sub-regional meetings were held during 1997. The TWGs of the East African Co-operation countries (Kenya, Tanzania and Uganda) met in Masaka, Uganda in October 1997. The TWGs of the IOC countries (Comoros, Madagascar, Mauritius and Seychelles) met in Mauritius in May 1997. They were able to discuss the specific issues raised during the April 1996 regional TWG meeting and develop a sub-regional approach, particularly in respect of the HET.

The SADC Secretariat convened a special meeting in Gaborone in February 1997. The aim was to encourage a greater dialogue between the SADC countries and the CBI participating countries and co-sponsors, as well as to give an opportunity for the non-CBI participating countries to be updated on CBI developments. This was seen as particularly important in the context of the SADC Protocol on Trade that had been signed in August 1996 and the need to ensure consistency between that protocol, the COMESA trade regime and the CBI arrangements. Angola, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe attended this meeting. As a result of this meeting there was a clearer appreciation of the way in which the CBI could facilitate the implementation of the SADC Protocol on Trade. Two countries, Lesotho and Mozambique expressed their interest in participating in the CBI.

An informal meeting of Chairpersons from the TWGs, together with resource people and representatives of the co-sponsors met in November 1997 for strategic reflection on the Initiative and to help prepare for the next Ministerial meeting. The main discussion document for this meeting was a draft of a synthesis paper prepared by the co-sponsors, which raised a number of questions and attempted some answers. The issues raised included:

- What has been achieved by the CBI since its inception?
- What has been the valued-added of the CBI?
- How have CBI participating countries performed economically compared with other countries in sub-Sahara Africa?
- What have been the ingredients for a successful TWG?
- What are the elements of the evolving agenda for CBI?
- Should the CBI continue after 1998?

This informal meeting concluded on a positive note - that the CBI had indeed been very worthwhile. The Third CBI Ministerial meeting was subsequently held in February 1998 in Harare, Zimbabwe. Delegates from Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Zambia and Zimbabwe attended this meeting. A representative of the government of Mozambique also attended and expressed interest in participation in the initiative. Organisations represented at that meeting included COMESA, EAC, IOC, SADC, the Economic Commission for Africa (ECA), the Organisation of African Unity (OAU), and the Global Coalition for Africa (GCA), as well as the four co-sponsors.

Discussions during the two days affirmed the considerable progress in the implementation of the CBI Agenda, the contribution it had made in promoting sound economic management and the creation of a policy and institutional environment conducive to the promotion of private investment and trade among the participating countries. The synthesis paper on the CBI was presented and discussed, which showed that there had been a distinct value added from the CBI in a number of areas, including bringing the various parties (both public and private sector) together, helping to influence policy decisions, and assisting with the adjustment process. It would appear that the CBI countries had performed better overall in macro-economic terms than other SSA countries, although a direct linkage between this fact and the CBI could not empirically be determined. The Ministers gave a mandate that the CBI should continue beyond the end of 1998 and that investment facilitation should be a major thrust for future activities, as well as completing the existing agenda.

An action plan was prepared and adopted, under which the ministers *"resolved to continue and broaden the CBI and agreed that the future focus of CBI should be on:*

- *accelerating the implementation of the evolving agenda, with more emphasis on investment facilitation issues;*

- *facilitating the harmonisation of national and regional policies towards a conducive environment for efficient investment and trade flows;*

- *welcoming new participants who have made adequate progress in macroeconomic reform and might thus benefit from the CBI framework."*

The Fourth Regional TWG meeting was held in November 1998 in Mauritius, attended by participants from Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. Organisations represented at that meeting included COMESA, COMESA Clearing House, EAC, IOC, SADC FISCU, the Economic Commission for Africa (ECA), the Organisation of African Unity (OAU), as well as the four co-sponsors. Mozambique was welcomed to their first regional TWG meeting.

The meeting was held primarily to discuss progress in implementation of the CBI-supported reform agenda and to agree on the priority actions that could form the elements of a proposed Road Map for Investment Facilitation. Most countries reported good progress in connection with implementation measures, although some countries were still moving at a rather slow pace. The draft Road Map for Investment Facilitation, which had been prepared by the co-sponsors, was discussed extensively and comments given. This draft Road Map included proposed priority actions in four broad areas: investment promotion and improved information; select legal and judicial reform; selective tax reforms; and awards to spur private sector to improve performance and information sharing. The TWGs agreed to identify the specific actions that each participating country would undertake to achieve the objectives of the proposed Road Map, whilst the co-sponsors agreed to revise the draft document in the light of the discussions at the meeting. A presentation was given on the proposed Africa Guarantee Facility, whilst a discussion also took place on establishing a CBI Web-site to improve communications. It was agreed that an addendum to the Letters of CBI Policy should be prepared by each country and that a Fourth Ministerial meeting should be held in 1999.

The fourth CBI Ministerial meeting took place in October 1999 in Mauritius. Participants attended this meeting from Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Seychelles, Tanzania, Uganda, Zambia, and Zimbabwe, together with representatives from the African regional and sub-regional organisations and co-sponsors. The Ministers reaffirmed their commitment to pursuing the initiative and adopted a Road Map for Investment Facilitation. The Road Map included a set of actions to be taken collectively to raise the level of domestic and foreign investment:-

(i) actions that will ensure full realisation and maintenance of the essential conditions for investment: peace, political and economic stability, good political and corporate governance, macro-economic reform and stability, trade liberalisation, market integration, exchange rate liberalisation, investment deregulation, and consistency in policy and application;

(ii) actions needed, in addition to the essential conditions, to attract increased investment including: tax reform, legal and judicial reforms, institutional reforms, capital market development, human capital development, credible privatisation, new/upgraded infrastructure, and investment promotion; and, given the time that these reforms may take to be formulated and bear fruit, there is a need for

(iii) immediate actions in the six areas identified in the Road Map: completion of the trade reform agenda, regional and national investment promotion consistent with each other, selective legal and judicial reforms, selective tax reforms, and participation in a cross-border awards scheme that will raise awareness of African businesses and provide incentives to spur private sector to improve performance and information sharing;

(iv) the institutional arrangements for implementation based on a growing partnership between government and the private sector; and

(v) use of the new CBI website (www.afdb.org./cbi) for dissemination of information and exchange of views and experience.

The participating countries agreed to complete and to circulate to the other participants a draft addendum to their Letter of CBI Policy to facilitate their work in implementing the actions under the Road Map for Investment Facilitation. Specifically, the addendum would (i) update the list of actions undertaken to implement the CBI reform agenda; and (ii) describe the measures that each participating country would plan to implement the Road Map for Investment Facilitation. The participating countries agreed to complete the preparation of their draft individual investment facilitation programmes and to circulate these to the other participants no later than 31 March 2000.

The meeting also resolved to establish a ministerial-level working group – chaired by Mauritius and including Kenya, Uganda, Zambia and Zimbabwe, and, if possible, one other country – to develop further the concept of a high level forum to promote regional integration in Eastern and Southern Africa and to involve additional countries in the region.

As a follow-up to the Fourth CBI Ministerial Meeting, a meeting of the ministerial-level working group was held in Mauritius on 14th May 2000, coinciding with the COMESA Council of Ministers and Summit. At this meeting it was agreed that the CBI would formally come to an end and would be replaced with a new Regional

Integration Facilitation Forum (RIFF) which would be established to continue working with the CBI agenda, but on a somewhat different basis. The participating countries and regional integration institutions would henceforth take a stronger role in determining the direction of the RIFF. The co-sponsors, which had greatly facilitated the CBI process, were thanked for the work they had done with the CBI and were asked to continue with their support, albeit from more of a back seat position. All countries that had previously participated in the CBI would be invited to participate in the RIFF, together with any other countries in the region that expressed interest. It was agreed that the main focus of the RIFF should be the implementation of the Investment Facilitation Road Map. There would however still be a need to complete the Road Map on Tariff Harmonisation and Liberalisation.

A Steering Committee was established with would comprise a bureau of RIFF countries, the secretariats of COMESA, EAC, IOC and SADC and representatives of the ADB, EC, IMF and World Bank. The countries would be represented at the Ministerial level while the regional integration organisations would be represented at the level of the Chief Executive. Initially the Chair could be Mauritius but both the Chair and the countries represented on the Bureau could change on an annual basis. The Steering Committee would be tasked with managing the RIFF process. The SADC Secretariat offered to host a meeting of regional integration institutions to discuss their specific roles in the new RIFF.

The COMESA Secretariat explained that they had recently started a new project with support from the EC, which had a component to continue assistance to the TWGs and to give support for the new RIFF. They would take over the function that had been provided by Imani Development as lead consultants. Through this project, financial support can be given for the TWGs to contract a local consultant to fulfil the role of part-time Secretariat and to undertake studies and other activities to further the RIFF objectives. The meeting expressed its appreciation to the EC and COMESA Secretariat for this support and accepted the new role to be played by the COMESA Secretariat as a facilitator of the RIFF. It was however made clear that the RIFF was completely independent from the COMESA Secretariat, the latter only being a facilitator of the process. TWGs would shortly be requested to submit nominations for the Secretariat positions and to submit annual work plans and cost estimates for the activities they would like to undertake.

A discussion was also held on the proposed Africa Achievement Awards Scheme. The meeting endorsed this initiative and expressed its keen interest to see the Scheme established.

The status of the initiative in each country as at 31st May 2000 is summarised in table 1.

Table 1: Status of the Initiative in Each Country

Country	TWG	LCBIP		Harmonised external tariffs	Addendum to LCBIP drafted
		draft	agreed		
Burundi	Yes	Yes	No	Yes	No
Comoros	Yes	Yes	Yes	Yes	Yes
Kenya	Yes	Yes	Yes	Yes	Yes
Madagascar	Yes	Yes	Yes	Yes	No
Malawi	Yes	Yes	Yes	Yes	No
Mauritius	Yes	Yes	Yes	Yes	Yes
Namibia	Yes	Yes	Yes	No	No
Rwanda	Yes	Yes	No	Yes	No
Seychelles	Yes	Yes	Yes	No	No
Swaziland	Yes	Yes	Yes	No	No
Tanzania	Yes	Yes	Yes	Yes	Yes
Uganda	Yes	Yes	Yes	Yes	Yes
Zambia	Yes	Yes	Yes	Yes	No
Zimbabwe	Yes	Yes	Yes	Yes	No

2. *THE PROCESS*

2.1 National level

One of the main characteristics of the CBI has been the emphasis throughout on the importance of the position and work done at the national level to achieve regional integration. The original desk study carried out by Imani Development in 1991 identified lack of action and understanding at the national level as one of the main causes of the slow progress in regional integration.

To achieve the objectives of regional integration, the CBI called for an acceleration of the pace and a deepening of the scope of the structural adjustment effort in the participating countries, as elaborated in the Concept Paper. This covered reform in the following areas:

- **trade liberalisation**, including immediate abolition of non-tariff barriers, removal of tariffs on trade in goods and services among the reciprocating countries by 1996, and, to minimise the risk of trade diversion in the context of the freeing of intra-regional trade, movement towards a common external tariff by end-1998, by lowering external tariffs vis-à-vis third countries to the level of the member with the lowest tariffs;

- **liberalisation of the exchange system**, including elimination of restrictions on current account transactions and the attainment of current account convertibility by end-1996, relaxation of restrictions on capital account transactions associated with the liberalisation of direct investment and investment in regional equity markets, and establishment of unified, spot exchange markets by end-1996;

- **deregulation of investment,** including adoption of simple and liberal investment approval procedures, and recognition of a special category of "regional enterprise," which would enable enterprises with cross-border capital investment to operate in any participating country on the same basis as national firms;

- **strengthening of financial intermediation** in support of cross-border trade and investment, and facilitating entry and increasing competition in the financial sector by, inter alia, promptly liberalising cross-border activities of financial institutions and eliminating impediments to entry by regional and extra-regional financial institutions;

- **facilitating the movement of goods and persons,** including harmonisation of disparities in transit charges and documentation for goods in transit, facilitation of movement of labour by processing residence and employment permits within a short time period, and relaxation and eventual elimination of visas among the participating countries.

The work of the CBI has been handled at the national level by Technical Working Groups (TWGs). These groups were established after the first CBI workshop in 1992. Each country was free to determine the exact composition of their TWG but the overriding principle has been that they should have representatives from both the public and private sectors. In practice most TWGs have had representatives from Ministries of Finance, Trade, Commerce, Industry, Economic Planning and Regional Co-operation with occasional participation from Transport and Agriculture, as well as from relevant Departments and organisations such as Customs and Excise, the Central Bank, the investment centre, and national trade development organisation. From the private sector, representatives have usually come from the Chamber of Commerce and Industry, Employers' Federation, Confederation of Industry, and sometimes from Bankers' Association, Freight Forwarders' Association and other sectoral associations. Where secretariats for regional integration institutions are located in a particular country, they have also participated in the TWG. For example, the COMESA Secretariat has been a regular participant in the Zambian TWG.

The TWG Chairperson has usually been appointed from the public sector, from the Ministry of Finance or from Commerce and Industry. In some countries the Deputy Chairperson has come from the private sector. The TWGs would appoint a local consultant as Secretariat on a part-time basis. The Secretariat would perform the normal secretarial functions of preparing agendas, minutes, and advising members of the meetings. They would also provide the backbone and support to the TWG on technical issues and prepare regular reports on the activities of the TWG and the position of the CBI in their country. In that role they would regularly brief the TWG and the Chairperson on the technical issues and prepare briefing papers as required depending on the issues being discussed. They would often undertake specific studies and organise sensitisation activities such as workshops and seminars. When public relations activities were needed, it was their brief to organise them. They also had the role of liasing locally with the co-sponsors and facilitating any visits from the representatives of the co-sponsors or consultants in related issues.

The TWGs were tasked with studying the CBI issues, coming up with policy recommendations and informing the public and private sectors as well as the larger civil society. Some countries were far more active in this area than others. In some countries, the TWG would meet on a monthly basis, whilst in others they would only meet two or three times a year. The norm has probably been closer to meeting every two to three months. Policy recommendations would be submitted through the public sector representatives (often the Chairperson) to the relevant government policy-making body. In some countries that would be the cabinet or a cabinet sub-committee.

Most countries established Policy Implementation Committees in the context of the CBI. These committees were normally comprised of Ministers with economic portfolios, together with the Governor of the Central Bank. It was their brief to approve the policy reforms formulated in the context of the CBI. However the PICs would not often meet and their role became less defined.

The brief for the TWGs would be regularly debated and agreed at the regional level, normally at CBI Ministerial meetings or regional meetings of representatives of the TWGs. As such there was an evolving agenda of specific issues, although the issues would revolve around the core pillars of trade, payments and investment. The participating countries would determine the issues in discussion with the co-sponsors.

The main outputs from the TWGs in the context of the CBI agenda included the following:

- Country reports on the state of cross-border trade, payments and investments (1992);

- Country reports on legal issues that need attention to facilitate regional integration (1994-96)

- Letters of CBI Policy (1994-1998);

- Updated country reports on the state of cross-border trade, payments and investments (1994);
- Studies on the harmonisation of external tariffs (1997-98);
- Updated country reports on the state of cross-border trade, payments and investments (1997);
- Addenda to the Letters of CBI Policy (1999-2000);
- Regular country reports to the lead consultant;
- Regular updated matrices of CBI agenda implementation measures (1995-2000).

In addition to the core CBI issues, the TWGs have also handled a variety of other issues. These include:

- WTO implementation and new round
- SADC Trade Protocol
- COMESA Free Trade Area and Customs Union
- EAC Treaty and Customs Union
- IOC trade regime
- Informal cross-border trade
- Competitiveness of domestic industry
- Competition policy
- Fiscal issues
- Investment promotion

Studies would be commissioned to allow in-depth research on the various issues to be addressed. Whilst in some cases the TWG Secretariat would undertake the studies, there were often also instances where other local or regional consultants were used, depending on the nature of the study.

Alongside studies, most TWGs organised periodic sensitisation workshops and seminars. These were organised in the early days to inform the wider community about the CBI and to raise the awareness of regional integration issues. Such seminars would often be on a national scale and could also involve officials from the secretariats of the regional integration institutions. In the later years of the initiative, a number of countries also undertook a series of regional seminars throughout the country. These were intended to get the same information across to centres outside the capitals and to get feedback from as wide a cross-section of the business community as possible.

Apart from the more general seminars, workshops were also held from time to time for specific issues, usually related to studies that had been commissioned by the TWG. As such this provided the opportunity for getting reactions to recommendations made in the study, as well as for disseminating study findings. The results from these workshops would be fed back to the TWG for further consideration in their policy recommendations. These workshops and seminars were usually organised and facilitated by the TWG Secretariats.

The lead consultant would visit the various participating countries from time to time to meet with representatives of the TWGs and appraise them of the latest CBI developments as well as to discuss issues of mutual interest and see what further support the TWGs may need.

When looking back over the period 1992 to the present, it becomes very apparent that the results of the CBI from the work of the TWGs in the different participating countries have been very mixed. In some countries the initiative and the TWGs have played an extremely important role in influencing policy reform, whilst in other countries the TWGs have not been very active and have only played marginal roles. Great progress has been made in some countries along the reform agenda. Whilst the TWGs cannot take credit alone for this, they have often played an important and catalytic function. Regional integration now generally has a much higher level of awareness and understanding in most participating countries as a direct result of the TWG activities. Another clear result has been the dialogue between the public and private sectors in matters relating to regional integration and policy reform. In the early 1990s this was not very common. Today some countries would not consider sending a delegation to a meeting of a regional integration institutions without the inclusion of a private sector representative and without prior discussion with the private sector. To a large extent this is due to the work of the TWGs.

2.2 Regional level

Whilst the backbone of the CBI has been the TWG working at the national level, the TWGs and their representatives have also played an important role at the regional level. Meetings of TWG representatives from all participating countries have been held on an as required basis throughout the period of the initiative. Four meetings of Ministers have been held, for which the TWGs would have to prepare and provide support. These regional meetings would help set the agenda for the CBI, discuss the issues and ensure a common approach by all countries. The first technical meeting was held in 1992 to discuss the concept of launching this initiative and agreeing the research agenda. As a result of this work a Common Programme of Action was developed which in turn led to the production of the Concept Paper (CP) in 1993. This CP was subsequently approved by the first CBI Ministerial Meeting held in August 1993. The CP consisted of core measures in the areas of:

i) Trade;

ii) Payments and Exchange Systems;

iii) Investment; and

iv) Institutional Development.

Actions on all four areas were a general feature of structural adjustment programs (SAPs), although the CBI would give a different emphasis to these issues, and the existing programmes of PTA/COMESA, SADC and IOC. The CBI helped introduce the concept of the regional dimension of SAPs. In the context of the initiative, there would be a case for enhancement and/or acceleration of some of the measures agreed at the regional level. These measures would be on a Most Favoured Nation (MFN) basis. Where this was not possible, for a transitional period the measures would be adopted on the basis of reciprocity with the participating countries.

Subsequent TWG regional meetings and Ministerial meetings have addressed the following main topics:

- The Road Map for Tariff Harmonisation
- The Road Map for Investment Facilitation
- The future of the CBI and transformation into a Forum.

Occasional sector specific regional meetings have also been held under the auspices of the CBI. The first such meeting was held in 1993 specifically to discuss financial sector issues.

At a sub-regional level, the TWGs have also been involved in meetings of smaller groups of TWG representatives. The most active of these groups has been the annual meeting of the East African TWGs. These three TWGs have met every year, from 1994 to 1999 to discuss issues of mutual interest and specific issues related to the EAC, including the new EAC Treaty and barriers to trade between the countries. The Chairmanship of this group would rotate annually between the three country TWGs. A representative from the EAC Secretariat would also participate in such events. Representatives from the TWGs of the IOC countries also have held a number of sub-regional meetings. These tended to be more project specific and were mainly related to the development of the EU-funded PRIDE project for the IOC region and development of the IOC trade regime.

One regional meeting for SADC countries was held in 1997. This meeting was slightly different to the other sub-regional groups in that the meeting was open to representatives from all SADC countries (not just CBI participants). The main objective of this meeting was to ensure no conflict between the CBI agenda and the new SADC Protocol on Trade and to give the opportunity for the non-participating CBI countries to become involved in the initiative should they be so interested.

One of the main results of the CBI at the regional level has been the peer pressure brought upon the participating countries. This has been particularly effective at the sub-regional level, but has been present throughout. Countries have seen what some of the faster moving countries have been doing in their reform programmes, which has then acted as a catalyst for the others. The regional meetings have also provided a forum whereby the countries can sit together in a non-institutional forum and have a more open debate. They have provided forums for open dialogue with the co-sponsors, in an environment where the co-sponsors sit together, rather than negotiating separately. The private sector has been given greater prominence in these meetings than is normally the case in regional inter-governmental meetings.

2.3 Regional integration institutions

In the early days of the CBI, the institutions involved in the initiative were the IOC, PTA and SADCC. Gradually this situation changed as SADCC became SADC in 1992, the PTA was transformed into COMESA in 1994 and the Secretariat of the Commission for East African Co-operation was established in 1996. In addition to these, the OAU and ECA have also been regular participants, as well as the GCA.

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 corresponded to those put forward by the regional organisations. Therefore, the CBI has directly supported the integration agenda of the regional organisations. Nevertheless, several practical problems have arisen, mainly from two sources: not all the members of a particular organisation participate in the CBI and in some cases there has been a lack of harmonisation between different regional organisations. As regards the first point, CBI was open to all the members of the organisations (COMESA, SADC, EAC and IOC). However, examination of the policy agenda would make it clear that only countries that had embarked on a road of economic reforms were 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 closer economic integration.

The secretariats of each of these institutions have been invited to all the regional meetings referred to above as well as any relevant sub-regional meetings. They have therefore been able to participate in shaping the evolving CBI agenda and ensuring consistency with their own programmes. The CBI agenda has always sought to build upon and facilitate implementation of existing programmes, albeit at a faster pace, rather than to develop programmes which may conflict with other regional commitments. One specific meeting was organised for representatives of the regional integration institutions themselves. This was held immediately after a full regional CBI meeting. The opportunity was taken to discuss the role of the institutions in the CBI and to ensure consistency.

The lead consultant would visit the secretariats of these institutions from time to time to appraise them of the latest CBI developments, to discuss issues of mutual interest and to identify areas for further assistance.

Some direct project assistance under the Imani framework contract has also been given to the regional integration institutions to facilitate their work.

- The COMESA secretariat was assisted in their endeavours to develop a programme for involving the private sector associations in the region. This support enabled one of their officers to visit a number of these associations to help develop such a programme.

- Considerable assistance was given to the COMESA Clearing House in connection with its planned restructuring. This enabled technical work to be done to look at possible new areas of activity for the Clearing House, which was being transformed into a Regional Export Services Agency. Preparatory work on the African Guarantee Facility was also financed under this arrangement.

- A meeting under the auspices of SADC was facilitated through this project in 1997 which enabled representatives from all SADC countries to meet together to discuss the CBI in the context of the SADC Protocol on Trade.

- The SADC Industry and Trade Co-ordination Unit was assisted through funding being made available in 1998 for their workshop on development of a SADC regional industrial policy.

- The IOC secretariat organised a number of meetings in the preparatory days of the PRIDE project with financial assistance from this project, that enabled representatives from the member countries to come together to discuss the CBI and the PRIDE project.

- A study was funded on the impact of the proposed harmonisation of external tariffs for the IOC region.

- The EAC was also assisted through work in their region on the harmonisation of external tariffs.

The results of the involvement by the institutions has been mixed. The COMESA secretariat has been a great supporter of the CBI throughout. They have very much appreciated the support given by the CBI to their own programmes, particularly in the field of trade. In December 1994, the summit of the PTA/COMESA endorsed the approach of the CBI. Two EC-financed support projects for the Secretariat of COMESA on the promotion of regional integration and implementation of CBI in the member states have also been prepared and introduced.

The IOC Secretariat has been supportive of the CBI throughout and has been particularly appreciative of the PRIDE project that was developed within the context of the CBI. In fact the policy conditions given for the countries participating in the PRIDE project were based on the CBI Concept Paper reforms. In the light of the revitalisation of East African Cooperation, a meeting was organised by the World Bank for the Technical Working Groups of Kenya, Uganda and Tanzania and the co-sponsors in 1994 in Nairobi. The East African TWGs indicated their desire to link the work on CBI to the revitalisation of East African Cooperation. The Communiqué of the East African Cooperation summit in November 1994 explicitly recommended the adoption and implementation of the provisions of the CBI. The EAC has therefore supported the initiative and has sought to develop their own trade regime within the framework of the CBI agenda. A project to strengthen the capacity of the EAC Secretariat to deal with regional integration was prepared by the EC.

The SADC Secretariat has regularly participated in the meetings and has been supportive of the CBI but has been rather less enthusiastic than the others. One of the main reasons for this in the early days was the absence of any concrete programmes by SADC in the areas of trade, payments and investment and as such they did not see such a great relevance. Subsequently, after the signing of the SADC Protocol on Trade, there has been a very involved process of working out the modalities for implementation of the Protocol. These modalities are at variance with the CBI agenda for liberalisation of intra-regional trade. A project to strengthen the capacity of the SADC Secretariat to deal with regional integration, including the agenda of the CBI was prepared by the EC.

The CBI has heightened the awareness of regional integration in the region and the specific issues of some of the regional integration institutions. The CBI has enabled the countries to undertake technical work related at times to the institutions' own programmes through the support of the co-sponsors that would not have been otherwise available. In East Africa, for example, the TWGs held a series of seminars throughout each of the three countries. One of the main agenda items on these seminars was the draft Treaty for establishment of the East Africa Community. Results from these seminars were in turn fed back to the EAC Secretariat, which was able to take the findings into account when modifying the draft treaty. Furthermore the financial support given by the co-sponsors has helped with the transitional costs of adjustment.

2.4 Co-sponsors

The co-sponsors (ADB, EC, IMF and World Bank) jointly assumed responsibility for ensuring effective implementation of the CBI, but with individual sponsoring institutions focusing more specifically on their respective areas of competence. During the preparation of Letters of CBI Policy a single lead agency took on the responsibility of co-ordinating CBI related work at the country level. Where adjustment programs were in place or planned, the World Bank normally acted as the lead agency, while the CEC would normally assume leadership for the other countries. A lead agency's primary responsibility was to co-ordinate the preparation/ negotiation process on behalf of and in cooperation with the other co-sponsors and to ensure that steps were taken by the country in preparing specific action programmes to implement the CBI-supported reforms. The CEC also, on behalf of and in consultation with the other co-sponsors, co-ordinated with the sub-regional organisations.

The EU provided support to the participating countries in a number of areas:

- *Provision of balance of payments or budget support*: for those countries undergoing Bretton Woods institutions-supported reform programmes. Financial assistance was given to those countries to help with the transitional costs of adjustment.

- *Capacity building*: human resource and institutional capacity building. Technical assistance has been provided to the TWGs and regional institutions to help with the whole CBI process. Most countries have engaged a local consultant for Secretariat services and engaged consultants (mainly local) as required to help study the various issues.

- *Private sector development*: specific assistance to help restructure the private sectors. In those countries not undergoing Bretton Woods institutions-supported reform programmes, assistance has been given through project support aimed at the private sector. This has included support with establishment of the Investment Promotion Agency in Swaziland and the PRIDE project in the IOC region which provides support for businesses in the areas of product and market development on a cost sharing basis. A project for Namibia supported the EPZ regime as well as capacity building in the areas of international trade and investment. A project in Mauritius supports technology diffusion to private enterprises.

The co-sponsors participated in all the regional meetings and were able to hold open dialogues with the participating countries. The CBI has also been of help to them in co-ordinating their programmes and policy reform agendas between themselves. Whilst the different co-sponsors clearly had different perceptions on the nature of regional integration, they were able to work together to establish common objectives. There was also a learning process over the years and a noticeable change in thinking about regional integration.

The two road maps – on tariff harmonisation and investment facilitation, were both drafted by the co-sponsors, based on country analyses and inputs from the TWGs and the lead consultant. They were subsequently discussed in detail and finalised by the participating countries. The inputs from the co-sponsors were very helpful in formulating the various policy reform measures.

CROSS-BORDER INITIATIVE IMPLEMENTATION AND EVOLVING AGENDA SYNTHESIS PAPER FOR CONSIDERATION AT THE THIRD CBI MINISTERIAL MEETING (HARARE, FEBRUARY 19-20, 1998)

PREPARED BY THE CBI CO-SPONSORS IN CONSULTATION WITH CBI PARTICIPATING COUNTRIES JANUARY 14, 1998

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Annexes

GLOSSARY OF ABREVIATIONS

ADB	African Development Bank
AEC	African Economic Community
ARSO	African Regional Standards Organisation
ASYCUDA	Automated System for Customs Data
CMA	Common Monetary Area
COI	Commission de l'Océan Indien
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Cooperation
EADB	East African Development Bank
EC	European Commission
ECA	Economic Commission for Africa
ECU	European Currency Unit
EU	European Union
GCA	Global Coalition for Africa
GTT	Groupe de Travail Technique
HS	Harmonised System of Tariff Classification
ICSID	International Centre for the Settlement of Industrial Disputes
IMF	International Monetary Fund
IOC	Indian Ocean Commission
ISO	International Standards Organisation
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
TINET	Trade Information Network
TWG	Technical Working Group

Summary and Overview

This synthesis paper is intended to provide an agenda for discussion at the forthcoming Third Ministerial Meeting of the **Cross-Border Initiative (CBI).** The **CBI**, which originated in 1992, **is a framework** of harmonized policies to facilitate a market-driven concept of integration in Eastern and Southern Africa and the Indian Ocean countries. The initiative is based on the belief that a set of actions, parallel to the ongoing economic reform programs of participating countries, could accelerate the pace of cross-border trade, investments and payments, and assist the cause of regional integration. To date, fourteen countries participate in the CBI, which is co-sponsored by the African Development Bank, the European Union, the International Monetary Fund, and the World Bank.

CBI's **special features** include:

- integration into the global economy
- private sector involvement in the design and implementation of reforms
- peer pressure from fast reformers setting the pace of integration
- avoidance of creation of new institutions, while strengthening existing capacity

The **CBI Agenda** includes the following major planks: a *road map for tariff reform* and *trade facilitation* (including time-bound targets on tariff levels, number of tariff bands, elimination of tariffs on intra-regional trade), *liberalization of exchange and payments system, and investment deregulation.*

There has been **substantive but variable progress in implementation** of the CBI Agenda:

- Overall progress has been stronger in about half a dozen countries.
- Progress has been most marked in the areas of *exchange and payments issues,* and *trade liberalization and facilitation.*

- There has been some progress in *investment deregulation;* less so on labor movement facilitation.

- A residual agenda thus remains which needs to be completed promptly.

Trade Liberalization and Facilitation. The implementation record has been significant, but uneven:

- There has been generally good progress in *lowering imports tariffs*, with three countries having reached a maximum rate of not more than 25 percent, and a trade-weighted average import tariff of not more than 15 percent.

- Five countries have already met the target of reducing the number of non-zero *tariff rate bands* to three, and several countries have significantly reduced the number of tariff rate bands.

- Less progress has been made in reducing "*other duties and charges*" (*ODC's*) and incorporating them into the tariff structure.

- Some progress has also been made toward increasing tariff preferences on *intra-regional trade*.

- Considerable progress appears to have been made in freeing *export trade restrictions*.

- Progress in reducing tariff exemptions has been limited; while most countries have reduced the scope of non-tariff barriers (NTBs) on imports, these continue to be significant.

- Progress on *trade facilitation* has been relatively satisfactory with the broad adoption of the *COMESA* Harmonized Road Transit Charges and *COMESA* customs document. However, less progress has been made on risk insurance and bond guarantee facilities.

Exchange and Payments Systems: Considerable progress has been made in respect of the liberalization of the exchange and payments system:

- Eleven countries have accepted the obligations under the Fund's Article VIII, which call for the *elimination of restrictions on external current account transactions*, although a few of them maintain exchange restrictions.

- There has also been considerable progress (nine countries) in moving towards *market-based exchange rates* in line with the target of establishing unified interbank exchange markets.

- Competition in foreign exchange markets has also been enhanced with the licensing of non-bank *foreign exchange bureaus* in seven countries.

- Several other constraints on cross-border payments have also been eased. Thus, *forward cover* through authorized dealers is available in nine countries, restrictions on *foreign currency accounts* have been lifted in eight countries, and considerable progress has been made in ten countries in easing foreign exchange *surrender requirements*.

- Six countries have substantially or wholly liberalized *capital account transactions*, while several others have taken steps to ease such restrictions.

Investment Deregulation and Facilitation of Labor Movement

- There has been near full compliance in setting up of a *one-stop investment approval* authority.

- The record with respect to the observance of the *Statute of Limitations* and the publishing of the *Investment Code* is less robust.

- With regard to facilitation of labor movement, most of the non-island countries have taken action on *short-term entry permits* for border residents, five countries have taken full action (three others have partial action) to implement the COMESA *visa protocol*, while only three countries have fully complied with actions to improve the granting of *residence and work permits*.

Donor Support. The co-sponsors jointly assume responsibility for helping the countries to effectively implement CBI supported reforms, with each individual institution focusing on its area of competence and providing support within the framework of each co-sponsor's existing assistance policies and programs. To date, the co-sponsors as a group have provided the following support:

- Balance of payments and budgetary support to help finance the net transitional costs of implementing the CBI Agenda in several countries.

- Technical assistance for related capacity and institution building, including assistance to the Technical Working Groups (TWGs).

- Direct assistance to the private sector for restructuring and enterprise development to facilitate exploitation of the global and regional market opportunities.

Value Added of the CBI. It is practically impossible to separate CBI-related benefits from other elements of overall economic reform programs. The effort to isolate CBI-related benefits must, therefore, be somewhat impressionistic.

- While it is difficult to establish a clear and unambiguous link between policy initiatives under the CBI and *macroeconomic performance*, in the five-year period 1993-97, CBI participants have performed better than non-CBI Sub-Saharan African (SSA) countries as a whole. Similarly, the *CBI high performing countries* have achieved growth rates in private investment and export that are in line with the experience of non-*CBI high performing countries*.

- While the underlying principle of the CBI is that of self-selection of the pace of reform, some *trail blazers* have emerged, who have demonstrated to their less active partners the viability and benefits of fast-paced reform. Moreover, among the CBI countries, performance is markedly superior among those which are more active in the implementation of the CBI agenda.

- The CBI has supported a shift away from past attempts at regional integration based on import substitution with high protection to one with relatively low effective rates of protection. Its success has increased the credibility of open regional integration schemes among donors.

- The institutional components of the CBI process have fostered a forum with *active participation of the private sector* for the formation of a national consensus on development issues.

- The CBI also provides a useful *framework* for governments and donors to coordinate their reform objectives and its phasing. The outcome is likely to be more harmonized tariff regimes.

Lessons Learnt

- Institutionalizing the role and views of the private sector in the formulation and execution of the economic policy framework contributes to ownership and effective implementation of reforms.

- *TWG*s have emerged as the linch pin of the *CBI* process. Timely assistance for institution-building and active participation of the private sector have helped the *TWGs* become an important player in the policy reform process.

- The outcome of tariff reform to date is a compelling case of how high performers could create a neighborhood effect and demonstrate that tariff reform can be undertaken within overall taxation reform, especially reduction of exemptions, with manageable fiscal impact.

- As a flexible, yet fairly regular forum, CBI provides a good example of a partnership through which the donors could coordinate their approaches to better serve the needs of the countries.

Evolving Agenda

Despite good overall progress, especially in the implementation of CBI's major planks, there is a need to stay the course and complete the actions envisaged. Moreover, the evolution of global economic relations points to additional measures to keep pace with the rest of the world. The participating countries are encouraged to consider the following actions which could help to improve their competitiveness in the global economy.

- In regard to the *Trade Liberalization Agenda,* it is recommended that the pace of *external tariff* reform be accelerated, taking into account the specific country circumstances. Continuing efforts, <u>beyond</u> the targets specified in the road map, should also be made to further reduce the stipulated maximum rate, narrow the number of tariff bands, and lower the trade-weighted average tariff.

- All remaining non-tariff barriers (both imports and exports) should be eliminated, except those justified for health, security and environmental reasons.

- In order to avoid further complications in managing a variety of arrangements regarding the granting of *preferences* on intra-regional trade, it is recommended that the *CBI* countries implement the schedule of preferences under the *COMESA* Treaty.

- The concern that tariff reform will lead to fiscal erosion and, therefore, of macroeconomic instability is unlikely to materialize if the recommended tariff reform is firmly anchored in a reform of overall taxation. The elimination of the considerable *exemptions* (except those under reciprocal diplomatic obligations) prevalent in CBI countries would improve the revenue response and the transparency of the tariff regime.

- It is also recommended that CBI countries complete the *Investment Deregulation Agenda* by October 1998 -- the target date for the trade liberalization agenda.

Future of the CBI

The maturation of CBI invites a question about its future. There are *three options.*

- Option 1-- ***Continue as is***. The unfinished agenda is too substantive not to merit further attention of the CBI participants as a group.
- Option 2. ***A more inclusive CBI.*** This is not mutually exclusive to Option 1, but seeks to broaden the process among potential new participants such as Mozambique.
- Option 3. ***Closure.*** The CBI was conceived as a forum to promote a consensus on policy reforms; it was never intended to be an institution with a life of its own. A closure could, therefore, be called, and the unfinished agenda could be pursued in the context of the on-going economic reform programs.

The above options were discussed at a meeting with representatives of participating countries, resource persons from regional organizations and co-sponsors in Harare, November 20-21, 1997. There was a consensus to recommend to the Ministerial meeting a combination of options 1 and 2, i.e., *to continue and broaden the CBI.*

CROSS-BORDER INITIATIVE: IMPLEMENTATION AND THE EVOLVING AGENDA

Synthesis Paper for consideration at the Third CBI Ministerial Meeting[1] (Harare, February 19-20, 1998)

Part I. Introduction

1. The 1990 Maastricht Conference on Africa offered a validation of the need for more *regional integration* in *Sub-Saharan Africa (SSA)*, while noting at the same time that previous integration attempts have achieved little of enduring value. Such views were also echoed in the deliberations of the *Special Program of Assistance for Africa (SPA)*. The advent of *North American Free Trade Area (NAFTA)* and *Mercado del Cono Sur (MERCOSUR)*, regarded as examples of what is collectively described as *New Regionalism* offered a paradigm for a different approach to *regional integration* in *SSA* that is consistent with multilateral trade liberalization.[2] Against this background, the *African Development Bank*, the *European Union, International Monetary Fund* and the *World Bank* (i.e., the *co-sponsors)* began a dialogue with the interested countries and regional institutions on issues related to *regional integration* in *SSA*. This dialogue culminated in the *Cross-Border Initiative (CBI)* covering the Eastern and Southern African and Indian Ocean countries. The underlying premise was that given the on-going economic reform programs in most of these countries, a parallel set of policy and institutional reforms could accelerate the pace of economic

[1]This synthesis paper has been prepared by the co-sponsors on the basis of implementation updates by the *Technical Working Groups* and other information available to the co-sponsors. Its audience is the participants in the forthcoming *CBI* ministerial meeting. The paper seeks to set out an agenda for the meeting's deliberations. The focus is on i) progress in implementation of the *CBI* and an updated agenda of actions to be undertaken; ii) value added of *CBI* and the lessons learnt; and iii) options for the future of *CBI*. An earlier version of the paper was also discussed at a meeting with representatives of participating countries, resource persons from regional organizations and co-sponsors in Harare, Zimbabwe, November 20-21, 1997. That meeting endorsed the general thrust of the synthesis paper and contributed additional ideas and suggestions which have been incorporated in the present version of the paper.

[2]There is more recent validation. The Denver Summit of the Eight (including Russia) made specific reference in its *communiqué* to attempts at regional integration. The *Communiqué* called upon them "to support reforming Sub-Saharan African countries.... towards openness, regional integration, and deeper participation in the world economy".

growth through *regional integration*, particularly by fostering *efficient* cross-border investment and trade flows.

2. This ensuing dialogue led to a consensus that the *CBI* should avoid the failings of previous regional initiatives in *SSA* by emphasizing: i) *outward-orientation*, particularly openness to the *rest of the world* to ensure that *regionalism* is accompanied by greater integration of the sub-region into the world economy; ii) avoidance of the *creation* of new institutions; iii) direct involvement of the *private sector* in the formulation and implementation of a conducive policy/institutional environment; and iv) the need for the initiative to be driven by the potential participants to ensure *ownership* as a key to effective implementation.

3. A vigorous process of consultation among interested parties, including regional and sub-regional institutions (viz., *COMESA, EAC, ECA, OAU, SADC,* and *IOC),* led to a consensus on the scope and time-frame for implementation of the package of policy/institutional reforms which became known as the *CBI Agenda* (see *Annex 1* for details). A critical element in this consultative process was the formation of *Technical Working Groups (TWGs)* with private and public sector participation in each of the interested countries.[3] The *TWGs* serve as vehicles to conduct debate and achieve consensus on common policy issues within each country and among the participating countries.[4] The consultative process culminated in the *CBI Concept Paper* (June 1993), which set out the *CBI Agenda.* The *CBI Concept Paper* was formally adopted at the *First CBI Ministerial Meeting* (August 1993) in Kampala by representatives of fourteen countries (*Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe)* that constitute the "*CBI* participants".

4. To date, ten countries have finalized *Letters of CBI Policy (LCBIP)*[5] which describe the program of action of each participating country to implement the *CBI*-supported reform agenda. Of the remaining four, Madagascar and Seychelles have recently submitted revised *LCBIPs* to the co-sponsors. No action has been taken with regard to Burundi's draft *LCBIP,* submitted in July 1996, because of the uncertain prospects for implementation of reform due to political uncertainties. *CBI* activities in Rwanda have been halted since 1994 for a similar reason, although the authorities have recently indicated renewed interest. The status of *LCBIPs* and other institutional arrangements are summarized in *Annex II, Table 1.*

[3]The first meeting of the *TWGs* took place in Mauritius in June 1992 and agreed on the terms of reference for the background studies to be conducted by the *TWGs*. These studies were reviewed and synthesized into a common program of action during the second *TWG* workshop in Harare in December 1992.

[4]It was decided later in the consultative process to facilitate the coordination and implementation of the *CBI Agenda* through the creation of a *Policy Implementation Committee (PIC),* at the ministerial level, typically headed by the Minister of Finance and including other concerned ministers and involving input from private sector representatives through the *TWGs*. In many cases, a similar body already existed such as those created for the implementation of adjustment programs. The *PIC*, however, is distinguished by explicit private sector input.

[5]*LCBIP* is a statement of intent by the concerned government to undertake action within a reasonable time-frame on each element of the *CBI Agenda*. The *LCBIP* is reviewed and agreed by the co-sponsors and constitutes a basis for assistance from the co-sponsors within the framework of each co-sponsor's existing assistance policies and programs.

5. Progress in implementing the *CBI Agenda* was reviewed at the Second Ministerial Meeting in Mauritius (March 1995) which set forth, among others, a *Road Map* for the implementation of the tariff reform program, a crucial element of the *CBI Agenda*. This was followed up by the Third Meeting of the *TWGs,* also in Mauritius (April 1996), to further review progress in implementation, identify steps needed to accelerate action on tariff reform, and to explore the feasibility of an export credit insurance scheme.

6. Since its formal adoption in August 1993 by the participating countries, there has been substantive but variable progress in the implementation of the *CBI Agenda* (*see below, Part II*). Its implementation history cannot, of course, be independent of the uneven pace of progress in the economic reform programs of the participating countries. Nevertheless, a generally good record of progress under the *CBI* is clearly discernible. *First*, overall progress has been stronger in about half-a dozen countries. *Secondly*, progress has been most marked in the areas of *exchange and payments issues,* and *trade liberalization* and *facilitation* which represent the major planks of the *CBI Agenda*. *Thirdly*, there has been some progress in the area of *investment deregulation*, but less so on *labor market reform* measures (i.e., residence and work permits). There is thus a *residual* set of actions which needs to be completed promptly. In the meanwhile, new issues have emerged in the context of the rapidly changing structure of the global economy. To improve their competitive position in the global economy, the *CBI* countries need to continuously adapt to an evolving reform agenda.

7. Implementation of the *CBI Agenda* by most of the participating countries has also been accompanied by sound macroeconomic policies and related structural reform programs. It is, of course, difficult to establish a clear and unambiguous link between policy initiatives under the *CBI* and macroeconomic developments. Moreover, it could hardly be over-emphasized that *CBI* is a process, not a set of *immediate outcomes*. Consequently, the impact on *GDP growth* and other significant economic variables could only be envisaged over the medium to long term because of the lagged impact on output flows.

8. It may be useful, nevertheless, to look at the broad macroeconomic trends among the *CBI* countries. *Real GDP growth* in *CBI* countries has increased from an average of 2.9 percent in 1993 to 4.0 percent by 1997, due largely to the growth performance of *Kenya*, *Malawi*, *Tanzania*, *Uganda, Zambia* and *Zimbabwe*. *Real Per Capita GDP* growth which was significantly negative at the beginning of the period increased to 1.2 percent by 1997. A further development was the steady and continuous decline in inflation from 26 percent in 1993 to 12 percent in 1997, reflecting sound macroeconomic policies as well supply conditions in the participating countries. Relative to GDP, Government *revenue* (including grants) and *broad money* have remained virtually unchanged (at around 23 percent and 32 percent respectively) during the period under consideration. On the other hand, *broad money growth* (like

inflation) has declined throughout the period to less than 16 percent by 1997. With regard to external transactions, while *exports* has remained unchanged the *external current account* as well as the *overall balance* have shown considerable improvement since 1993. *Total investment* and *domestic savings* have remained virtually unchanged at around 20 percent and 12 percent of GDP respectively (*see Annex II, Table 2).*

9. In the five-year period, 1993-97, the *CBI* countries have also performed better than the non-*CBI* countries in *SSA* in almost all the categories surveyed *(Annex II, Table 2)*. Thus *Real GDP* increased by 3.8 percent per annum compared to 3.1 percent annum in non- *CBI* countries. *Per capita GDP growth* and *investment performance* were also better in *CBI* countries and inflation less than half that of non-*CBI* countries. The performance of the external sector was equally impressive among the *CBI* countries: *exports* grew much faster and *overall balance of payments deficit* was lower than the rest of *SSA*.

10. A more cogent comparison could be between the *CBI high performers* and the *non-CBI high performing countries* which have been implementing a generally similar reform agenda either individually or in the context of other sub-regional *integration initiatives* (e.g., *UEMOA in* Western Africa). The top 15 countries in *SSA* in terms of structural reforms[6] have been used to select the country samples in the two *high performing comparator groups* (see *Annex II, Table 14* for relevant details) . The appropriate time-frame for this comparison is 1995-97 since most of the *LCBIPs* were formulated in 1994 and onwards, and since in some of the non-*CBI* countries there was a major shift of policy after 1994 when the *CFAFranc* was devalued. The comparison between these two *high performing groups* is most relevant along two variables (i.e., *private investment growth rate* and *export growth rate*) upon which the impact of the *CBI Agenda* could be felt more immediately. As seen from the said *Annex* table, *CBI* countries' performance is in line with the experience of other *high performers* in *SSA*. Two important general inferences could be drawn from this comparison: i) sound policies lead to good results; and ii) most of the *high performers* in both groups (11 out of 15 countries in the said *Annex* table) are pursuing economic policies in the context of *CBI* or *UEMOA*.

Part II. Policy Implementation and Donor Support

A. Implementation

11. **Trade Liberalization**. This is a major plank of the *CBI Agenda* which aims to reduce the *anti-export bias* in the trade regime of the participating countries and create an incentive structure that would promote *efficient* investment and trade flows. To this end, a *Road Map* for trade reform was proposed by the co-sponsors and

[6]Using World Bank *methodology* for performance ranking of developing countries.

endorsed by the country representatives at the *Second CBI Ministerial Meeting* (March 1995). The *Road Map,* which was elaborated further at the *Third TWG Meeting* (April 1996),[7] envisaged that, by October 1998, the following would be achieved:

- a tariff structure of no more than three (non-zero) rates with a maximum rate of 20-25 percent covering all import-specific taxes and charges;

- lowering trade-weighted average of tariffs vis-à-vis third parties to no more than 15 percent;

- acceleration of *COMESA*'s schedule of preferential tariffs on intra-regional trade with a view to complete elimination of all tariffs on intra-regional trade by 1998, i.e., ahead of *COMESA*'s objective (by year 2000);

- application of the lowest customs duty rate to raw materials and capital goods, a middle rate for intermediate goods, and a higher rate for finished goods (based on a 6-digit harmonized system tariff code);

- elimination of the remaining non-tariff barriers except those justified for health, security and environmental reasons; and

- reduction in customs duty exemptions to a minimum consistent with international treaty obligations.

12. The record of implementation of the actions envisaged under the *Road Map* has been substantive but uneven. Among the countries that have progressed most rapidly, maximum *import tariffs* have been reduced from the range of 50-60 percent in 1992 to 20-25 percent in 1997(*see Annex II, Table 3). Kenya, Uganda* and *Zambia* have reduced the maximum rate to 20-25 percent, *Madagascar* and *Tanzania* have lowered the rate to 30 percent, *Malawi* to 35 percent, and *Comoros* to 40 percent. However, maximum rates continue to be significantly higher in *Seychelles* (200 percent), *Burundi* (100 percent), and in the 60-85 percent range in *Mauritius*, *Namibia*, *Rwanda*, *Swaziland* and *Zimbabwe*.

13. There has been slow progress in reducing *other duties and charges (ODCs)* and in incorporating them into the tariff structures. The level of *ODCs* in the majority of *CBI* participants are in the range of 20 percent or less (*Burundi, Comoros, Kenya, Madagascar, Malawi, Namibia, Rwanda, Swaziland, Uganda, Zambia, and Zimbabwe*),[8] the sole exception being *Mauritius* (400 percent). Nevertheless, the existence of *ODCs* reduces the efficiency and transparency of trade regimes and a renewed effort is needed to incorporate them into the import tariff regime and the number of rate bands (*see Annex II, Table 3)*.

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[7]*Cross-Border Initiative: Proposal for a Harmonized External Tariff, April 1996*, prepared by the co-sponsors.

[8]For *Seychelles* and *Tanzania,* ODCs are incorporated into the tariff structure.

14. In respect of the reduction in tariff rate bands, five countries (*Comoros, Kenya, Madagascar, Uganda, and Zambia*) have met the target of reducing the number of non-zero tariff rate bands to no more than three, while another five countries (*Burundi, Malawi, Rwanda, Tanzania and Zimbabwe*) have four or five rate bands. *Mauritius* and *Seychelles* have 8 and 9 rate bands respectively, while *SACU* countries (*Namibia* and *Swaziland*) have multiple bands in their tariff schedule.[9] At least three countries (*Kenya, Uganda and Zambia*) have reduced the *trade-weighted average tariff* (excluding ODCs) to substantially less than 15 percent (see *Annex II, Table 4)*.

15. Progress has been made by the *CBI* participating countries towards eliminating tariffs on intra-regional trade (see *Annex II, Table 4)*. At the Second Ministerial Meeting it was agreed that: i) *CBI* countries should begin taking unilateral action to accelerate granting of preferences beyond the schedule stipulated under the *COMESA* Treaty and in accordance with the *Road Map* timetable (i.e., 90 percent preference by October 1997 and 100 percent by October 1998); and ii) if, within one year of such action, the other *CBI* countries have not reciprocated, then the countries in(i) above could withdraw the additional preferences over and above those stipulated under the *COMESA* Treaty. While none have reached the 90 percent preference margin envisaged under the *CBI* by December 1997, four countries (*Kenya*, *Madagascar*,[10] *Uganda*,[11] and *Zimbabwe*) have achieved the target under the *COMESA* Treaty while five others (*Comoros*, *Malawi*, *Mauritius*, *Tanzania*,[12] and *Zambia*) provide a 60 -70 percent preference margin. Moreover, *Kenya*, *Tanzania* and *Uganda* have indicated a desire to accelerate tariff reductions between them, in the context of the *East African Cooperation (EAC)* agreement. On the other hand, as members of *SACU,* the preference margins given by *Namibia* and *Swaziland* are determined together with other *SACU* countries. Those *CBI* countries which have made most progress in tariff reform have expressed concern at the lack of reciprocal treatment. These countries claim that their nominal tariffs are already much lower than their regional partners so that imports could be facing very low tariff rates compared to their exports to these countries.

16. Progress towards reducing *tariff exemptions* has been limited. An attempt has been made to disaggregate the sources of such exemptions (see Annex II, Table 5). Overall, about half the *CBI* countries have a significant degree of exemptions (applied to more than 40 percent of imports). Nevertheless, some countries (notably, *Kenya, Malawi, Namibia, Tanzania*, and *Uganda*) have made progress in recent years in reducing exemptions. Government imports are subject to tax in only five countries,

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[9]Both these countries are tied to the pace of South Africa's implementation of its own tariff reform program under the *SACU Treaty* obligations.

[10]In the case of Madagascar, a decision, in principle, has been made but not yet implemented, except in relation to its trade with Mauritius.

[11]Uganda has introduced a 10 percentage point surcharge on the preference rate for selected goods commencing July 1996, thereby effectively lowering the preference margin to 70 percent for such goods.

(*Kenya*, *Malawi*, *Mauritius*, *Swaziland*, and *Uganda*). The parastatal sector continues to benefit from partial or full exemption from duty liabilities in *Burundi*, *Rwanda*, *Seychelles*, *Tanzania,* and *Zambia*. Exemptions given under *Investment Code* or *General Conventions* are pervasive with the exception of *Malawi, Swaziland* and *Uganda*. The extent of tariff exemptions for *NGOs*, for foreign-financed projects and other categories of projects is also comprehensive. While such *exemptions* could reduce the anti-export bias of a tariff regime, these are also i) inherently discretionary and thus have the potential to distort the incentive structure; ii) could cause a substantial revenue loss; and iii) are neither neutral nor transparent. A substantial unfinished agenda, therefore, remains in the area of *tariff exemptions*.

17. Progress towards elimination of *Non-Tariff Barriers (NTBs)* except for a small negative list for reasons of health, environment and security has been mixed.[13] *Annex II, Table 6* assesses the significance of *NTBs* by disaggregating them into *quantitative restrictions (QRs)* such as bans and quotas, state trading monopolies, and discriminatory excise/VAT rates on imports. Currently, bans and quotas exist in only three *CBI* countries (*Uganda*,[14] *Seychelles*[15]*, and Zambia*[16]); however, Uganda has announced a phased withdrawal of all bans by July 1999. Import licensing[17] is confined to *Namibia*, *Seychelles and Zimbabwe*. State trading monopolies also exist in: *Comoros* (petroleum), *Mauritius* (cement and petroleum), *Namibia* (food crops), *Seychelles* (a wide variety of goods), *Swaziland* (maize), *Tanzania* (petroleum) and *Zambia* (petroleum). Discriminatory rates of excise duty and/or sales tax are prevalent in *Kenya* (petroleum), *Mauritius* (tobacco and alcohol), *Tanzania* (beer), *Uganda* (selected imports) and *Zambia* (beer). *Burundi* also requires that 5 percent of the value of imports be deposited with a commercial bank. Overall, a subjective evaluation of the pervasiveness of the *NTBs* indicates that while most countries have reduced the scope of *NTBs* in their trade regimes over the past five years, *NTBs* on imports continue to be significant in almost all of the *CBI* countries .

18. Considerable progress has been made in freeing export trade regimes of restrictions (*Annex II, Table 7)*.[18] Only *Zambia* (sawn wood and logs), and *Zimbabwe* (maize) have *QRs* on their exports. *Licensing of exports* are confined to *Kenya* (foodstuffs and agricultural products), and *Zimbabwe* (textile machinery). *Export duties* are prevalent in *Burundi*, *Comoros*, *Malawi*, *Rwanda*, *Swaziland*, *Tanzania* and *Zimbabwe)*; they are, however, more pervasive in *Malawi* (covering 75 percent of its exports) and in *Tanzania* (a 2 percent export duty is applied on traditional exports, including minerals).

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[13]NTBs include quantitative restrictions, state trading, monopolies, restrictive foreign exchange practices affecting the trade regime (e.g., surrender requirements at an overvalued exchange rate), quality control and customs procedures that act as trade restrictions. Pre-shipment inspection is not considered a *NTB*, unless implemented in a restrictive manner.

[14]On soft drinks, cigarettes, automotive batteries, and beer.

[15]Value specific quota of 1995 imports.

[16]*Zambia* maintains an import ban on petroleum products and wheat flour.

[17]Only for restrictive purposes.

[18]The March 1995 ministerial meeting called for removal of *QRs* on exports to all countries.

19. **Trade Facilitation**. Progress in the area of *trade facilitation*, another major plank of the *CBI Agenda*, has been relatively satisfactory (see *Annex II, Table 8)*. Adoption of *COMESA Harmonized Road Transit Charges* and the introduction of the *Road Customs Transit Document (RTCD)*[19] have been achieved in more than half the *CBI* countries (*Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda, Zambia*, and *Zimbabwe*).[20] *Namibia* and *Swaziland* have indicated that the enactment of these measures will depend on the outcome of the on-going re-negotiation of the *SACU* agreement. With regard to the introduction of the *Yellow Card* (i.e., *single goods declaration document)*, there is compliance by *Kenya, Namibia, Tanzania, Zambia* and *Zimbabwe*, while action is in process in *Burundi, Malawi, Swaziland* and *Uganda*.[21] Regarding introduction of a *bond guarantee scheme* (i.e., aimed at facilitating transit trade while avoiding loss of customs revenue), there has been very little progress on the *COMESA* scheme.

20. **Financial Sector Issues**. An important issue in this regard is the absence of R*isk Insurance* facilities, on which there has been little progress and the matter deserves active consideration. The lack of such coverage is a restraint, particularly on intra-regional trade. While commercial risks are, to some extent, covered by the financial system, no such facilities exist with respect to political risks. The perception of high political risk in Africa results in scarce and high cost cover for many African countries, even for many short term transactions, and an absence of cover for medium term transactions. A proposal in this regard, the *Eastern and Southern Africa Regional Insurance Mechanism (ESARIM)* was discussed at the *Third TWG Meeting* (Mauritius, April 1996). At a subsequent meeting with experts (Brussels, July 1996), the viability of the project was questioned, and action was postponed pending further study.

21. Another initiative in this regard (now in a broad consultative phase) is the establishment of an *Africa Guarantee Facility (AGF)*[22] by the World Bank with the use of IDA credits and donor/country funds. The proposed guarantee scheme would be available to cover political risk in relation to eligible transactions in participating countries. The eligible transactions would include exports by participating countries to both participating and non-participating countries and imports of capital goods by participating countries. The political risks associated with financing eligible activities proposed to be covered by the scheme are principally those that are normal and usual in the market. These include non-convertibility of currency, expropriation or moratorium on payments, Government interference causing debtors to default in performance of its obligations to a guarantee holder, war and civil disturbance.

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[19]Replaced by the *COMESA* Customs Document.

[20]As these are intended to facilitate land-based transportation, *Comoros, Madagascar, Mauritius*, and *Seychelles*, are not required to enact these measures.

[21]The measure is not applicable to the island economies (i.e., *Comoros, Madagascar, Mauritius, and Seychelles).*

[22]The proposal follows a concept operating successfully in Bosnia and Herzegovina and under preparation in Ukraine and Albania.

22. **Exchange and Payments System**. Liberalization of exchange systems is another major plank of the *CBI* framework. It involves, *inter alia,* lifting of restrictions on current international transactions, development of inter-bank foreign exchange markets, elimination of surrender requirements, and liberalization of foreign currency accounts. It also calls for a relaxation, as circumstances permit, of those restrictions on capital flows that are important for cross-border investment, including the development of equity markets in the region.

23. With regard to the elimination of restrictions on current account transactions, as of end-December 1997, 11 of the 14 *CBI* countries have accepted the obligations under IMF's Article VIII although a few of them maintain restrictions on such transactions (see *Annex II, Table 9)*. Of the remaining three countries, although *Burundi* and *Rwanda* continue to avail themselves of the transitional arrangements under IMF's Article XIV, they maintain no restrictions on current account payments and transfers; while in the case of *Zambia*, the only restriction is in respect of private debt service payments contracted before 1991, i.e., prior to the liberalization of the exchange regime. Moreover, all three countries have expressed the intention of accepting Article VIII obligations in the near future.

24. There has been substantial progress in moving towards a market-based exchange rate in the last two years, in line with the *CBI* target of establishing unified inter-bank arrangements and markets by 1996. *Annex II (Tables 10* and 11) summarize the characteristics of foreign exchange markets of the *CBI* countries. Nine countries have unified inter-bank exchange markets.[23] Banks are now able to buy/sell foreign exchange from one another, thus consolidating the mechanism for market-determined exchange rates. A significant constraint to trade and foreign investment has thus been removed and there will be less likelihood of illegal transfers abroad. Competition in foreign exchange markets has also been enhanced in *Kenya*, *Malawi*, *Namibia, Rwanda*, *Tanzania*, *Uganda, Zambia* and *Zimbabwe* with the licensing of non-bank foreign exchange bureaus. In addition, *Kenya*, *Tanzania* and *Uganda* (*EAC* countries) have agreed that their respective currencies be fully accepted within *EAC* and that the currencies be quoted by banks and foreign exchange bureaus.

25. Several other constraints on cross-border payments have also been eased. Forward cover through commercial banks and other authorized dealers is available in *Comoros, Kenya, Malawi, Mauritius, Namibia, Swaziland, Tanzania, Uganda* and *Zimbabwe*. Restrictions on foreign currency accounts for residents and foreign entities have been lifted in all countries with the exception of *Burundi*, *Comoros*, *Namibia*, *Seychelles* and *Swaziland*.[24] Finally, with the exception of *Burundi*, *Comoros*, *Rwanda*

[23]Although Namibia and Swaziland peg their respective currencies to the South African Rand , an inter-bank market exists for the determination of forward rates.

[24]Corporate foreign currency accounts in *Zimbabwe* were liquidated by the monetary authorities in November 1977 as a stop-gap measure to contain an imminent balance of payments crisis; the intention is to reconstitute these accounts once the foreign exchange situation improves.

and *Seychelles*, considerable progress has been made over the last two years in easing foreign exchange surrender requirements (*Annex II, Table 12).*

26. Six countries (*Kenya*, *Malawi*, *Mauritius*, *Seychelles*, *Uganda* and *Zambia*), have substantially or wholly liberalized capital account transactions. *Comoros* and *Madagascar* have also taken steps to ease restrictions. However, some countries still require prior authorization which is usually granted if the inflow is deemed to benefit a priority sector, an approved enterprise or, as in most cases, an investment approved under the *Investment Code* or similar regulations. A number of countries have also moved to ease restrictions on the repatriation of direct investments (*Comoros*, *Madagascar*, and *Zimbabwe*) and portfolio outflows.

27. A recent facilitating development is the *World Bank*-financed effort at coordination/rationalization/improvement of the payment systems, financial legislation, regulatory/supervisory and accounting practices among the *SADC* member states.[25] Since eight out of the fourteen SADC member states are also *CBI* participants (i.e., *Malawi*, *Mauritius*, *Namibia*, *Seychelles*, *Swaziland*, *Tanzania*, *Zambia* and *Zimbabwe*) this initiative would facilitate integration of the financial systems and thus remove a major systemic hurdle in improving cross-border financial transactions among more than half of *CBI* countries.

28. **Investment Deregulation**. The *CBI framework* envisages the following reforms:

- *One-Stop Investment Approval Authority* to consolidate bureaucratic requirements and vesting it with the responsibility of securing investment-related residence/work permits.

- *Statute of Limitations* (45-60 days maximum) on investment applications, following which such applications are to be deemed approved unless determined otherwise.

- Adoption of an *Investment Code* to provide transparency with regard to investment incentives and the regulatory environment.

- Ratification of COMESA's *MIE Charter* legislating similar provisions to treat investments, irrespective of source, in a non-discriminatory manner.

- *Dual taxation Agreements.*

- *Cross-listing of Stocks.*

[25]The World Bank has provided funds for this purpose in the form of an Institutional Development Fund (IDF) grant (May 1997) to the *Finance and Investment Coordinating Unit (FISCU)* for a study on the harmonization of payments systems among *SADC* member states.

29. Overall, progress in the area of *investment deregulation* has been mixed. There has been almost full compliance with regard to establishing *one-stop investment approval authority* which is a major plank of the *CBI Agenda*. For those indicated as *partial (see Annex II, Table 13)*, there is actually substantive progress. For example, in the case of Swaziland, action is imminent. The record with respect to two other major planks of the *CBI Agenda* is less robust regarding the observance of the *Statute of Limitations* (only *Kenya*, *Namibia*, and *Seychelles* have fully complied) and is only slightly better with regard to the adoption of the *Investment Code* (half the *CBI* countries have fully complied). The ratification of *COMESA*'s *MIE Charter* has been overtaken by recent economic reforms in participating countries such as improvements in investment-related legislation which has generally removed discriminations against FDI. Accordingly, no further consideration should be given to the *MIE Charter*. There is slow progress with regard to *dual taxation agreements* and *cross listing of stocks* (*see Annex II, Table 13)*.

30. The absence of more rapid progress with regard to some of the *CBI* provisions under *Investment Deregulation* is a cause for concern. Except for *dual taxation agreements* and *cross listing of stocks*, action by individual countries is possible. More importantly, investment deregulation would raise the volume and productivity of investments.

31. **Facilitation of Labor Movement**. *CBI*-supported reform agenda envisaged the following actions in the liberalization of labor markets:

- Improve the processing of Residence and Work Permits
- Implement the *COMESA* Visa Protocol
- Issue short term Entry Permits for border residents

32. Overall, progress has been mixed in implementing the above actions. While most of the non-island economies have taken action on *short term entry permits* for border residents, there is relatively less progress in implementing the *COMESA* Visa Protocol. Five countries have taken *full* action and three countries have taken *partial* action; *Kenya*, *Tanzania* and *Uganda* no longer require visas by citizens of *EAC* countries for travel between these countries. The processing of residence and work permits, however, remains intractable. Except for *Malawi*, *Namibia* and *Uganda* and to some extent, *Kenya* and *Zambia*, related actions by the *CBI* participants are at a very preliminary stage.

B. Donor Support

33. The co-sponsors jointly assume responsibility for helping the countries to effectively implement *CBI*-supported reforms, with each individual institution focusing on its area of competence. In countries that are under adjustment, the general policy provisions related to the *CBI Agenda* are incorporated, as appropriate, in the *Policy Framework Paper (PFP)* as the *regional dimension of adjustment.*

34. To date, external support provided to the *CBI* participants can be divided into the following three categories:

- *Balance of payments* and *budgetary support* to help finance the *net transitional costs* of implementing the *CBI Agenda.* The modalities for this type of assistance vary among the co-sponsors. For example, in 1994 *EU* allocated ECU 60 million (some unused funds are no longer available) in the form of supplements to on-going operations in support of the participating countries' reform programs. Under the new *EDF Financial Protocol of EU,* possibility exists to provide an additional tranche of balance of payments or budgetary support to countries incurring transitional costs resulting from implementation of the *CBI Agenda.* The Bretton Woods institutions have contributed to meeting the overall financing requirements of these countries in the context of regular adjustment operations, where applicable.[26] Similarly, the *African Development Bank* has also contributed to meeting the overall financial requirements of selected *CBI* countries; for example, ADF 7 resources have been made available to *Tanzania* (US$ 30 million) and *Uganda* (US$ 27.7 million).

- *Technical assistance* for related capacity and institution building, on the basis of requests formulated by the *TWGs.* This type of assistance has taken the form of framework assistance by the *European Union,*[27] technical assistance on specific issues by the IMF, and *Institutional Development Fund (IDF)* grants by the *World Bank.*[28] *ADB* is also prepared to support institutional capacity building activities of *TWG*s' through its T*echnical Assistance Fund.*

- *Assistance to the private sector* for restructuring and enterprise development to facilitate exploitation of the global and regional market opportunities. Again,

[26]For countries undertaking economic reform programs with the support of the Bretton Woods institutions, actions included in the *LCBIPs* are reflected in the objectives of such programs. For example, the *World Bank* provided balance of payments financing to *Zambia* in the context of the *Economic Recovery and Investment Program* (US$ 140 million credit) and to *Malawi* in the context of the *Fiscal Restructuring and Deregulation Program* (US$ 110 million credit). These resources were complemented by *EU* grants for balance of payments support under the *CBI* (ECU 11million for *Zambia* and ECU 10 million for *Malawi*).

[27]This covers mainly general assistance for the functioning of *TWGs* (e.g., support for the secretariat through local consultants), provision of legal expertise on the revision of legislation involving *CBI* reforms, special studies as requested by the *TWGs* and organization of meetings at regional and sub-regional levels. Approximately, *ECU* 3 million has been provided for this purpose since 1992.

[28]To date, ten IDF grants amounting to about US$ 1 million have been provided to support priority capacity building activities of the *TWGs.* This includes a regional IDF grant in support of coordination of payments among *SADC* member states (see para. 27)

the modalities vary among the co-sponsors. The *World Bank* has supported targeted investment operations with IDA credits[29]; the *European Union's PRIDE* project (ECU 9.3 million), is a facility to assist the private sector in the member states of the *IOC* with restructuring to benefit from the more open regional and world markets. *EU* is also supporting private sector projects in *Mauritius* (ECU 2.9 million, proposed), *Namibia* (ECU 5.4 million) and *Swaziland* (ECU 1.5 million).

Part III. Value Added of CBI

35. Most of the *CBI* countries have been implementing broad-based economic reform programs over the last decade, and it is plausible to argue that such programs have acquired a certain momentum and would have continued independently of *CBI*. What then is the *value added* of *CBI*? Admittedly, *CBI* rests on a proposition that, *ex ante*, it would accelerate the on-going reform agenda and that its benefits are incremental to such economic reform programs. However, for many of the *CBI* countries, the trade policy agenda of the economic reform programs essentially reflects the substantive elements of the *CBI Agenda*. Moreover, these substantive elements now constitute a major element of the policy dialogue with the multilateral institutions. In terms of a quantitative demonstration of the pay-off from *CBI*-supported reforms, however, it is practically impossible to separate the CBI-related benefits from the aggregate economic indicators which reflect the impact of other elements of reform. The effort to isolate and identify *CBI*-related benefits must, therefore, be somewhat impressionistic.

36. **Comparative growth performance**. As noted in para. 8 and 9 above, selected growth indicators (i.e., *GDP growth rate*, *exports* and *investment* as GDP ratios) for 1993-97 are significantly above the average for Sub-Saharan Africa. Moreover, among the *CBI* countries themselves, a stronger performance is discernible among those which are more active in the implementation of the *CBI* Agenda (e.g., Kenya, Uganda, Zambia). It is, of course, difficult to attribute this outcome exclusively to the *CBI* since these countries are also engaged in adjustment programs. It should, however, be noted that the *CBI-content* of such adjustment programs is quite pronounced, which arguably would not have been present to the same extent but for the focus and attention generated by the *CBI* process itself. Arguably also, the impact of *CBI* would accelerate over time because of the implied time lag between implementation of reforms and associated beneficial effect on investment and trade.

37. Much like the debate over the benefits of the economic reform programs in general, the *CBI* is sometimes unfavorably assessed for its failure to obtain quick and

[29]For example, US$ 45 million credit for the *Enterprise Development Project* in *Zambia* and US$ 70 million credit for the *Enterprise Development Project* in *Zimbabwe*.

substantial responses in the growth variables (e.g., exports, investment, etc.). It could hardly be overemphasized that the *CBI's* potential role in this respect is *supportive and incremental* and that it cannot assume the entire burden of addressing the underlying causes of under-development, which properly belong to the willingness and ability to implement broad and sustained economic and social reform programs. Its effect is also medium term in nature in the sense that it addresses the investment incentives structure (e.g., tariffs, exchange rates) and a host of other factors which are essentially facilitating for the process of growth and development (e.g., trade facilitation measures, labor market reforms). All of these take time to impact on *investor expectations*. These take a medium and long term view of investment decisions, which in turn impact on supply responses. The pursuit of the *CBI*-supported reform programs should, therefore, be sustained over the medium to long term. An early *pay-off* is not a realistic expectation. Nevertheless, medium term prospects are encouraging. *CBI high performers* have experienced sustained high and positive growth rates in *private investment* and *exports* (see *para. 10*). It is not a coincidence that several of the *CBI* participating countries have been recently included in what is known as the *emerging African markets* (e.g., *Kenya*, *Uganda*, *Zambia* and *Zimbabwe*). The growing volume of FDI to these countries as well as improving *Institutional Investor International* (*III*) risk-ratings are all causes for optimism and a validation of the fundamental principles which underlie the *CBI Agenda.* [30]

38. **Growth in Intra-Regional Trade**. Data are not available on intra-CBI country trade. Nevertheless, since CBI countries represent nearly half the *COMESA* member states and *SADC*, one could look at the latter two groupings as proxies. In 1991, the volume of intra-*COMESA* trade was about 4 percent of aggregate *COMESA* trade. By 1996, this figure had risen to about 6 percent. It will be difficult to suggest that the change is essentially trade-diversionary in nature emanating from the preference obligations on intra-regional trade under the *COMESA*. It is to be noted that in the case of *CBI* countries, the on-going implementation of the *COMESA* preferences has occurred simultaneously with sustained liberalization with respect to trade with third parties (see para 15 above) so that although there could have been some trade diversion, for the major part, the effect has been trade creation in nature. Similarly, intra-regional trade among *SADC* member states has doubled in the period 1993-97. Intra-*SADC* trade increased from about US$ 5 billion in 1993 to about US$ 10 billion in 1997. Of the latter, about two-thirds (US$ 6.5 billion) is intra-*SACU* trade. However, a large part of the *SACU* trade in 1997 is on account of trade with *South Africa* following resumption of normal trade relations between the latter and the former front-line states.

39. **New Paradigm of Regional Integration**. *CBI* offers a different framework for pursuing *regional integration*, an avowed aim of the countries concerned. It has supported a shift away from past attempts at *regional integration* based on import substitution with high protection to one based on efficiency in domestic production with relatively low effective rates of protection. Its success so far has increased the credibility/

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[30]For example, in the case of *Uganda*, FDI increased from $ 2 million in 1992 to $ 160 million in 1996; similarly, *III risk-rating* for *Uganda* improved from 5 in 1993 to 18 by March 1997.

acceptability of <u>open</u> *regional integration* schemes/institutions among donors. For example, the *CBI* has helped strengthen the support for regional integration schemes among some of the international organizations such as the *IMF* and the *World Bank*.[31] Similarly, in the context of the *Special Program of Assistance for Africa (SPA),* several development partners have cited the *CBI* as a good example of the approach to regional integration in SSA. *CBI* has also had an impact on existing integration arrangements (e.g., *CBI* now constitutes an agenda item in *COMESA* deliberations and is now recognized as a *fast-track program* for *COMESA).* Finally, since the *CBI* is based on the concept of the fastest reformers setting the pace of integration, it does not constitute a constraint on those countries wishing to liberalize faster and deeper than envisaged in the *CBI* framework (e.g., *Uganda* with respect to the tariff reform).

40. **Peer Pressure/Neighborhood Effect**. An underlying principle of *CBI* is that of self-selection, i.e., each country will pursue the *CBI Agenda* at its own pace. As it happened, some *trail blazers* have emerged (e.g., *Uganda*, *Zambia*) who have, in the various *CBI* discussions, taken up the task of exhorting their less active *CBI* partners, and in demonstrating the benefits of fast-paced policy reform. Moreover, the *CBI* forum (with its peer pressure and example effect) has helped in locking in the reforms and preventing major backsliding. A case in point is the issue of tariff reform, which has long been mired in the perception that it will erode the fiscal base at least in the short run. The experiences of *Kenya, Uganda and Zambia* in implementing the *Road Map* (see para. 12) has demonstrated that a significant lowering of the tariff rates in the context of overall taxation reform could absorb potential fiscal loss, and in some cases, could even lead to improvement in revenues. Such examples have played a critical part in persuading other regional partners to accelerate their tariff reforms in line with the *Road Map.* As an extension of the *neighborhood effect*, of late, the implementation of the *Road Map* by the *CBI* countries has began to influence the tariff reform agenda of the other regional groupings in SSA *(e.g., UEMOA).*

41. **Capacity Building/Ownership**. The proposition that the institutional components of the *CBI* process have fostered a forum with *active participation of the private sector* for the formation of national consensus on major development issues (e.g., trade policy, investment incentives, etc.) is significant especially when the private sector is recognized as the engine of growth. Formation of the *TWGs* and *PICs* and the close interaction between the government and private sector has facilitated deliberations on such issues and advanced the cause of improved macroeconomic management and active private sector participation. The *TWG*s have created a multi-sectoral forum for cross-fertilization of ideas and have had impact beyond their individual members. For example, some private sector members of the *TWG*s also represent chambers of commerce and other business associations. Most of the studies carried out by the *TWG*s have relied on local expertise thus helping to build up

[31]As noted in Paragraph 1, there is now broader support for regional integration attempts in Africa. The recent Denver Summit of the Eight has explicitly called for support to these from its members and international financial institutions.

analytical capacity in economic policy issues in the private sector. Some public sector members of the *TWG*s have brought their *TWG* experience to bear upon broader policy formulation through their advisory role to the decision makers (e.g., *Tanzania* and *Uganda*; see also box on *TWG*s' impact on policy formulation).

Impact of the TWGs in the Policy-Making Process

This summation is derived from the views expressed by the representatives of the *CBI* participating countries at the meeting with them in Harare (November 20-21, 1997). Clearly, *TWG* as a concept has taken roots. It is now increasingly functional for consensus formation on investment and trade policy and related macroeconomic issues. Its role is multi-faceted: analytical, policy advisory, and disseminatory. There was an unanimity of views at the meeting that *TWG* provides an expression of national ownership of the *CBI* and its role is vital for the articulation of national *CBI* programs. It brings together the public and private sectors in a novel partnership. The practice of private sector participation varies between the *TWGs* (i.e., the degree of private sector representation, chairpersonship of the *TWGs, etc.*) but it is always important and vital to the process. There was also a view that *TWGs* have been institutionalized and are likely to survive in the event a closure is called for the *CBI* process. The evolution of the *TWGs* and their impact on policy formulation have clearly surpassed the hopes in this regard at the beginning of the *CBI* process. Specific examples in support of this conclusion abound, the following constitute a sampler:

- *EAC (i.e., Kenya, Tanzania, and Uganda)*: Consultation on country budgets takes place through the *TWG*s. *CBI Agenda* is fully endorsed by the *EAC*. Local dissemination is emphasized: in *Uganda*, the *TWG* had organized six public awareness seminars outside *Kampala* on *CBI* and regional integration issues.

- *Mauritius*: T*WG* has equal representation from the public and the private sectors. It advises the *Regional Cooperation Council (RCC),* an inter-ministerial body, on issues related to all regional cooperation groupings.

- *Swaziland*: *TWG* is chaired by the private sector. It was instrumental in obtaining reconsideration of a proposed tax reform bill and is now engaged in its redraft.

- *Zambia*: *TWG* redrafted the *Export Processing Zone* bill, following a study involving *TWG* members and national consultants. The TWG is regularly invited to meetings of the Chamber of Commerce.

- *Zimbabwe*: *TWG* has led the analysis of the implications of *WTO* membership and is currently following up on various issues with the government such as notifications to *WTO*. It is also advising the Government in assessing the implications of adopting the *Harmonized External Tariff* under *CBI*.

42. The *CBI Agenda* for each country program has been essentially a product of such internal debate. The co-sponsors have played only a supportive role in this process, through funding and technical assistance (see section on donor support above). As a result, there now exists in each *CBI* country, a core capacity, albeit of varying proportions, to deal with industry and trade-related issues in the broader context of regional integration (e.g., *TWGs* also advise on issues related to other regional institutions such as *COMESA* and *SADC.* This is likely to be an enduring benefit of the *CBI* process.

43. **Harmonization of Policies**. The *CBI* provides a useful framework for enabling governments and donors to coordinate their respective positions on reform objectives and the phasing thereof. The *peer pressure* effect referred to above is only one aspect of it. Another important aspect of the *CBI* is that the *Road Map* provides a framework within which specific country paths to tariff reform, including regional preferences, could be envisaged. This has helped the co-sponsors as well in ensuring that their bilateral dialogue with the participating countries is anchored in a common framework that has been endorsed at the regional level by both the country authorities and the co-sponsors. The outcome is likely to be more harmonized tariff regimes than had been possible to establish in the past.

44. **Cooperation with Sub-Regional Institutions.** An important outcome of the *CBI* process is the on-going dialogue with sub-regional institutions, especially *COMESA, SADC and IOC.* Convergence of institutional views has been steady. The proposition that tariff reform and removal of non-tariff barriers promotes mutually beneficial and *efficient* investment and trade flows, is no longer contentious, although the pace of implementation and whether it should be reciprocal or unilateral, are still subject to debate within some of the sub-regional organizations. Moreover, both the *COMESA Treaty* and the more recent *SADC Trade Protocol* are far removed from the autarchic visions of the 1970s. The *CBI* framework and the deliberations it has facilitated have played an important role in facilitating a consensus among the member countries which, in turn, could form a critical mass in steering the debates under *COMESA* and *SADC* towards a common agenda, particularly in the areas of trade and payment systems. There have been periodic consultations between these sub-regional institutions and the *CBI* co-sponsors. Apart from these dialogues with *COMESA* and *SADC*, the co-sponsors have also helped organize consultations with other sub-regional groupings (e.g., *IOC, EAC*). The co-sponsors, as a group, have maintained a steady stream of technical assistance to these institutions in the implementation of their respective agenda. It could thus be concluded that the *CBI* process has helped in advancing the agenda of the regional institutions in the *CBI*-related fields.

Part IV. Lessons Learnt and the Evolving Agenda

A. Lessons Learnt

45. **Role of the Private Sector**. From the beginning, the *CBI* process underlined the crucial role of the private sector in the formulation of the *CBI Agenda.* As a result, the latter is essentially a synthesis of the issues and recommendations put forth by the *TWGs* in which the private sector has played a leading role. This outcome has been instructive not only for the concerned governments but also for the multilateral institutions. There is a clear recognition not only that the private sector is the prime source of growth, but whose views are of crucial importance as to what constitutes a supportive policy/institutional framework. The ensuing experience suggests that perhaps a beginning has been made in institutionalizing the viewpoint of the private sector in delineating economic policy framework. The process, however, has to be sustained. The necessary institutional evolution such as the formation of a *Policy Implementation Committee (PIC)*, in which private sector input has been promoted under the *CBI* framework needs to be strengthened and clarified in some of the participating countries.

46. **Role of the Technical Working Groups**. The *TWG* has emerged as the linch pin of the *CBI* process. Country experiences have varied in terms of leadership, organization and process of analysis and formulation of policy advice. The following lessons could be drawn in terms of what accounts for a successful *TWG*: i) government commitment to the process; ii) dynamic chair person and visibility and authority for the *TWG*; iii) proactive stance and continuity in membership; iv) adequate secretariat; v) substantive participation by the private sector through chambers of commerce and other business associations; and vi) effective dissemination strategy to increase public awareness among civil society and business community.

47. **Asymmetric Performance and Peer Pressure**. The outcome of the tariff reform is a compelling case of how high performers (e.g., *Uganda* and *Zambia*) could create a healthy measure of *neighborhood effect* to accelerate the implementation of the *CBI-supported reform agenda* in other countries. Given the extent of the *Evolving Agenda* (see paragraphs below), it may be time for the high performers as a group to take a more active role in exerting the necessary *peer pressure* to address the task. It could be plausibly argued that since *CBI* has achieved a certain maturity, the leadership role should be more firmly grasped by the high performers (e.g., more frequent discussion among the *TWGs* focusing on i) lessons learnt and sharing of good practices; and ii) exchange of expertise acquired in implementation of the *CBI* process.

48. **Donor Coordination**. As a flexible, yet fairly regular forum, *CBI* provides a medium through which the donors can coordinate their approaches. This can help ensure that the respective bilateral dialogues become more efficient and lead to policy outcomes that are owned by the country authorities and which are more harmonized across countries.

B. Evolving Agenda: Second Generation Issues

49. As noted in Part II, despite good overall progress under *CBI,* especially in the implementation of its major planks, there is an important *residual agenda*. There is a need to stay the course and to complete the actions envisaged in each of the CBI-supported reform categories. Thus in the case of *exchange and payments system* the removal of all remaining restrictions in line with the obligations under IMF Article VIII should form an important part of the *residual agenda*. Moreover, the evolution of global economic relations since the start of the *CBI* process points to the need for additional reforms to keep pace with the rest of the world. Together these actions represent the evolving agenda under the *CBI.* The following paragraphs delineate where further actions are necessary.

50. <u>Harmonization of external tariffs and related measures</u>. As indicated in para.11, the *Road Map* for trade reform was endorsed at the *Second Ministerial Meeting (1995)*. The subsequent *TWG Meeting (1996)* laid out an approach to its implementation (*HET paper, 1996)* progress on which has been uneven (para. 12). The *Road Map's* target date for tariff harmonization, October 1998, leaves a tight time span to undertake the necessary action in some countries within the 1998 budget cycle or shortly thereafter. <u>It is recommended that the pace of tariff reform be accelerated, taking into account specific country circumstances. The approach underlying the *HET paper* is demonstrative and not a rigid framework. Transitional arrangements on critical country issues could, therefore, be envisaged under this framework</u>. The *co-sponsors* are prepared to continue to provide technical assistance and other financial support in this regard. It should also be remembered that the *Road Map's* target date for tariff harmonization is not to be deemed as the culmination of the tariff reform process. The *HET paper* also suggested that continuing efforts beyond the target date (1998) should be made to further *reduce* the stipulated maximum tariff (i.e., 25 percent), narrow the number of tariff bands further, and *lower* the average trade-weighted tariff. Such efforts will be key in helping the *CBI* countries to remain competitive in the global economy.

51. Two related issues are the continued existence of *other duties and charges (ODCs* and *non-tariff barriers, see para.* 13 and 17 above). As envisaged in the *Road Map,* the suggested tariff structure was a maximum of three non-zero rates with a maximum of 20-25 percent covering *all import-specific taxes and charges*. The underlying argument for the latter stipulation is that unless such charges are incorporated in the tariff structure as recommended the structure of effective protection could be very high. As noted above (para. 13), the *ODCs* can be as high as 20 percent and in some cases, significantly higher. <u>It is, therefore, recommended that in undertaking tariff reform following an approach similar to that delineated in the *HET* paper, the *ODCs* must be regarded as an integral part of the tariff structure to create a relatively low-incidence and transparent pattern of effective protection</u>. In regard to *non-tariff barriers*, although much progress has been made in reducing them

in the 1990s, much remains to be done. A renewed effort should be undertaken to substantially reduce them (particularly, import licensing, state trading monopolies, and discriminatory rates of excise duty/sales tax) in the period immediately ahead.[32]

52. Another related issue is the difficulty of managing a variety of arrangements regarding the granting of preferences on intra-regional trade. For example, under the *COMESA Treaty,* 80 percent preferences are to be provided by the member states to each other by 1998[33] and 100 percent by 2000. Under *CBI*, it was proposed to accelerate the *COMESA* schedule, with a view to achieving complete elimination of tariffs on intra-regional trade by October 1998. Similar intra-regional preferences are also envisaged under the *SADC Trade* Protocol over a period of eight years. There are also bilateral preferences further complicating the trading arrangements among the intra-regional trading partners and between *CBI* countries and other regional trading partners. To avoid further complications, and in view of the fact that reciprocal preferences under *CBI*'s proposed accelerated schedule have not materialized (see *para. 15* above), it is recommended that the *CBI* countries strive to implement the schedule of preferences under the *COMESA* Treaty (i.e. eliminate all tariffs on intra-regional trade by year 2000).

53. In deepening tariff reform, the *CBI* participating countries may also consider introducing *WTO tariff bindings* at rates not much higher than the levels envisaged in the *Road Map*, with the stipulation that the ODCs should be included within the limits posed by the *tariff bindings*.[34] Such a step will greatly enhance the participating countries' credibility in creating an appropriate incentive structure for promoting efficient investment and trade flows. The *tariff bindings* in the recommended manner will, however, still permit flexibility in case of need as well as discretionary action to liberalize tariff levels further.

54. Fiscal Implications of Trade Liberalization. Much of the hesitation by some *CBI* participating countries in implementing a tariff reform program along the guidelines provided in the *HET paper* arises from the possibility that it would lead to fiscal erosion in the short term and thus compound the problem of maintaining macroeconomic stability.[35] The simulations provided in the *HET paper* as well as the experience of countries that have implemented the reforms (e.g., *Zambia*) would suggest that such a consequence is unlikely, if the recommended tariff reform is anchored in a reform of overall taxation, especially *exemptions*. [36] Nevertheless, in

[32]An additional important element is the planned reduction in, and standardization and simplification of trade documentation and border procedures for non-island economies. For the private sector, such improvements reduce costs significantly.

[33]Generally achieved, with some exceptions, (see para. 14).

[34]To date, most *CBI* countries have not bound many products and those that have been bound are at rates much higher than the rates applied.

[35]Thus in the case of *Namibia* and *Swaziland* (as members of *SACU)* prospective tariff cuts as well as revisions to the revenue-sharing formula could have implications for the *net transitional costs* of implementing a tariff reform program.

[36]Fiscal erosion should not be a long term concern since the main purpose of tariff reform is to promote *efficient* investments and therefore growth, and consequently, expansion of the revenue base in the long run.

order to reduce any consequent short term revenue losses in the presence of continuing fiscal constraint, *CBI* countries will need to accelerate efforts to: (i) strengthen customs administration; and (ii) explore other (non-trade) sources of revenue such as VAT. The cosponsors stand ready to discuss with the country authorities what further technical assistance and balance of payments support would be required in this regard.

55. As indicated in para. 16, about half the *CBI* countries have a considerable degree of *exemptions* (more than 40 percent of imports). It is recommended that the exemptions be limited to those under *General Convention* (i.e., those provided under reciprocal diplomatic obligations) and effectively monitored. Elimination of the exemptions on government and parastatal imports would promote fiscal discipline since expenditures on imports could prove to be less competitive and will have to be justified. Similarly, elimination of exemptions on *NGO* imports would close an increasingly significant loophole. If some NGO activities are deemed worthy of support then it would be more appropriate to provide these through budgetary subventions. This would allow better scrutiny of their purpose and mode of delivery of their services.

56. Financial Sector Reform. In the light of the on-going successful reform process among the *SADC* countries (see para. 27) for the coordination and rationalization of improvements to the financial systems, financial legislation, and regulatory/supervisory practices, it is recommended that a similar coordinating initiative be undertaken among the non-*SADC CBI* countries (*Burundi, Comoros, Kenya, Madagascar, Rwanda*, and *Uganda*). Such an initiative holds the prospect of removing a systemic hurdle in improving cross-border financial transactions. The co-sponsors are ready to provide the needed support for such an initiative.

57. Investment Deregulation. As indicated in para. 29, there is almost full compliance with regard to setting up O*ne-Stop Investment Approval Agencies*. The same, however, is not true with regard to *Statute of Limitations* on the time taken to assess investment applications and the publishing of an *Investment Code.* Except for *dual taxation agreements* and *cross listing of stocks,* unilateral action is possible for this category. It is recommended that *CBI* participants resolve to complete the Investment Deregulation Agenda by October 1998 with due attention to concluding *dual taxation agreements* and *cross listing of stocks*. No further action will be necessary with regard to the ratification of the *MIE* Charter.

58. Residence and Work Permits. As noted in para. 32, the record of progress remains a cause for concern, since lack of progress in this area of reform could contribute to reducing the *CBI* countries' chances of mobilizing FDI and cross-border investments. Resolute action is thus necessary. To alleviate possible concerns among the country authorities, it should be emphasized that action proposed is investment-

related, and not a general relaxation of immigration laws. The proposed action should be simultaneous with the completion of the Investment Deregulation Agenda (see para. 57 above).

Part V. Future of CBI: Options

59. The maturation of the *CBI* process, about five years since its inception, also invites a question about its future. During this period, the views of the main stakeholders in the debate over approaches to *regional integration* have evolved significantly. From a relatively dirigistic approach (i.e., import substitution), there has been an evolution towards a more pragmatic, market-based approach. This involves a more realistic policy and institutional agenda which recognizes the following: consistency between macroeconomic management and regional integration, the vital role of private sector in the process, and the principle of variable speed/geometry in the implementation of the agenda.

60. Contrary to the occasional misperception, *CBI* was also never intended to become an institution. It only supports actions by those countries who wish to advance their regional agenda on a *fast-track* basis through financial and technical assistance with regard to such matters as transitory budgetary problems, private sector restructuring, etc.

61. At its inception, *CBI* was also not envisaged as an infinite process. Indeed, at the *Second CBI Ministerial Meeting (March 1995)*, a three-year time horizon was agreed for implementation of the policy agenda, although it was fully realized at the time that the objectives and timing were ambitious. With less than one year left in that time-frame for progress to be made, there is a legitimate query about how to proceed from now on, and what should be the future of *CBI*.

62. There are essentially three options (i.e., C*ontinue As Is, a More Inclusive CBI, and Closure)* upon which the present meeting will have to adjudicate. These options are discussed below:

- *Option 1 - Continue as is.* There is a viewpoint that the *Unfinished Agenda* is too substantive not to merit further attention of the *CBI* participants as a group. There is, therefore, a clear need for accelerating the resolution of trade policy issues as well as investment promotion measures. In addition, in the rapidly evolving context of the global economy, *CBI* countries need to continuously adapt their policies to improve international competitiveness. Moreover, resolution of issues of major importance such as the implementation of the *SADC Trade Protocol* would also be facilitated if *CBI* remains active and continues to provide a forum to debate elements of a conducive policy/ institutional environment for *efficient* investment and trade flows.[37]

- *Option 2 - A more Inclusive CBI.* This is not mutually exclusive to *Option 1* but seeks to broaden the process among potential participants. One of the principles underlying the *CBI process* is that of *self-selection*. Contrary to the situation in 1993, there are more countries which have made considerable progress in economic reform and which may benefit from participation in the *CBI* process. *Mozambique* is the most plausible example in this regard.[38]

- *Option 3 - Closure.* *CBI* was conceived as a forum to stimulate debate and promote a consensus on policy reforms. It was never intended to be an institution with a life of its own. A closure could, therefore, be called on *CBI* activities on the presumption that its achievements have taken roots and will be pursued by the participating countries in cooperation with the regional institutions. The *CBI Agenda* is now firmly rooted in the participating countries' internal dialogue on economic reform as well as with the regional and multilateral institutions promoting regional integration. Arguably, therefore, the evolving agenda as described above could be pursued in the context of the on-going economic reform programs.

63. The above options were discussed at a meeting with representatives of participating countries, regional organizations and co-sponsors, which took place in Harare, Zimbabwe, on November 20-21, 1997. There was consensus to recommend to the Third Ministerial Meeting a combination of *Options 1* and *2* above, which is to *continue and broaden the CBI.* The future focus of *CBI* could be on:

- accelerating the implementation of the evolving agenda as described in paragraphs 49-58 above, with more emphasis on investment facilitation issues; for this purpose, a *road map* for investment facilitation needs to be elaborated for consideration at a subsequent ministerial meeting;

- facilitating the harmonization of national and regional policies towards a conducive environment for efficient investment and trade flows; and

- welcoming new participants who have made adequate progress in macro-economic reform and might thus benefit from the *CBI* framework.

[37]Eight out of the fourteen *CBI* countries are also *SADC* member states.

[38]The non-participation of *South Africa* poses special issues. Because of its importance as a trading partner and as a source of cross-border investment flows, South Africa's absence from the *CBI* process is a major impediment to the latter's prospects. The present ministerial meeting will need to reflect over how to seek *South Africa*'s inclusion in the *CBI* process and under what modalities.

Annex I

CBI Framework and Special Features

Quartet of policy/institutional reforms:[39]

- *Trade liberalization and Trade Facilitation.* Envisaged under *Trade Liberalization* are such measures as: i) tariff reform to obtain a low and relatively uniform nominal tariff structure; ii) elimination of intra-regional tariffs on a reciprocal basis; iii) removal of non-tariff barriers such import licensing and quantitative restrictions on imports; iv) removal of export restrictions; and v) parallel measures to liberalize trade in services (e.g., financial services, insurance, transport, consultancy, tourism, etc.). Under the category of *Trade Facilitation,* the measures envisaged were harmonized transit charges, a common road customs transit document, single customs declaration form, and a bond guarantee scheme.
- *Exchange and Payments Systems.* Envisaged Reforms in this area are: i) domestic payments and settlement systems; and ii) exchange systems.
- *Investment Deregulation.* This category envisaged the following: i) adoption of a single and simple investment code exhibiting all incentives and regulatory requirements; ii) setting up of one-stop investment approval authorities; iii) establishment of statute of limitations on the period required to consider investment applications; and iv) adoption of the PTA's MIE Charter or similar non-discriminatory provisions.
- *Removal of Labor Market Restrictions.* Measures envisaged are: i) arrangement by the one-stop investment centers to obtain investment-related residence/work permits simultaneously with the approval of investment application; ii) ratification of the PTA protocol on visas; and iii) provision of short term entry permits to facilitate movement in border areas.

Special Features of CBI:

- Private sector orientation through the Technical Working Groups
- Peer pressure from fast reformers setting the pace of policy reform
- Variable geometry
- Client Ownership
- Local Capacity Building

[39] Envisaged in the Concept Paper.

Table 1. Cross Border Initiative: Status of Institutional Arrangements
(As at end-December, 1997)

Country 10/	Letter of CBI Policy (LCBIP) Draft Prepared	Letter of CBI Policy (LCBIP) Agreed	Policy Implementation Committee (PIC) 1/	Technical Working Group (TWG)	Assistance to TWG Secretariat	Status with the Fund (program)	Membership: In WTO 13/ 14/	Membership: In MIGA
1. Burundi	Yes	No	Yes	Yes	Pending	Article IV	Yes	No 15/
2. Comoros 2/	Yes	Yes 3/	Yes	Yes	Pending	Staff-Monitored Program 4/	No	No
3. Kenya 5/	Yes	Yes	Yes	Yes	Yes	ESAF 12/	Yes	Yes
4. Madagascar 2/	Yes	No 9/	Yes	Yes 6/	No	ESAF	Yes	Yes
5. Malawi 11/	Yes	Yes	Yes	Yes	Yes	ESAF	Yes	Yes
6. Mauritius 2/ 11/	Yes	Yes	Yes	Yes 7/	No	Article IV	Yes	Yes
7. Namibia 2/ 11/	Yes	Yes	Yes	Yes	Yes	Article IV	Yes	Yes
8. Rwanda	No	No	No	No	No	EPCA 8/	Yes	No 15/
9. Seychelles 2/ 11/	Yes	No 9/	Yes	Yes	Yes	Article IV	No 15/	Yes
10. Swaziland 11/	Yes	Yes	Yes	Yes	Yes	Article IV	Yes	Yes
11. Tanzania 5/ 11/	Yes	Yes	Yes	Yes	Yes	ESAF	Yes	Yes
12. Uganda 5/	Yes	Yes	Yes	Yes	Yes	ESAF	Yes	Yes
13. Zambia 11/	Yes	Yes	Yes	Yes	Yes	ESAF	Yes	Yes
14. Zimbabwe 11/	Yes	Yes 3/	Yes	Yes	Yes	On-going programme discussions	Yes	Yes

Source: *Data provided by the co-sponsors*

1/ Whether formally constituted.
2/ Indian Ocean Commission/(IOC) countries.
3/ Subject to acceptable macroeconomic framework.
4/ Through end-July 1997.
5/ East African Cooperation (EAC) countries.
6/ But not formally constituted.
7/ But not functioning.
8/ Emergency Post-Conflict Assistance
9/ Revised drafts received in August, 1997, and are being reviewed by co-sponsors.
10/ All countries with the exception of Seychelles are COMESA countries.
11/ SADC countries.
12/ Lapsed on July 31, 1997.
13/ World Trade Organization
14/ Multilateral Investment Guarantee Agency
15/ In process of accession.

Table 2. CBI and Non-CBI Countries 1/: Selected Economic and Financial Indicators, 1993-97
(Weighted Average) (in percent)

	1993		1994		1995		1996		Estimated 1997		Annual Average 1993-97	
	CBI	Non-CBI	CBI	Non-CBI	CBI	Non-CBI	CBI	Non-CBI	CBI	Non-CBI	CBI	Non-CBI
Real GDP growth	2.9	1.5	1.5	2.4	4.5	3.8	6.0	4.2	4.0	3.5	3.8	3.1
Real GDP per capita growth	-1.5	-2.5	-2.0	-0.7	1.0	1.4	2.2	1.2	1.2	0.6	0.2	0.0
Inflation	26.1	40.4	25.4	53.2	16.6	47.7	15.3	36.5	12.3	18.6	19.1	39.3
Government revenue (including grants) 2/	23.6	21.9	24.2	21.5	23.8	21.9	22.9	22.6	22.8	21.8	23.5	21.9
Broad money growth	34.9	26.3	33.7	45.0	23.3	27.6	21.6	30.1	15.7	15.5	25.8	28.9
Broad money 2/	30.0	40.0	33.2	41.0	32.7	38.5	32.3	36.3	31.3	36.5	31.9	38.5
Exports 2/	31.8	25.5	35.6	25.4	33.7	24.6	32.4	25.9	31.4	25.8	33.0	25.4
External current account (including grants) 2/	-3.4	-2.9	-3.4	-3.3	-4.8	-3.9	-2.8	-2.5	-2.0	-2.4	-3.3	-3.0
Overall balance (including grants) 2/	-6.0	-7.5	-5.7	-6.8	-4.1	-5.1	-3.9	-4.0	-2.0	-3.7	-4.5	-5.4
Total investment 2/	19.7	15.9	20.5	17.1	20.3	17.9	19.6	17.4	19.5	17.1	19.9	17.1
Domestic savings 2/	11.6	16.6	12.7	17.2	10.7	17.7	12.7	18.1	13.0	17.7	12.1	17.5

Source: *IMF African Department data base, December 1997, and World Economic Outlook July 1997*

1/ Countries in sub-Saharan Africa excluding CBI Countries, and Eritrea, Liberia, and Sierra Leone.
2/ In percent of GDP.

Table 3. Cross Border Initiative Characteristics of Import Duty Structure

Country	Maximum Tariff (percent) 1992	1995	1996	Number of bands 1/ 1992	1995	1996	Average tariff 15/ 1996	Revenue from imports as a % of total value of imports 16/ 1996	Import taxes as a % of total revenue 16/ 1996
1. Burundi									
Import tariff	100	100	100	5	5	5	35.4	14.8	13.0
ODC 2/									
Fiscal duties	15	15	15						
Statistical tax	4	4	4						
2. Comoros									
Import Tariff	10	10	40 3/	3	1	3	30.0	15.9	30.4
ODC									
Consumption tax	0-300	5-60	0	5	4				
Turnover tax	15	10	7	1	1				
Consumption surtax	43-65	0	0	5	0				
Presumptive tax	1	1	3						
Statistical tax	0	0	1-3	1	0				
Administrative tax	0	3.5	0	0	1				
3. Kenya									
Import Tariff	60	40	25 3/	9	5	3	14.1 14/	13.0	15.3
ODC									
Import surcharge	20	16 4/							
Statistical tax	2	2.75							
4. Madagascar									
Import Tariff	50	30	30 5/	...	5	3	21.0	17.6	31.5
ODC									
Customs duty	40	20	20						
Luxury surtax	30	0	20						
5. Malawi									
Import Tariff	60	45	35 6/	11	6	4	22.0	11.9	17.5
ODC									
Surtax (including imports)	...	20	20	...	...				
6. Mauritius									
Import Tariff	17	80	80 7/	90	8	8	30.6	14.2	42.6
ODC									
Customs duty	60	0	0						
Fiscal duty	110	0	0						
Import excise duty		0	0	400					

Source: *Data provided by the co-sponsors*

1/ Excluding zero rate.
2/ Other duties and charges
3/ 1997.
4/ As of September 1, 1997 and excludes suspended duties.
5/ The sum of the import tariff and customs duty does not exceed 30 percent.
6/ Malawi and Namibia have free-trade agreements with Zimbabwe.
7/ Excludes a surcharge of 20 percent on the two highest rates for nonpreferential countries.

Table 3. Cross Border Initiative Characteristics of Import Duty Structure
(Concluded)

Country	Maximum Tariff (percent) 1992	1995	1996	Number of bands 1/ 1992	1995	1996	Average tariff 15/ 1996	Revenue from imports as a % of total value of imports 16/ 1996	Import taxes as a % of total revenue 16/ 1996
7. Namibia									
Import Tariff	...	90	61 6/	multiple	multiple	multiple	n.a.	22.0 9/	30.1 9/
ODC									
Additional sales duties	...	15	15	...	...	...			
Import surcharge	40	...	...						
8. Rwanda									
Import Tariff	100	60	60	8	4	4	32.5	13.2	24.6
ODC									
Handling fee	4	4	4						
9. Seychelles									
Import Tariff	...	600 8/	200 8/	...	18	9	50.2	n.a.	n.a.
10. Swaziland									
Import Tariff	...	90	83	multiple	multiple	multiple	18.0	12.7 9/	29.1 9/
ODC									
Sales tax	...	10	12						
Import surcharge	40	...	...						
11. Tanzania									
Import Tariff	60	40	30 10/	8	5	4	16.3	14.1	27.0
12. Uganda									
Import Tariff	50	30	20 11/	6	4	3	8.8	5.5	9.8
ODC									
Excise Surcharge				10/18					
Processing fee	...	...	1						
13. Zambia									
Import Tariff	40	40	25	...	4	3	11.2	9.6 19/	16.4 19/
ODC									
Import fee	...	5	5	...					
14. Zimbabwe									
Import Tariff	100	85	85 12/	...	5	20.4 14/	16.6 17/	16.8 17/	
ODC									
Import surcharge	20	10	10 13/						

8/ In the form of a trades tax applied to imported goods, goods manufactured or produced locally for sale, and specified services - import revenue is not disaggregated.
9/ SACU receipts.
10/ Reduction of maximum tariff to 30 percent in 1997/98 budget (June 1997) (includes shipment inspection fee of 1.2 percent).
11/ Reduction of maximum tariff to 20 percent in 1997/98 budget (June 1997), except for manufactured tobacco (including cigarettes) at 30 percent.
12/ Effective March 1, 1997. Does not include a surcharge of 10 percent on finished goods.
13/ On finished goods.
14/ Trade weighted.
15/ Average tariff is the simple average i.e. the sum of the rates (including zero rate where applicable) divided by the number of rates and exclude "other duties and changes."
16/ Excluding other duties and charges.
17/ Includes 10 percent surcharge.
18/ On selected goods. In July 1997 discriminatory excises on selected goods were harmonized and reduced to 10 percent and it was announced that they would be eliminated in July 1998.
19/ Include ODC's.

Table 4. CBI: Summary of Tariff System in Place Compared to Road Map Objectives (As at end-December 1997)

Road Map Objective/ Country	Minimum/ Maximum Rate (to be between 20-25 percent) 1/ (Import tariff)	Harmonize External Tariffs by Having Not More Than Three Non-Zero Rates 1/	Incorporate Other Duties and Charges into Tariff 1/	Eliminate Tariffs on Intra- CBI Trade 1/ (preference margin - percent) 11/	Lower Trade-Weighted Average of Tariff to No More Than 15 Percent 1/ 12/
1. Burundi	10/100	5	No	10 2/	35.4
2. Comoros	0/40	3	No	70	30.0
3. Kenya	0/25	3	No	80	12.3 9/
4. Madagascar	10/30	3	No	80 3/	20.0
5. Malawi	10/35	4	No	70	22.0
6. Mauritius	0/80	8	No	70	21.5 9/
7. Namibia	0/61	multiple	No	None	n.a.
8. Rwanda	10/60	4	No	SNone	32.0
9. Seychelles	0/200 6/	9 6/	Yes	None 4/	50.2
10. Swaziland	0/83	multiple	No	None	n.a.
11. Tanzania	0/30	4	Yes	70 5/	16.3
12. Uganda	0/20	3	No	80 7/	10.7 9/
13. Zambia	0/25	3	No	60	11.4 9/
14. Zimbabwe	0/85	5	No	80 8/	20.4 9/

Source: *Data prepared by the Cosponsors*

* *Shaded figures indicate objectives of Road Map have been met.*

1/ By October 1998.
2/ Only to COMESA countries.
3/ Decision made in principle, but not yet implemented (except imports from Mauritius).
4/ Other than a 5 percent preference from IOC member states.
5/ Published but not implemented.
6/ In the form of trades tax
7/ Uganda has had a 10 percentage point surcharge on the preferential rate, effectively lowering the preferential margin to 70 percent for selected goods.
8/ Except for a duty-free market access for trade between Mauritius and Zimbabwe.
9/ The trade-weighted average (for Kenya in respect of 1997 and for Zimbabwe in respect of 1996).
10/ Malawi has a surtax applied uniformly on both imports and domestic production. Manufacturers are entitled to a rebate on taxes paid on production inputs.
11/ The preference margin was to be at 90 percent by October 1997.
12/ Unweighted, except where specified, and excludes "other duties and charges".

Table 5. CBI Countries: Status of Tariff Exemptions
(As at end-December 1997)

	Category of Exemptions					
Country	Government	Parastatals	Investment Code or General Convention	Recognized NGOs	Goods for Foreign-Financed Projects	Other 1/
Burundi	Yes	Yes	Yes	Yes	Yes	Yes
Comoros	Yes	No	Yes	Yes	Yes	Yes
Kenya	No	No	Yes	Yes	Yes	Yes
Madagascar	Yes	No	Yes	Yes	No	No
Malawi	No	No	No	Yes	Yes	Yes
Mauritius	No	No	Yes	Yes	Yes	Yes
Namibia	No	No	Yes	Yes	Yes	Yes
Rwanda	Yes	Yes	Yes	Yes	Yes	Yes
Seychelles	Yes	Yes	Yes	Yes	Yes	Yes
Swaziland	No	No	No	Yes	No	No
Tanzania	Yes	Yes	Yes	Yes	Yes	No
Uganda	No	No	No	No	No	No
Zambia	Yes	Yes	Yes	Yes	Yes	Yes
Zimbabwe	Yes	No	Yes	Yes	Yes	No

Source: *World Bank/IMF Staff Reports; and data provided by the authorities*

1/ Includes discretionary exemptions and waivers granted.

Table 6. CBI Countries: Summary of Import Non-Tariff Barriers
(As of end-December 1997)

	Quantiative Restrictions (Imports)		Restrictive Import Licensing Requirements		State Trading Monopolies	Discriminatory Rates of Excise Duty/VAT (etc.) on Certain Imports	Restrictions by Quality Standards	Restrictions for Health, Security, and Environment, etc. 1/	Other 2/
	Bans	Quotas	For all products	For some products					
Burundi	No	No	No	No	No	No	No	Yes	Yes
Comoros	No	No	No	No	Yes	No	Yes	No	No
Kenya	No	No	No	No	No	Yes	No	Yes	No
Madagascar	No	No	No	No	No	No	No	Yes	No
Malawi	No	No	No	No	No	No	No	Yes	No
Mauritius	No	No	No	No	Yes	Yes	No	Yes	No
Namibia	No	No	No	Yes	Yes	No	No	Yes	No
Rwanda	No	No	No	No	No	No	No	Yes	No
Seychelles	No	Yes	Yes	—	Yes	Yes	No	Yes	No
Swaziland	No	No	No	No	Yes	No	No	Yes	No
Tanzania	No	No	No	No	Yes	Yes	No	Yes	No
Uganda	Yes	No	No	No	No	Yes	No	Yes	No
Zambia	Yes 3/	No	No	No	Yes	Yes	No	Yes	No
Zimbabwe	No	No	No	Yes	No	No	No	Yes	No

Source: *World Bank/IMF Staff Reports; and data provided by the authorities*

1/ Includes national heritage.
2/ Includes countervailing duties, dumping, etc.
3/ An import ban on wheat flour was introduced in September 1997.

Table 7. CBI Countries: Status of Export Trade Regimes
(As at end-December 1997)

Country	Quantitative Restrictions Bans	Quantitative Restrictions Quotas	Licensing 1/	Duties	Marketing Monopolies
1. Burundi	No	No	No	Yes	Yes
2. Comoros	No	No	No	Yes	No
3. Kenya	No	No	Yes	No	No
4. Madagascar	No	No	No	No	No
5. Malawi	No	No	No	Yes	No
6. Mauritius	No	No	No	No	No
7. Namibia	No	No 2/	No	No	Yes
8. Rwanda	No	No	No	Yes	No
9. Seychelles	No	No	No	No	Yes
10. Swaziland	No	No	No	Yes	Yes
11. Tanzania	No	No	No	Yes	No
12. Uganda	No	No	No	No	No
13. Zambia	Yes	No	No	No	No
14. Zimbabwe	No	Yes	Yes	Yes	Yes

Sources: *World Bank/IMF Staff Reports and data provided by the authorities*

1/ Only for restrictive (and not for statistical) purposes.

2/ Excludes export quotas on diamonds.

Table 8. CBI Countries: Status of Trade Facilitation Measures
(As at end-December 1997)

Country	Implement PTA harmonized transit changes	Introduce RCTD 1/	Introduce single goods declaration document	Introduce bond guarantee scheme
Burundi	Done	Done	...	...
Comoros	n.a.	n.a.	n.a.	n.a.
Kenya	Done	Done	Done	Under consideration
Madagascar	n.a.	n.a.	n.a.	n.a.
Malawi	Done	Done	...	...
Mauritius	n.a.	n.a.	n.a.	n.a.
Namibia	Not done	Not done	Done	Not done
Rwanda	Done	Done	...	...
Seychelles	n.a.	n.a.	n.a.	n.a.
Swaziland	Not done	Not done	Not done	Under consideration
Tanzania	Done	Done	Done	Not done
Uganda	Done	Done	Not done	Not done
Zambia	Done	Done	Done	...
Zimbabwe	Done	Done	Done	Not done

Source: *Data provided by the authorities*

1/ Road Customs Transit Document.

n.a. = not applicable.

Table 9. CBI Countries: Status of Exchange Restrictions on Payments and Transfers on Current International Transactions

(As of end-December 1997)

Country	Article VIII/XIV Status Acceptance	Date of Article VIII	Article VIII Restrictions	External Arrears	Article XIV Restrictions Article VIII	Intention to Move to
1. Burundi	XIV 1/	n.a.	n.a.	yes	none 1/ course	yes; in due
2. Comoros 2/	VIII	June 1, 1996	none	yes 4/	n.a.	n.a.
3. Kenya 3/	VIII	June 30, 1994	yes 5/	yes	n.a.	n.a.
4. Madagascar 2/	VIII	Sept. 18, 1996	none	yes	n.a.	n.a.
5. Malawi	VIII	Dec. 7, 1995	none	none	n.a.	n.a.
6. Mauritius 2/	VIII	Sept. 29, 1993	none	none	n.a.	n.a.
7. Namibia	VIII	Sept. 20, 1996	none 6/	none	n.a.	n.a.
8. Rwanda	XIV 1/	n.a.	n.a.	yes	none 1/ course	yes; in due
9. Seychelles 2/	VIII	Jan. 3, 1978	yes 7/	yes	n.a.	n.a.
10. Swaziland	VIII	Dec. 11, 1989	none 6/	none	n.a.	n.a.
11. Tanzania 3/	VIII	July 15, 1996	none	yes 10/	n.a.	n.a.
12. Uganda 3/	VIII	April 5, 1994	none	yes 11/	n.a.	n.a.
13. Zambia	XIV	n.a.	none	yes	yes 8/ course	yes; in due
14. Zimbabwe	VIII	Feb. 5, 1995	yes 9/	none	n.a.	n.a.

Source: *IMF Staff Reports; and data provided by the authorities*

1/ Burundi and Rwanda continue to avail themselves of the transitional arrangements under Article XIV Sec. 2, but maintain no restrictions on the making of payments and transfers for current international transactions. However, there are arrears in respect of external payments.

2/ Member Indian Ocean Commission.

3/ Member East African Cooperation.

4/ Expected to be cleared by end-December 1997.

5/ A multiple currency practice arising from outstanding operations under the Exchange Risk Assumption Fund.

6/ Namibia and Swaziland are part of the Common Monetary Area (CMA) comprising Lesotho, Namibia, South Africa, and Swaziland which is a single exchange control area.

7/ On current payments (pipeline) including restrictions on transfers of dividends and management fees.

8/ On private debt service payments (principal) held before January 1991, before the exchange regime was liberalized in 1994.

9/ Arising from blocked corporate dividend and interest payments schemes (to be removed by mid-1998) and multiple currency practice arising from contracts under a discontinued forward exchange cover scheme (to be cleared by end-2000).

10/ With non-Paris Club members.

11/ On reschedulable payments with non-Paris Club bilateral creditors.

Table 10. CBI Countries: Summary Features of Exchange and Bilateral Payment Arrangements, and Cost Related Import Restrictions
(As of end-December 1997)

Country	Exchange Arrangements: Pegged – Composite of currencies	Pegged – Single Currency	Floating – Independent	Floating – Managed	Bilateral Payment Arrangements	Cost Related Import Restrictions 3/
1. Burundi	yes					yes
2. Comoros		yes 1/				
3. Kenya			yes			
4. Madagascar			yes		yes	
5. Malawi			yes			
6. Mauritius				yes	yes	
7. Namibia		yes 2/				yes 4/
8. Rwanda			yes		yes	
9. Seychelles	yes					
10. Swaziland		yes 2/				
11. Tanzania			yes			
12. Uganda			yes		yes 6/	
13. Zambia			yes			
14. Zimbabwe			yes			yes 5/

Source: *Data provided by the cosponsors*

1/ French Franc
2/ South African rand
3/ Import surcharges
4/ A wide range of imports from countries outside the SACU are subject to a general sales tax of 11 percent (as are locally produced goods), and to surcharges ranging from 7.5 to 40 percent.
5/ only on final consumption finished goods.
6/ Inoperative.

Table 11. CBI Countries: Characteristics of Foreign Exchange Markets
(As of end-December 1997)

Country	Forward Cover Unified Interbank Market	Foreign against Exchange Risk	Currency Accounts (Restrictions)	Prudential Authorized Dealers 1/	Restrictions (exposure limits)	Restrictions on Capital flows
1. Burundi	no	no	limited	c.b.	yes	yes
2. Comoros	no	yes (limited)	French franc	c.b.	no	yes 2/
3. Kenya	yes (1993)	yes	liberal	c.b. and b.u.	yes	liberalized 3/
4. Madagascar	yes (1994)	no	liberal	c.b.	yes	yes
5. Malawi	yes (1994)	yes	liberal	c.b. and b.u.	yes	liberalized 7/
6. Mauritius	yes (1994)	yes	liberal	c.b.	yes	liberalized
7. Namibia	no	yes (CMA member)	limited	c.b. and b.u.	no	yes 4/
8. Rwanda	yes (1995)	no	liberal	c.b. and b.u.	yes	yes
9. Seychelles	no	no	limited	c.b.	no	yes 8/
10. Swaziland	no	yes (CMA member)	limited	c.b.	no	yes 4/
11. Tanzania	yes(1994)	yes	liberal	c.b. and b.u.	yes	yes
12. Uganda	yes (1993)	yes 9/	none	c.b. and b.u.	yes	none 5/
13. Zambia	yes (1996)	no	liberal	c.b. and b.u.	yes	liberalized
14. Zimbabwe	yes (1995)	yes	liberal	c.b. and b.u.	yes	yes 6/

Source: *IMF Staff Reports; and data provided by the authorities*

1/ Commercial banks (c.b.) and /or bureaus (b.u.).
2/ Only outside French franc (Operations Account) area.
3/ Except for purchase of shares and securities by non residents (up to 40 percent) and individuals (up to 5 percent).
4/ Only outside CMA area. However, in respect of Namibia, there is a restriction even within the CMA—pension funds and life insurance companies have to invest 35 percent of their assets domestically.
5/ Effective July 1, 1997.
6/ In 1996, the maximum foreign ownership of companies listed on the Zimbabwe Stock was raised to 40 percent.
7/ Malawi has removed restrictions related to the inflow and profit repatriation of FDI and has adopted a liberal attitude regarding portfolio investment by non-residents.
8/ Restrictions confined to transfers of proceeds of asset sales.
9/ Although there is no official currency futures market, authorized banks may deal in the forward exchange market, if there is an underlying approved import or export contract.

Table 12. CBI Countries: Foreign Exchange Repatriation and Surrender Requirements

Country	1992	1995	1997 (end-December)
1. Burundi	Full repatriation; full surrender excluding 30 percent of non-traditional exports.	EPZ enterprises exempt from surrender; otherwise unchanged.	Unchanged.
2. Comoros	Full repatriation and surrender to authorized banks.	Unchanged.	Unchanged.
3. Kenya	Full repatriation and surrender excluding 50 percent of non-traditional exports.	Repatriation without surrender requirement.	Unrestricted.
4. Madagascar	Full repatriation; 60 percent surrender; 40 percent surrender to authorized banks.	Repatriation and sale of merchandise export proceeds within 90 days of date of shipment; and surrender within 30 days of service receipts.	100 percent repatriation within 3 months.
5. Malawi	Full repatriation and surrender.	Full repatriation and 60 percent surrender.	Unchanged.
6. Mauritius	Repatriation; surrender to authorized dealer of unused proceeds within 6 months.	Unrestricted since July 1994. 1/	Unrestricted. 2/
7. Namibia	Full repatriation and surrender.	Full repatriation within 6 months of shipment; and surrender within 7 days of repatriation.	Unchanged.
8. Rwanda	Full repatriation and surrender to authorized banks.	Repatriation; surrender of 90 percent of coffee and tea receipts.	Repatriation and surrender of 50 percent of coffee and tea receipts within 7 days (December 1996).
9. Seychelles	Completely unrestricted.	Surrender requirement of 19 percent of commercial banks' foreign exchange inflows to central bank. 3/	Repatriation and surrender requirement of all foreign exchange earnings through domestic commercial banks. 5/
10. Swaziland	Repatriation and surrender.	Repatriation and surrender.	Unchanged.
11. Tanzania	Full repatriation: surrender of 10 percent of traditional exports and 50 percent of other merchandise. Surrender of invisible proceeds.	Repatriation within 180 days. No surrender requirement.	Repatriation within 60 days.
12. Uganda	Repatriation: 100 percent of coffee proceeds; otherwise surrender to authorized dealer.	Repatriation to authorized banks.	Unchanged.4/
13. Zambia	100 percent surrender of ZCCM metal exports; 10 percent surrender otherwise.	ZCCM surrender reduced to 45 percent; otherwise completely unrestricted.	Unrestricted.
14. Zimbabwe	Repatriation and surrender.	Repatriation.	Unchanged.

Source: *Staff Reports; and data provided by the authorities*

1/ 75 percent of exports proceeds of sugar by the Mauritius Sugar Syndicate must be surrendered to the Bank of Mauritius.
2/ Surrender requirement by the Mauritius Sugar Syndicate removed effective July 1, 1997.
3/ No regulations governing repatriation of export proceeds.
4/ Unrestricted as of July 1, 1997, with liberalization of the capital account.
5/ Effective January 1, 1997.

Table 13. CBI Countries: Implementation of Investment Deregulation, and Labor Market Measures
(As of end-December 1997)

Country	Investment Approval Liberalize Approval Procedures	Publish Investment Code	45-60 days' Statute of Limitation on Inv. Applications	Ratify/Implement MIE Charter	Dual Taxation Agreements	Cross Listing of Stocks	Labor Market Issues Implement PTA Visa Protocol	Improve Processing of Residence/Work Permits	Short Term Entry Permits for Border Residents
1. Burundi	Full	Full	Partial	Pending	Pending	Pending	Partial	Partial	Pending
2. Comoros	Pending	Full	Full	Full	—	—	Full	Full	Full
3. Kenya	Full	Pending	Full	Pending	Partial	Partial	Partial	Partial	Full
4. Madagascar	Full	Full	Partial	Pending	Partial	Pending	Pending	Partial	n.a.
5. Malawi	Full	Full	Partial	Pending	Pending	Partial	Full	Partial	Full
6. Mauritius	Full	Partial	Pending	Pending	Partial	Full	Pending	Pending	n.a.
7. Namibia	Full	Full	Full	n.a.	Partial	Partial	Pending	Full	Full
8. Rwanda	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
9. Seychelles	Full	Full	Full	Pending	Partial	Pending	Full	Pending	n.a.
10. Swaziland	Partial	Pending	Pending	Pending	Partial	Pending	Pending	Pending	Full
11. Tanzania	Partial	Partial	Partial	Partial	Partial	Pending	Partial	Partial	Partial
12. Uganda	Full	Full	Partial	Partial	Partial	Pending	Full	Full	Full
13. Zambia	Partial	Full	Pending	Partial	Partial	Partial	Full	Pending	Pending
14. Zimbabwe	Full	Partial	Partial	Pending	Partial	Partial	Partial	Partial	Pending

Source: *Implementation updates provided by Tecnhical Working Groups*

Note: The category, Pending runs a wide range, from administrative/legislative arrangements in preparation to not yet identified.

Table 14: Comparative Performance: CBI and Non-CBI High Performers,[1] Av. 1995-97 (weighted average) (in percent)

	Private Investment Growth Rate	Export Growth Rate
CBI Countries		
Kenya	15.4	11.1
Malawi	206.0	5.8
Mauritius	23.0	6.5
Namibia	3.0	4.8
Uganda	19.4	23.8
Zambia	3.6	0.1
Zimbabwe	4.0	3.6
Weighted Average	**12.1**[2]	**9.4**
Non-CBI Countries		
Benin	n.a.	14.9
Botswana	n.a.	8.3
Cape Verde	17.6	16.7
Côte d' Ivoire	24.7	8.3
Ghana	55.4	5.9
Mali	9.6	15.8
Mauritania	16.3	5.3
South Africa	7.2	7.7
Weighted Average	**10.3**[3]	**8.3**

Source: *World Bank, Africa Region Live Data Base*

[1] Using the World Bank methodology for performances ranking of developing countries. This methodology has also been use by external experts to develop country rankings/classifications.

[2] Exclude Malawi which shows very high private investment growth rate given low base. If Malawi were included, it would distort the weighted average to 20.4 percent.

[3] Excludes Benin and Botswana for which data on private investment is not readily available

SYNTHESIS AND UPDATE ON THE STUDIES ON THE HARMONISATION OF EXTERNAL TARIFFS WITHIN THE CROSS-BORDER INITIATIVE

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Contents

1. BACKGROUND AND OBJECTIVES OF STUDIES

The Second CBI Ministerial Meeting, held in 1995 endorsed an overall road map for tariff reform, which covered a number of issues and measures for adoption by the participating countries. The CBI countries would converge to a tariff structure of no more than 2-3 non-zero tariff rates with an average trade-weighted tariff of no more than 15 percent and a maximum rate of 20-25 percent. Other duties and import charges would be incorporated in the tariff structure to simplify the trade regime and improve transparency. Achieving this target would imply an average preference margin of no more than 15 percent between imports from CBI countries and non-CBI countries, on the assumption that CBI countries would eliminate tariffs on trade among themselves. The CBI approach was to work towards a Harmonised External Tariff (HET) whereby minor differences in tariffs between countries could still be accommodated, rather than adopting a Common External Tariff (CET) under which there would be no variation.

Given the variable geometry principle that underpins the CBI approach, it was agreed that a smaller sub-group of countries could move faster along the above path and harmonise their tariff regimes sooner and at a lower average tariff than proposed above. For example, under the East Africa Community (EAC), Kenya, Tanzania and Uganda had discussed the possibility of accelerating the convergence of their external tariff regimes. Moreover, the country specific path to reaching the overall objectives would have to be flexible and determined in the context of each country's overall adjustment programme, including coherent fiscal frameworks that take into account alternative sources of revenue.

The CBI countries also committed themselves to the following with respect to third-party trade: (i) not to impose new NTBs; and (ii) to eliminate existing NTBs (except for health and security reasons).

To achieve harmonisation of trade regimes within a common economic space, the need was agreed to not only move towards a similar rate structure, but also to harmonise: (i) the definition of goods bearing similar tariffs; (ii) the limited list of permitted NTBs; and (iii) the rules for exemption from customs duties.

The countries also committed themselves to using rules of origin that were simple, transparent and consistent with the revised COMESA rules. It was noted that under the Uruguay Round commitments, the use of rules of origin would be regulated by the WTO. It would be important for the CBI countries to follow the transformation (change in tariff heading) and value added rules and to set the eligibility rate under the value-added rule for preferential tariffs at a reasonable level (between 25-50 percent of value added).

At the Third Meeting of the CBI TWGs in 1996, further details on the road map were discussed. Agreement was reached that the TWGs would initiate work in the following areas:

- develop a target HET based on 6-digit HS tariff codes to classify raw materials and capital goods, intermediate goods, and final consumer goods (to low, intermediate and higher rates respectively);
- prepare a list of existing NTBs and a schedule for their elimination, except where justified for the given reasons;
- prepare a list of customs duty exemptions and a schedule for their elimination;
- prepare revenue impact estimates of various HET scenarios and make recommendations for measures to alleviate any negative impacts;
- prepare evaluation of industrial and social impacts of customs duty reform.

The co-sponsors agreed to assist in this process and to provide technical assistance in implementing this work.

Subsequent to this meeting, requests were submitted to the co-sponsors by some of the CBI participating countries, both individually and sometimes as sub-regions for assistance with this work. The result was that two studies were done as sub-regional groupings:

- The EAC members (Kenya, Tanzania and Uganda) undertook separate, but co-ordinated studies with the assistance of the World Bank.
- The IOC participating members (Comores, Madagascar, Mauritius and Seychelles) undertook a combined study with assistance of the EC.

In addition to these, Zambia and Zimbabwe undertook individual studies, with assistance from the EC. Namibia and Swaziland, which had considered undertaking the studies, decided to postpone such a study until such time that agreement could be reached with their partners in SACU to undertake a SACU-wide study. Malawi had expressed interest in undertaking the study, but did not commission any such work. Burundi and Rwanda, the remaining two CBI participating countries have similarly not undertaken this work.

This paper summarises the key findings of the reports that were undertaken and gives the current status regarding implementation of tariff reform. Where we know of changes in the various regimes that have taken place since the HET reports were prepared, we have made editorial notes to that effect. There are some gaps in this report that prevent direct comparison between the various reports. This is regretted but could not be avoided since each study had slightly different terms of reference and emphases. As such direct comparison has not always been possible.

2. METHODOLOGIES

The studies by the EAC countries only covered the trade relations between themselves and did not consider the impact of trade with the broader CBI region. Whilst intra-CBI trade between the EAC countries is clearly heavily dominated by intra-EAC trade, each of the countries also trades with other CBI countries to greater or lesser extents.

The other studies all worked on the basis of removal of tariffs on all intra-CBI trade.

Each of the studies employed a similar methodology. This covered the following elements:

- Desk study of relevant literature and collection of data on tariff structures and classification codes used to distinguish raw materials and capital goods, intermediate goods and final goods.
- Proposing changes to conform to the objectives of the HET;
- Analysis of tax revenue structures, including revenue from customs duties;
- Investigation of constraints faced by the production sectors relating to the current structure of tariffs, classification system and distortions caused by import tariffs;
- Analysis of the budgetary effects of eliminating tariffs on intra-regional trade and the reduction of external tariffs on the basis of the proposed HET structure, using different scenarios;
- Analysis of non-tariff barriers;
- Recommendations for tariff reform.

3. TARIFF REGIMES

There are broad similarities in tariff regimes between the countries. All of the countries are committed to a more open trade policy and are currently undergoing a process of trade liberalisation. Whilst in the past most of these countries maintained very protective policies in order to develop industries for the domestic market, the approach has been radically altered in recent years. There is recognition of the need to open the economies to the pressures of competition to create more competitive economies in both the regional and global contexts.

All the countries have been engaged in significant reform of their tariff structures in recent years, except for Seychelles, where the need for reform is understood but where little has yet been implemented. These reforms have generally resulted in the lowering of MFN rates and the adoption of a cascading structure in tariffs, whereby the lowest rates are applied to capital goods and raw materials, middle rates are applied to intermediate goods and the highest rates are applied to finished products.

Those countries with the highest tariff peaks are Mauritius, Seychelles and Zimbabwe. There are still considerable variations between the countries in the rates for the different chapters. In the agricultural chapters (1-24), low rates generally dominate (with some exceptions) in Mauritius, whilst rates are on the higher side (with some exceptions) for the other countries. Those agricultural products which tend to attract high rates in most countries include chapters 8 and 9 (fruits, nuts, coffee, tea), chapters 19, 20, 21 and 22 (cereal and flour preparations; vegetable and other edible preparations; and beverages and spirits). Concerning industrial products, those which tend to attract high rates in all countries include chapters 42 (articles of leather), 57 (carpets and floor covering), and 61 and 62 (clothing).

East Africa

Kenya's reforms in the year 1997/98 reduced the maximum tariff to 25 per cent with four tariff bands, the main ones being 5% (raw materials and capital goods), 15% (intermediate goods) and 25% (finished goods). A small number of items are zero-rated. The import-weighted average tariff is 13 per cent. A number of items also attract specific duties as well as ad valorem duties. As of October 2000, Kenya offers a 100 percent reduction on tariffs on qualifying imports from COMESA countries. A number of items face suspended duties, imposed for protective purposes. Imports also face excise duties on a number of items but these are on the whole non-discriminatory, being applied equally on locally produced and imported goods. The only discriminatory excise duties are those on motor vehicles, cosmetics, petroleum products and soft drinks. This structure is therefore already very much in line with the CBI HET requirements.

In Tanzania, during the 1996/97 financial year, customs duties had widely dispersed rates from zero to 40 percent (5, 10, 20, 25, 30, 40). In 1997/98, reforms were introduced to reduce the dispersed rates to four, (5, 10, 20, 30), thus, reducing the maximum rate from 40% to 30%. The maximum tariff rate has subsequently been set at 25%. Elements of the excise duty and sales tax, which also are sometimes discriminatory to imports, provide additional protection to domestic industry. This structure is therefore already broadly in line with the CBI HET requirements. Tanzania withdrew from COMESA in September 2000 and suspended all regional tariff preferences. It is however currently considering re-introducing tariff preferences of 80 per cent for imports from its fellow EAC members of Kenya and Uganda.

In 1997/98 Uganda reduced its maximum tariff rate to 15 percent, with three rates, namely 0 (plant, machinery, drugs and medicines), 7 per cent (intermediate goods) and~~5~~ 1~~0~~5 percent (finished goods). Tobacco faces a tariff of 30 percent. A number of imported items also attract an excise duty of 10 percent. An import levy of 2 percent is charged for the Uganda National Bureau of Standards and a Pre-shipment Inspection (PSI) charge of 1 percent on imports worth more than US$10,000. Excise duty on tobacco is 122 percent. This structure is therefore already broadly in line with the CBI HET requirements. Uganda offers a 90 percent reduction on tariffs on qualifying imports from COMESA countries. It has signalled its intention to adopt the 100 percent reduction in due course.

Indian Ocean

Since 1993 in Comores all imported goods (except rice and petroleum products which are subject to specific taxes) are subject to a 10% customs duty, a 3.5% "administrative fee" (*redevance administrative*) and a consumer tax ranging between 5% to 60%. In 1996 Comoros went further in the move towards simplification of the tariff structure. The outcome was a simplified structure comprising two types of taxes, namely the "single duty" (*Taxe Unique d'Importation - TUI*) and the "Unique specific duty" (*Taxe Unique Spécifique -TUS*). Thus previous taxes were consolidated into two taxes. The TUI bears three rates - 20% (basic commodities), 30% (general consumer goods) and 40% (luxury goods). The TUS is applied on a variety of products based on volume or weight, or per unit. The main products that are concerned by this tariff are flour, meat, cement and soft drinks. With the introduction of this new formula, government revenue registered an increase on the previous year. In the 1997 Finance Act customs tariffs were slightly modified, especially as regards the TUI. The number of products subject to a 40% levy under TUI was increased and a new tax, the *Taxe spéciale à vocation fiscale* (TSVF) was introduced, applicable on 3 products, namely alcoholic drinks and tobacco (150%) and whisky (180%). A General Sales Tax (*TGV*) of 7 percent is applied on all imported commercial goods, except basic commodities. Another tax, an "advance payment for various taxes" (*Acompte sur Divers Impôts - ASDI*) is applied on imported commercial goods. This "advance payment" is immediately deductible from domestic taxes and is applied at the rate of 3% on the CIF value. No COMESA tariff reductions are yet given, although a reduction in intra-regional tariffs with a preference of 80% was approved in the 1999 budget speech for imports from the other IOC countries. This structure therefore needs a certain amount of modification to come in line with the CBI HET requirements, especially in terms of unifying the different taxes, reducing the rates and implementation of regional preferences.

Customs tariffs in Madagascar are defined as the sum of the Customs Duty (CD) and the Import Tax (IT)). In 1994, these combined rates were reduced to a maximum of 30%, with a view to reducing to 25% in coming years. Madagascar entered the COMESA Free Trade Area in October 2000 and plans to offer a reduction of 100% on goods from countries of COMESA on condition of reciprocity. At the moment, preferences are only offered to goods from Mauritius. This structure therefore needs a little modification to come in line with the CBI HET requirements, especially in terms of reducing the rates.

The tariff structure in Mauritius, which used to be comprised of 60 different tariffs, now contains eight non-zero tariff rates only. Charges of equivalent effect are combined into a single tariff. The rates are: 0%, 5%, 15%, 20%, 30%, 40%, 55%, and 80%. The customs duties are however not classified according to large groups of products. Thus, some raw materials or inputs are subject to customs duties that are higher than those that apply to finished products which use these inputs. Mauritius also has excise duties on certain products which are applicable to imports as well as to products manufactured locally. In some cases, these are discriminatory against imports. The main products which are subject to excise duties are cigarettes, motor vehicles, alcoholic beverages, and furniture. Mauritius entered the COMESA Free Trade Area in October 2000 and offers a reduction of 100% on qualifying goods. This structure therefore needs a certain amount of modification to come in line with the CBI HET requirements, especially in terms of classification of goods and reducing the rates.

The current tariff structure in Seychelles constitutes a trades tax which is levied mostly on an ad valorem basis on the CIF value of imported goods, although in the case of alcoholic beverages and tobacco the trades tax also has a specific component. The trades tax also applies to certain selected locally produced goods and services, but at different rates. There are no other indirect taxes, duties, levies or fees applicable to imported or locally produced goods, except for nominal licence fees for blanket import licences which are paid annually and which do not exceed US$ 1,000 p.a.. Seychelles has recently embarked on an exercise of tariff reform with plans to remove the trades tax and introduce a conventional customs tariff and excise duty regime, as well as a VAT system. No tariff preferences are given for COMESA imports, although a 5 preference of 5 percentage points is given for imports from other IOC countries. Average tariffs are now 25 percent with an eventual target of 15%. This structure therefore needs a considerable amount of modification to come in line with the CBI HET requirements, especially in terms of introducing customs and excise duties, reducing the rates, classification of goods and implementation of regional preferences.

Southern Africa

In Zambia, there has been considerable progress in rationalisation of customs tariffs. In the 1996 budget, the Zambian government adopted an integrated package of customs duty reductions and removal of most exemptions. The main feature of the reforms was to lower customs tariff rates on most goods by 15 percentage points. This resulted in a cascading tariff structure ranging from 0 to 5% for most capital goods and basic materials, 15% for intermediate goods and 25% for final products. The simple average MFN tariff is 13.6 percent. The aim of these reforms was to strengthen export competitiveness by providing access to inputs at near world market prices. These policy reforms were subsequently maintained and consolidated in the 1997 budget. All other duties and charges on imports have been integrated in the customs tariff structure in line with the principles endorsed under the CBI. Zambia entered the COMESA Free Trade Area in October 2000 and offers a reduction of 100% on qualifying goods. This structure is therefore already broadly in line with the CBI HET requirements.

Zimbabwe introduced major changes in the tariff structure in March 1997 with rate bands being reduced to 6 and the tariff spread being reduced from 0 to 100% to 0-40% with few exceptions where protection considerations resulted in high rates of duty (up to 85 percent). The structure is broadly a cascading one. The legislated tariff rates became the effective tariffs, thus, providing a measure of transparency that hitherto had been lacking. Zimbabwe entered the COMESA Free Trade Area in October 2000 and offers a reduction of 100% on qualifying goods. Excise duties are applied similarly on imports and domestic products. This structure therefore needs a certain amount of modification to come in line with the CBI HET requirements, especially in terms of reducing the rates.

4. CUSTOMS DUTY EXEMPTIONS

East Africa

Duty exemptions in Kenya are considerable. Most Ministerial discretionary exemptions were abolished in 1995, although some remain. Statutory exemptions remain. In the year 1995/96, exemptions given to importers amounted to 21 per cent of total potential revenue from import duties. However 74 percent of this amount was accounted for by export promotion programmes and obligations under international treaty. Total revenue loss, defined as the difference between potential revenue and actual collections for that year amounted to approximately 30 percent of potential revenue. "Unofficial" exemptions or revenue leakages therefore amounted to 9 percent of potential revenue or Ksh 1.9 bn.

Customs duty exemptions in Tanzania are also considerable. Discretionary exemptions are much larger than statutory ones. In 1996 total customs duty collections amounted to only 50 percent of potential revenue. Official exemptions amounted to 47 percent of potential. "Unofficial" exemptions or leakages therefore amounted to 3 percent or Tshs 4.1 bn. The most significant product accounting for official exemptions was motor vehicles, especially four-wheel drive vehicles. It would be hard to find legitimate reasons for justifying this.

In Uganda, duty exempted imports were valued at US$ 99.3 mn in 1996/97. At an average weighted tariff of 15.8%, this would work out at a revenue loss of US$15.7 mn or 17.9 percent out of total potential revenue of US$87.9 mn on declared imports. Of these, 69 percent were for diplomats or other obligations under international agreements. Discretionary exemptions accounted for 29 per cent, with the balance being for approved investors, but these are being phased out. Total revenue loss on declared imports amounted to 24.5 percent of potential revenue. It was further estimated that an additional US$51.5 mn might have been lost that year on unofficial imports, for which no duty was paid. This was equivalent to 76 percent of actual duty collections. Unofficial imports are imports that are smuggled, under-valued or not recorded by Customs.

Indian Ocean

Very few duty exemptions are given in Comores, the main exemptions being given on imports for religious purposes, and goods imported under international obligations. The main hotel also is able to import goods at a nominal 1 percent rate of duty.

Information on duty exemptions in Madagascar is not given.

In Mauritius there are various types of unclassified duty exemptions (no duty is levied) and concessions (levied duty is lower than duty that should normally be applied). Thus, under various investment schemes for enterprises producing for exports, as well as for those producing for the local market, inputs for manufacturing companies are liable to exemptions or concessions. Other products liable to duty exemptions or concessions include inputs to be used in the EPZ, tourism, pioneer status enterprises, as well as certain specific industries. Other duty exemptions concern, among others, religious bodies, humanitarian organisations, office equipment and furniture to be used by offshore banks and companies, the Mauritius Offshore Business Activities Authority (MOBAA), and the Mauritius Freeport Authority, equipment for airline companies, and vehicles for employees of the Civil Service and parastatal organisations. Moreover, rice and flour imported on behalf of the Government of Mauritius (State Trading Corporation) enter Mauritius free of charge. Concessions are available for a number of other purposes.

Information on duty exemptions in Seychelles is not given.

Southern Africa

No specific information or analysis was given in the report on exemptions in Zambia, although it is known that Zambia has extensively reduced the range of exemptions which previously existed. From an analysis of total imports and import duty collections for 1996, actual collections amounted to 8.9 percent of the value of imports. Given the fact that the simple average duty rate was 13.6 percent, an assumption could be made that there was some under-collection of potential revenue, which would be due either to exemptions or leakages.

Exemptions are a widespread feature of the tariff system in Zimbabwe. The process of application for exemptions is not transparent and is open to political lobbying thereby restricting access to the exemptions to a limited number of traders. In 1996 the value of actual duty collections (Z$3.8 bn) was 64 percent of estimated potential revenue (Z$5.9 bn). The difference would have been due to exemptions and leakages. The official exemptions accounting for the largest proportions of duty loss were those on capital goods, approved projects and inward processing activities, which are all investment incentives, followed by governmental imports. In 1997, potential revenue from customs duty was estimated to be 24 percent of import value. Actual collections were 14.2 percent, implying a revenue loss of 40.8 percent of potential revenue, applying an average duty rate. In the first nine months of 1997, the value of official customs duty exemptions was Z$1,3 bn, although the available data indicated a revenue shortfall of Z$800 mn. There are therefore some anomalies in the data.

Table 1: Customs duty revenue losses and exemptions

Country	Year	Potential Revenue (US$mn)	Actual revenue (US$mn)	Revenue loss (US$mn)	Official exemptions (US$mn)	Revenue loss as % of
Kenya	1995/96	389.3	275.0	114.3	80.3	29.5
Tanzania	1996	289.7	146.1	143.6	136.5	49.6
Uganda	1996/97	87.9	66.4	21.5	15.7	24.5
Zambia	1996	258.1	169.7	88.3	N/a	34.2
Zimbabwe	1996	590.0	380.0	210.0	N/a	35.6

* = estimated on simple average.

5. *SCENARIOS FOR TARIFF HARMONISATION*

The data used in analysing the effect of harmonisation of external tariffs were based on the HS classification at the 8-digit level. For all studies, import items were aggregated into three main groups: raw materials and capital goods, intermediate goods and final goods, except for Zimbabwe, where the study made a distinction in tariff rates between raw materials and capital goods.

For East Africa and the Indian Ocean countries, the procedure for estimating the revenue effects of tariff harmonisation involved first computing the potential statutory tariff revenue based on the prevailing statutory tariff rates. A change was then estimated in the value of imports due to the introduction of the proposed HET tariffs. These were derived from the total value of imports from countries outside East Africa multiplied by the elasticity of the item and the percentage change in the tariff from the statutory rate to the new harmonised rates. The new import values were calculated with the initial import values plus the estimated change in import values.

The proposed rates for simulations were all within the parameters of the CBI HET requirements as explained above (see section 1.)

East Africa

In Kenya, statutory tariffs were obtained from the 1996 Finance Bill. The computations were done with the data of the 1995/96 fiscal year. To estimate the revenue impact of tariffs changes, four scenarios of tariff structure were assumed as follows:

Table 2: Proposed scenarios for East Africa countries

	Primary products	Intermediate goods	Final goods
Scenario I	0%	10%	20%
Scenario II	0%	0%	15%
Scenario III	0%	15%	15%
Scenario IV	Uniform harmonised tariff of 10%		

Simulations of the results were made using the demand elasticities obtained from Stern, Francis and Schumacher (1997). The sensitivity of revenue changes was examined by taking three variations on the elasticities: a lower case (half of the import demand elasticity provided); a middle case (actual import demand elasticity provided) and an upper case (twice the import demand elasticity provided).

Mineral fuels were excluded from the simulations because they only face excise taxes in Uganda.

The Tanzanian case made a distinction in its models between a political situation, where sensitive products have a 30 percent duty rate, and an apolitical situation, which keeps to the original scenarios.

Indian Ocean

For extra-CBI trade, the adoption of the HET was calculated with two scenarios.

Table 3: Proposed scenarios for IOC countries

	Primary products	Intermediate goods	Final goods
Scenario I	5%	15%	25%
Scenario II	0%	10%	20%

For Indian Ocean, elasticities were approximated by the world demand elasticities as presented by Stern, Francis and Schumacher (1997) for these goods and the consultants used a partial equilibrium model.

In the Seychelles scenarios, all petroleum products are classified as a finished good.

Southern Africa

There was no need to apply scenarios for the Zambian case as the country had already broadly implemented the proposed CBI rates.

For Zimbabwe, four tariff rate options were used to generate revenue forecasts from the forecast import figures for 1998 and 1999. The four options were applied with two scenarios. Import forecasts were based on two cases: a base case where imports would rise by 1 percent in 1998 and 4 percent in 1999; and a lower case where imports would decrease by 5 percent in 1998 and rise by 1 percent in 1999.

Table 4: Proposed scenarios for Zimbabwe

	Raw materials	Capital goods	Intermediate	Final goods
Scenario I	5%	0%	10%	20%
Scenario II	5%	5%	15%	25%
Scenario III	0%	0%	15%	25%
Scenario IV	5%	0%	15%	25%

6. REVENUE IMPACTS

6.1 Intra-CBI trade

East Africa

The East African studies did not separately calculate the effect of removal of duties on intra-CBI trade. Tanzania however analysed intra-EAC trade, which accounts for the vast majority of intra-CBI trade. This showed that losses associated with the adoption of duty free trade for intra-East Africa trade would account for losses of between 5 and 7 percent of all customs duties and approximately 2 percent of all government tax revenue collected.

Indian Ocean

For the Indian Ocean countries, the revenue loss coming from the shift in tariff from the old preferential tariff to a zero tariff would be relatively small.

- Mauritius' loss of revenue would be \$3.9 million representing 0.6 percent of the total government recurrent revenue in 1996.
- For Madagascar, the revenue loss would be \$1.7 million or 0.54 percent of the total government fiscal revenue collected in 1997.
- Seychelles would lose \$0.13 million accounting for 0.54 percent of the total government fiscal revenue collected in 1997.
- For Comoros, the revenue loss would be of the order of \$107,905, which amounts to 0.6 percent of total government revenue.

Southern Africa

Although a detailed analysis of the impact of tariff changes on Zambia's government budget was not undertaken, general indications of the impact of the HET show that Zambia will only face a modest impact. The impact would only be in terms of removal of duties on imports from CBI countries, since there would be no external tariff adjustment. The impact on actual revenues collected from imports would be minimal due to its current tariff structure that gives a 60 percent preference on imports from COMESA member states. However, Zambia would lose immediate tax revenue of K4.4 billion corresponding to the amount of customs duty earned from its COMESA imports. This revenue loss would be compensated by the increase in collection of import VAT, which will arise because of trade creation and greater compliance from business.

For Zimbabwe, the removal of duties on intra-CBI imports would lead to a loss of 1.5 percent of total customs revenue.

6.2 Extra-CBI trade

The simulation exercises have shown in most countries that the loss in revenue is lowest when the imports are applied with 20% duty of final goods, 10% intermediate goods and 0% primary goods. From the various simulations, it is noted that adopting a common external tariff will have a positive impact on imports while it will impact negatively on revenue.

East Africa

New tariff revenues were calculated by using the new value of imports and the proposed harmonised tariff scenarios. The revenue change due to the proposed harmonised tariff is then the difference between the initial statutory tariff revenue and the new potential tariff revenue.

Welfare effects of tariff harmonisation were estimated by applying the average tariffs (averages of statutory and proposed harmonised tariffs) to the change in the value of imports arising from the shift from statutory to harmonised tariffs. The average tariff is derived as the mean of the sum of statutory tariffs and harmonised tariffs.

The revenue impact is significantly different between the EAC members but revenue losses are the lowest when applying a zero tariff on primary goods, 10 percent on intermediate and 20 percent on final goods.

With the tariffs proposed above, revenue losses for Kenya are about 22.3 percent of the total potential tariff revenue in 1995/96. A zero tariff for primary goods and 15 percent duty for intermediate and final goods would lead to the second lowest revenue loss representing 23 percent. A zero tariff for both primary and intermediate goods would lead to the largest revenue loss with 55 percent of tariff revenue while the 10 percent uniform tariff scenario leads to a revenue loss of 35.3 percent and is likely to create the highest anti-export bias. The greater welfare effect is reached with the 10 percent harmonised tariff, followed by a zero rate on primary and intermediate goods and 15 percent on final goods.

Table 5: Revenue impact for Kenya of the introduction of the HET (1995-96)

Scenarios	Revenue changes for 1995/96, billion Kshs			Revenue loss as % of customs revenue	Welfare effect (in million Kshs)
	Lower case	Base case	Upper case		
0, 10, 20	- 4.29	- 4.723	- 5.907	22.3	+ 950
0, 0, 15	- 11.670	- 11.728	- 11.843	55.4	2,453
0, 15, 15	- 4.904	- 4.876	- 4.819	23.0	1,735
10, 10, 10	- 7.628	- 7.474	- 6.291	35.3	2,862

The same scenario leads to the lowest revenue loss for Uganda, but also with a loss of welfare. A zero tariff on primary product and 15 percent duty on both intermediate and final goods would lead to the second lowest revenue loss and with a welfare gain.

Table 6: Revenue impact for Uganda of the introduction of the HET

Scenarios	Revenue changes for 1996/97, billion Ushs			Revenue loss as % of customs revenue	Welfare effect (in billion Ushs)
	Lower case	Base case	Upper case		
0, 10, 20	+0.72	- 4.63	- 15.35	6.56	- 2.38
0, 0, 15	- 35.69	- 36.81	- 39.04	52.36	+ 5.32
0, 15, 15	- 4.11	- 6.82	- 12.24	9.7	+ 1.87
10, 10, 10	- 16.14	- 15.13	+ 13.10	21.52	+ 7.96

For Tanzania, the same scenario goes to achieve the lowest loss of revenue of Tshs49.7 billion representing 61 percent of duty collected in 1996. However, in this case, import change is also the lowest as well as welfare increase. The simulation surprisingly showed that applying a 30 percent duty on sensitive products does not necessarily imply a gain in revenue.

Table 7: Revenue impact for Tanzania of the introduction of the HET

Scenarios	Revenue changes for 1996, billion Tshs			Revenue loss as % of customs revenue	Welfare effect (in million Tshs)
	Lower case	Base case	Upper case		
0, 10, 20	- 50.052	- 49.709	- 49.022	29.84	+ 12,776
0, 0, 15	- 88.118	- 85.539	- 80.382	51.35	+ 22,048
0, 15, 15	- 62.344	- 58.209	- 49.938	34.94	+ 19,601
10, 10, 10	- 76.949	- 70.999	- 42.777	42.62	+ 25,946

Indian Ocean

The revenue impact analysis for Indian Ocean countries was made comparing the real revenue collected (present actual revenue), the revenue that could have been collected if the system was more efficient (present potential revenue), the revenue that should be collected under the harmonised tariff (new potential value) and the revenue that could reasonably be collected under the HET (new realistic revenue).

In comparing the realistic estimate of the ability of customs authorities to collect the new revenue and the present collections for 1996, the revenue impact is rather small for the Indian Ocean countries. A 5 percent duty on primary products, 15 percent on intermediate and 25 percent on final goods would lead to the lowest revenue loss and even revenue gains if revenue collection can be improved.

Table 8: Revenue impact for Indian Ocean countries of the introduction of the HET

	Revenue changes as % of total government revenue					
	Proposed tariffs: 5%, 15%, 25%			Proposed tariffs: 0, 10, 20		
Country	**A**	**B**	**C**	**A**	**B**	**C**
Mauritius	-16.0	+17.0	-1.0	-35.0	-0.7	-11.7
Madagascar	-8.0	+2.69	-5.75	-16.5	-4.4	-10.3
Seychelles	-14.8	-4.6	-6.8	-15.4	-5.0	-7.2
Comoros	+3.2	+0.8	n/a	+1.6	-2.2	-3.9

Notes: A - new potential minus present potential revenue
B - new potential minus present actual revenue
C - new realistic minus present actual revenue

Southern Africa

Zambia has no revenue losses since their external tariff is not being significantly adjusted.

Revenue losses for Zimbabwe ranged from less than 1 percent up to 31.8 percent of customs revenue according to the four scenarios. The lowest loss occurs with 5 percent duty on primary products and on capital goods, 15 percent on intermediate goods and 25 percent on final goods. The greatest loss is with a 5 percent duty on primary products, zero tariff on capital goods, 10 percent on intermediate and 20 percent on final goods.

Table 9: Revenue impact for Zimbabwe of the introduction of the proposed tariffs

	Revenue change for 1998, million Z$		
Scenarios	**Lower case**	**Base case**	**Revenue loss as % (CBI/effective duty rate)**
5, 0, 10, 20	- 2,209	- 2,348	31.8
5, 5, 15, 25	- 3	- 3	0.04
0, 0, 15, 25	- 1,172	- 1,246	16.9
5, 0, 15, 25	- 948	- 1,008	13.6

7. OTHER IMPACTS

Revenue losses alone should not be the main determinant in the equation when deciding how to harmonise external tariffs. It has been shown above that the lower the duty rates were, the greater the welfare growth was (except for Kenya) and in some cases, it was also leading to an increase in imports over the years (Tanzania). This conflict between efforts to minimise revenue loss with maximisation of welfare is always overlooked since revenue loss is directly observable and therefore attracts greater attention of the authorities.

Moreover, by applying lower tariff levels, dynamic effects can be generated such as expansion of the economic activity with increased disposable income for consumption and investment. The increase in aggregate demand would therefore lead to increased output and employment and hence, more revenue collection.

Adjustment difficulties can also come from the implementation of lower tariffs as shown in the Indian Ocean study with sensitive sectors being highly protected (e.g. some of the light manufactured products in this region have a duty rate up to 80 percent). The removal of tariff barriers might lead to a more competitive economy, but in the immediate future, it would lower protection of local industry and therefore, could create a situation where local production might not be competitive enough to avoid social effects such as unemployment.

8. NON-TARIFF BARRIERS

Some non-tariff barriers are still remaining after the significant efforts of the governments to abolish them as a mean of protectionism, but the more traditional legal NTBs have mostly disappeared.

Kenya abolished its quantitative restriction on trade in 1993 and there is now just a negative list concerning 16 import products and 2 export items that are restricted for health, security and environment reasons.

Tanzania has diminished tremendously the list of goods that were previously prohibited or restricted.

The ban on imports to Uganda for products such as beer, sodas, car batteries and second hand tyres was lifted on 1st April 1998. However, some restrictions have subsequently been imposed on imports that have not complied with Uganda's Quality Standards, appearing to be a mean of protectionism.

There are very few legislated non-tariff barriers in the Indian Ocean countries, except for controlled lists of products pertaining to environmental, phytosanitary and national security concerns still exists. Foreign exchange shortages in Seychelles also are giving rise to NTBs in this area.

Some NTBs still exist which particularly affect intra-regional trade, such as barriers between Zambia and Zimbabwe, including quantitative restrictions or voluntary restraints that reinforce tariff protection, and payment barriers that are protective in nature such as minimum and maximum limits to the amount of local currency that can be remitted outside the country. These barriers may not be transparent although their effect is quite acute. Other barriers include product standards, transport costs labour and capital movement restrictions.

9 RECOMMENDATIONS OF THE HET STUDIES

East Africa

Comparing the revenue loss between the different scenarios, it was recommended that the best scenario would be the one with a zero duty on primary products, 10 percent on intermediate and 20 percent on final goods. Although this scenario leads to the lowest revenue loss for the three countries, it also leads to lower welfare gains.

In Kenya, this scenario is presented as the most feasible alternative providing a moderate protection regime. The tariff to be introduced should be one that is not complicated, encourages importers, exporters and domestic manufacturers and the rates should be set in a manner that discourages constant lobbying.

The study on Tanzania also showed an interest in trying to find other internal taxes in order to avoid a high dependency on trade taxes.

For the whole region, a significant part of revenue losses could be balanced by an improvement of tariff administration and duty collection, together with a deeper regional co-operation in customs administrations.

Indian Ocean

The studies showed several similarities among the Indian Ocean countries. A 5 percent duty rate on primary good, 15 percent on intermediate and 25 percent on final goods is presented as the best scenario. The reports recommended for all countries to levy excise duties on imports at the same rate as for domestic production in order to balance part of the revenue loss due to the implementation of harmonised tariffs and to increase excise duties on those products currently with very high import tariffs. Efficiency should also be improved in fiscal and customs administrations in order to face this loss of revenue, particularly for Madagascar.

Southern Africa

Zambia has achieved much in stabilising the macro-economy, in pursuing privatisation and in liberalising markets. With the implementation of the HET, Zambia is in a good position to play a significant role in the region and the key factor will be the extent to which the other CBI countries will implement economic reforms.

For Zimbabwe, a 5 percent duty rate on primary goods, zero tariff on capital goods, 10 percent on intermediate and 20 percent on final goods is recommended as the best scenario. The suggestion is given to apply a 15 percent rate on intermediate and 25 percent on final goods at a first stage before fully implementing the recommended scenario. The following road map was proposed:

- introduction of a new classification system of specific products under the CBI categories;

- gradual reduction of rates, taking into account sensitive products which would be reduced by 20 percent in 1999 and by 40 percent in 2000. Highly sensitive products would remain at the same rate before commencing a duty reduction programme from 1999;

- revision of the exemption list regarding the impact of the introduction of a HET;

- establishment of a Revenue Authority to be pursued with more vigour to enhance revenue collections;

- to bridge the revenue gap, other alternative sources of revenues were recommended such as: improvement in revenue collection, in particular taxes on income, profits, goods and services; the upward review of the penalties, stamp duties, fines and fees; the introduction of VAT to replace sales tax; the reduction in the number of exemptions or the introduction of informal sector taxation.

CROSS-BORDER INITIATIVE
ROAD MAP FOR INVESTMENT FACILITATION

PAPER FOR CONSIDERATION AT THE FOURTH MINISTERIAL MEETING TO BE HELD IN MAURITIUS, OCTOBER 1999

PREPARED BY THE CO-SPONSORS IN CONSULTATION WITH THE TECHNICAL WORKING GROUPS OF THE CBI PARTICIPATING COUNTRIES

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Annexes

Summary and Overview

1. At the Third Ministerial Meeting of the Cross-Border Initiative (CBI) held in Harare in February 1998, the participating countries resolved to continue and broaden the CBI and agreed to focus its future activities on investment facilitation. The meeting requested the CBI co-sponsors (AfDB, EU, IMF, and World Bank) to prepare a Road Map for this purpose. The first draft was discussed by the Technical Working Groups (TWGs) in Mauritius in November 1998 and, in the light of those discussions, the present document was finalized for presentation to the Fourth Ministerial Meeting. This Road Map provides a framework which the countries can use, individually and jointly, to encourage and facilitate investment from within and from outside the CBI countries.

2. While this Road Map has been conceptualized within the CBI forum, it has broad applicability beyond the present participating countries. It could therefore be disseminated through the Global Coalition for Africa and other African regional and sub-regional organizations who can benefit from and contribute to its implementation.

Recent Investment and Savings Performance in CBI

3. A snapshot of growth and investment performance in Sub-Saharan Africa (SSA) and the CBI participating countries reveals the following key trends:

- while there has been an upturn in the average real GDP growth in SSA in recent years, the signs are that: (i) the East Asia crisis and the intensification of armed conflicts have ushered in a new and unpredicted phase of uncertainty; and (ii) growth in SSA and in CBI countries in the next few years is unlikely to be robust and diversified enough to ensure a significant improvement in living standards;

- gross investment in the CBI countries as a group has been below the minimum of 25 percent of GDP suggested by the Global Coalition for Africa;

- foreign direct investment (FDI) in developing countries increased during 1990-96 but most of these flows were concentrated in a few countries, none in SSA; while during 1993-97 FDI in the CBI participating countries increased, it reached a level of only 1.2 percent of their GDP; and

- during 1994-1998, there was no increase in savings as a share of GDP in the CBI countries.

4. The main lessons of experience are that:

- investor confidence is linked not only to the perception of the robustness of reforms but also to their consistent implementation over time;

- even in some of the reforming countries under the CBI, the reform efforts (which usually take a long time) have not been consistent and sustained enough to regain investor confidence;

- from an investor's viewpoint, the conditions for doing business in Africa are unsatisfactory;

- while risk rankings of most CBI countries has improved since the inception of the CBI, none of the CBI countries has yet achieved a sustained low risk rating; and

- a concerted effort is, therefore, needed over an extended period to firmly establish improved general conditions for attracting investment and to build a better image.

Essential Conditions for Attracting Investment

5. Many steps have already been taken within the CBI framework towards investment facilitation; but a lot more needs to be done, particularly in the following essential areas:

- ***Political stability***. An important step towards building investor confidence in the region would be for the CBI countries to explicitly recognize internal and neighborhood stability as necessary overarching objectives.

- ***Good governance***. Investors generally prefer countries which display democratic open government, transparency and a willingness to combat corruption throughout society. In addition to reforms in the public sector through privatization, governments need also to:

- *tackle and be prepared to tackle corruption in a major way.*

- *reorganize and reorientate public institutions* so that they provide services which facilitate rather than control investors' activities; and

- ***Macroeconomic reform and stability***. Through their adjustment programmes, CBI countries have achieved a measure of success in achieving steady and broad-based per capita economic growth, stronger external positions, declining and low rates of inflation, controlled growth in money variables and improved fiscal operations. Nevertheless, there is a continued need for:

  - *greater vigilance in macro-economic policy* to help survive the economic maelstroms that presently beset the global economy and threaten to erase the hard won gains of the region;

  - *further fiscal reforms*, both in revenue and expenditure, which are vital to underpin the investment facilitation measures contemplated in this paper; and

  - *governments to restructure expenditure and reduce the burden of debt service* so as to reallocate scarce resources towards health and education and physical infrastructure.

- ***Trade liberalization***. The CBI Road Map for Trade Reform envisaged tariff simplification, rationalization and reduction. Progress to date has been significant but uneven, and there is a need to accelerate the pace of trade reform implementation in order to reduce further the anti-export bias, acquire foreign technology, and exploit comparative advantage.

- ***Market integration***. Despite progress in achieving economic growth in the past few years, Africa is losing its already small share of global markets. In addition to continued efforts at integration into the global economy, greater integration of regional markets would help create more opportunities for investors, and for financial markets to develop a critical mass, particularly given the current sizes of the CBI economies. The efforts of some West and Central African countries provides a good example to emulate.

- ***Exchange system liberalization***. The considerable progress achieved in the liberalization of exchange systems needs to be buttressed by: (i) removing the remaining restrictions on current account transactions, including elimination of arrears; and (ii) further liberalizing capital account transactions and foreign exchange repatriation and surrender requirements.

- ***Investment deregulation***. Good progress has been achieved in respect of liberalizing approval procedures but progress has been slow or mixed in concluding double taxation agreements, authorizing the cross-listing of stocks, and dealing with labor market issues.

- ***Consistency in policy and application***. Investor confidence has to be built over time by consistently applying the necessary conditions over a prolonged period.

Principal Actions Needed to Increase Investment over the Medium-Term

6. While all investors are not homogenous and attach different priorities to different factors, there are, in addition to maintaining macroeconomic stability and completing the CBI agenda on trade reform, several areas where action is most likely to attract and facilitate investment:

- ***Tax reform***. Reforms could include: lowering income tax rates, eliminating tax holidays, improving assessment and collection procedures; and finalizing double taxation treaties among CBI countries and with traditional and expected trading partners.

- ***Legal and judicial reforms***. Changes are needed to protect payment and property rights and to regain confidence in the judicial system by assuring timely processing of claims in accordance with consistent application of the relevant laws. The principal reforms that are most commonly needed are in: corporate law, contract law, bankruptcy, labor law, and property rights. The redrafting of legislation will not, of itself, introduce the requisite changes; judicial reforms are also necessary to ensure that laws are applied properly. Given the inherent pressures of globalization, CBI participants must in the long term adopt common commercial and labor laws.

- ***Institutional reforms***. While most CBI countries have established one-stop investment agencies, regulatory and administrative systems reforms are needed to reduce the cost of doing business by enabling procedures to be applied consistently and efficiently. Further steps should also be taken to assist the development of the accounting, banking and legal professions.

- ***Capital market development***. Greater attention must be given to providing more instruments for increasing domestic savings and more medium- and long-term capital. At the same time, businesses require an improved range of financial services to be able to operate more efficiently. Rapid development is therefore needed to improve:

- *availability of medium and long-term financing*: in view of the slow supply response, action is required to foster the growth of private institutions that provide equity and long-term credit;

- *financial intermediation*: more effort is required to educate savers about long-term investment in equities and other financial instruments, and to expand markets to provide more investment opportunities; but regional capital market development, including more cross-listings, can only be achieved if there are free cross-border flows of capital and dividends; and this will require acceptance of common standards and procedures; and

- *over-the-counter services*: there is need to harness the latest technology to improve and extend the range of over-the-counter services.

- ***Human capital development***. Investors place a premium on locations which offer an educated, mobile, efficient and low-cost workforce. Possible avenues for cooperation and harmonization among participants include adopting common technical education standards, and common international standards for professional bodies. Similarly, there is a need to improve health to raise efficiency. However, HIV/AIDS is so prevalent in East and Southern Africa that its effects now cut across all sectors and every aspect of development, including investment. CBI countries must therefore work together to deal with this disease.

- ***Credible privatization***. Privatization is a catalyst for significant FDI, helps to introduce and expand competition, and provides a launch pad for developing the private sector. Perceptions are that African governments have accepted privatization reluctantly; and there are concerns about insufficient public information and transparency. Thus the way in which the process is managed strongly influences, and often reflects on, the general investment climate of each country.

- ***New/upgraded infrastructure*** Facilities in many CBI countries are inadequate to attract investment. While efforts are under way to expand and upgrade infrastructure, there will be added pressure to use existing capacity to maximum efficiency. In response to the public sector's difficulties in financing and managing new major infrastructure projects, there is need to build on the increasing trend of private participation in infrastructure by strong commitments to credible regulatory provisions and by packaging infrastructure projects in a regional context to use soft loans from multinational financial institutions to provide guarantees for investors.

- ***Investment Promotion***. There is a mutual interest among CBI countries to build a better image — one that portrays the successes and the group's resources and opportunities.

Proposed Programme of Immediate Actions

7. It would not be feasible to tackle all aspects of investment facilitation at one and same time, so the Road Map includes immediate actions in selected priority areas. The programme described here is only a framework: each country will have to design its own specific path along the Road Map. Hence, actions in addition to those set out here could be included. The focus here is principally (though not exclusively) on regional initiatives which would be implemented collectively and/or in unison by the CBI countries. The following actions are recommended:

- ***Accelerate implementation of the CBI trade reform agenda:***
  - *complete expeditiously the import tariffs reforms* set out in the existing CBI Road Map for Trade Reform. This would further help to harmonize and reduce the anti-export bias of the tariff regimes of CBI participating countries;
  - *lock in tariff reforms* by adopting WTO tariff bindings at rates not much higher than the levels envisaged in the Road Map for Trade Reform. Such a step will greatly enhance the CBI countries credibility in creating an appropriate incentive structure for efficient investment and trade flows; and
  - *go beyond the targets specified in the Road Map for Trade Reform* by further reducing the stipulated maximum rate, narrowing the number of tariff bands, and lowering the trade-weighted average tariff (as in the case of Uganda). Such efforts will be key in helping the CBI countries to integrate into the global economy and remain competitive.
- ***Investment promotion:***
  - *at the regional (CBI) level.* Countries should cooperate on promotion by: (i) mounting a public relations campaign to improve the image of doing business in the region; (ii) sharing information by establishing a CBI website, and (iii) examining the feasibility of establishing cross-border investment funds; and
  - *at the national level.* There is need to design and implement a package of changes that will provide more information and better services and make

each country "hassle free" and more secure to visit. TWGs can play a significant part at both the regional and national level.

- ***Selective legal and judicial reforms:***

  - *recognize the "regional enterprise"*. A firm would be considered a regional enterprise if it were incorporated in one of the CBI participating countries regardless of the nationality of ownership;

  - *adopt common company and branch registration procedures*. Adoption of common registration procedures would be a first important step towards harmonization of contract, bankruptcy and property laws; and

  - *establish separate commercial courts*. A fast track system is needed which will give lenders confidence to recover debt in the event of default.

- ***Selective tax reforms:***

  - *taxes on goods and services*. The domestic tax base should be broadened by adopting a single-rate domestic non-cascading tax;

  - *taxes on income and profits*. Steps should be taken to simplify taxes on income and profits and to reduce rates to levels which will diminish evasion;

  - *steps to improve and harmonize tax and customs administration*; and

  - *conclude double taxation agreements* among CBI members, traditional trading partners and with new countries with a potential to attract investment.

- ***Awards to raise awareness and private incentives***. The Road Map also includes a proposal to introduce a scheme of annual Africa Achievement Awards in order to spur the private sector to deliver improvements in services and performance, and to improve information sharing.

It must be emphasized that, for the above actions to bear fruit, the essential conditions for attracting investment, summarized in paragraph 5, must be established and sustained.

Institutional and Other Requirements for Implementation

8. To commence implementation of the Road Map it will be essential for the CBI participating countries to consider and agree upon appropriate institutional

arrangements, which should preferably give emphasis to private sector participation. To help this process, the Road Map includes suggestions for institutional arrangements and preparatory steps for implementing the proposed immediate actions.

A. Introduction

1. At the Third Ministerial Meeting on the CBI held in February 1998 in Harare, the participating countries decided to continue and broaden the CBI. It was also agreed to accelerate the evolving CBI agenda, with more emphasis on investment facilitation issues, including harmonization of national and regional policies towards a conducive environment for efficient investment. The third ministerial meeting also requested the co-sponsors (African Development Bank, European Commission, International Monetary Fund, and World Bank) to prepare a proposal that would provide a framework for the design and implementation of a program of action that CBI participating countries could take to encourage and facilitate investment from within and from outside those countries. A paper, in the form of a draft "road map" for investment facilitation, was prepared in response to that request. The paper was discussed by the Technical Working Groups (TWGs) at the fourth TWG meeting in Mauritius in November 1998 and this version reflects the comments made at that meeting. This paper is intended to provide an agenda for discussion at the Fourth Ministerial Meeting to be held in Mauritius in 1999. The Ministerial Meeting will also examine and agree on actions that CBI participating countries will take to harmonize their approach in a mutually beneficial way.

2. The paper is organized as follows. Section B summarizes recent investment and savings performance in CBI countries. Section C outlines the essential conditions that need to be fulfilled to attract investment. It also summarizes progress to date within the CBI policy framework on exchange, trade reforms, and investment deregulation which are necessary for investment facilitation. Section D discusses the actions required to attract more investment in the medium-term and highlights those actions which would be of mutual benefit to CBI countries. Section E outlines proposals for immediate actions to facilitate investment – to be implemented collectively and/or in unison – on which measurable progress could be made in a relatively short period, while Section F considers the institutional and other requirements for implementing those actions.

3. While this Road Map has been conceptualized within the CBI forum, it has broad applicability beyond the present participating countries. It could therefore be disseminated through the Global Coalition for Africa and other African regional and sub-regional organizations who can benefit from and contribute to its implementation.

B. Recent Investment and Savings Performance in CBI Countries

4. Although, in recent years, there has been a welcome upturn in real GDP growth in Africa, at an average of about 5% in 1996 (5.9% for CBI countries – see Annex I), it is still well below what is needed to achieve a major reduction in poverty. While the trend during the period 1995-1997 was encouraging, the signs are that many African economies suffered a setback in 1998 resulting primarily from the East Asian financial crisis and from armed conflicts. The overall 1998 GDP growth rate in sub-Saharan Africa is estimated to have dropped by more than 2 percentage points from the 1997 level to around 1.4%. In the CBI countries, however, the GDP growth rate averaged 3.4% and thus these countries, as a group, were able to maintain growth rates at the previous year's level.

5. Despite progress in achieving significant economic growth over the past few years, Africa's small share of world trade is declining. Countries are having to look not only at penetrating the world market but also at the potential for expanding and diversifying regional markets. At the present time, though higher at the sub-regional level, regional trade within sub-Saharan Africa is only about 7 percent of total trade.[1] Trends in investment are also below the desired levels. A recent report prepared by the Global Coalition for Africa[2] states that "Africa's investment performance has to be raised from its current rates of 16-18% of GDP to an annual investment rate of 25% or better, for the region to be on the path to adequate and sustained growth and poverty reduction." Not only must the levels of investment be raised, so too must the quality of that investment.[3]

6. Data on the levels of gross domestic investment for the CBI countries as a group compared with the rest of Africa (Annex II) show that: (i) gross investment for the CBI countries as a group has been consistently below the 25% of GDP suggested as the minimum by the Global Coalition for Africa, and below that of the total of all other countries in sub-Saharan Africa (whether or not South Africa and Nigeria are excluded); and (ii) only a few of the CBI countries have achieved the 25% level and, of those, only three – Seychelles, Swaziland, and Mauritius – have done so consistently over the past five years. Given the constraints on public resources, public sector investment is unlikely to grow significantly. Therefore, there

[1]The low level of regional trade within sub-Saharan Africa is attributed principally to the structure of production and exports which depends mainly on commodity exports to industrial countries. However, it should be noted that trade levels are higher at the sub-regional level (for example: about 10% within UEMOA and 17% within SADC); moreover, there is a significant unrecorded cross-border trade in sub-Saharan Africa. Very recently, it was announced that the trade volume within COMESA countries has been growing steadily at 20 percent each year since 1995 and that between 1994 and 1998 the volume of intra-COMESA trade had trebled.

[2]"Enhancing the Investment Environment in Africa", Document GCA/EC/n°2/03/1998 prepared for the Economic Committee Meeting held in Gaborone in March 1998. Section B draws heavily on that report.

[3]To underline the need to improve the quality of investment, a recent paper ("Is Investment in Africa Too High or Too Low" by Devarajan, Easterly, and Pack, May 1999) presents data to show the low productivity of investment in Africa and concludes that "Unless some or all of the underlying factors that made investment unproductive in the past are addressed, the results may be disappointing".

will be a need to mobilise more private sector investment in order to maintain the levels quoted above (which are the sum of private and public sector investment).[4] In this context it is worth noting the efforts not only of the CBI countries but also of some West and Central African countries to explore and develop mechanisms to expand trade flows and improve their national and regional business environment.[5]

7. The picture on gross private investment is perhaps a little more encouraging. Over the past six years, some two-thirds of investment has consistently come from the private sector (Annex III). However, the level of private investment remained fairly steady at about 13% of GDP. Hence, most countries have a long way to go if the suggested 25% minimum level of investment as percentage of GDP is to be achieved by mobilizing the additional resources from the private sector.

8. Globalization of international economic and financial systems has led to a spectacular growth of foreign private investment since the late 1980s. In recent years, the total of foreign private investment flows has exceeded official development assistance in developing countries. While foreign direct investment (FDI) flows to developing countries continued to increase during 1990-96, most of these flows have been concentrated in a dozen countries, none of them in sub-Saharan Africa. In fact, the share of those flows to countries in sub-Saharan Africa was stagnant or declining. Although net FDI to the CBI countries and sub-Saharan Africa as a whole showed a steady increase up to 1997 (Annex IVa), these net flows only represented about one percent of GDP (Annex IVb).

9. It is also useful to refer to the available data on savings in the CBI participating countries. Data on the levels of gross domestic savings[6] as a share of GDP over the five year period 1993-1997 show that within the CBI countries as a whole there was no increase (see Annex V). Although the available data is limited, the same appears to be true of gross national savings[7] (Annex VI), with the levels marginally higher. To complete the savings picture, Annex VII shows the external savings[8] of each country, virtually all of which are negative.

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[4]It should be noted that the suggested investment target of 25% of GDP assumes reasonable efficiency in the use of existing and future investment. Growth can be achieved by more efficient use of investment; conversely, more investment will not necessarily guarantee more growth.

[5]The *Organisation pour l'Harmonisation du Droit des Affaires en Afrique (OHADA)* is an initiative to harmonize business law within Central and West Africa through the adoption of common rules (*actes uniformes*), the establishment of appropriate judicial procedures, and the promotion of arbitration. For a useful summary see "New Business Law in Africa : OHADA" published by Price Waterhouse, Fidafrica.

[6]Defined as the difference between gross domestic product and total consumption.

[7]Defined as the sum of gross domestic savings, net factor income from abroad (income derived from direct investment abroad including dividends, property rents, and professional fees), and net private transfers from abroad (inflows such as workers remittances, transfers by migrants, gifts, dowries, inheritances, and alimony).

[8]Defined as the net financial position of a country *vis-à-vis* the rest of the world as represented by the current account balance (of the balance of payments) excluding capital grants. The current account balance is the difference between exports of goods and all services plus inflows of unrequited current transfers and imports of goods and services plus outflows of unrequited transfers to the rest of the world.

C. Essential Conditions for Attracting Investment

10. The statistics in section B show clearly that most CBI countries, as well as Africa generally, are failing to attract sufficient savings and investment. The main reason is the absence of one or more of the essential conditions for attracting investment: political stability, good governance, macroeconomic reform and stability, free trade and open foreign exchange systems, investment deregulation, and (for larger investors) sufficient market size. These conditions are outlined below. However, in addition, there is the problem of perception.

Perception

11. In terms of places to invest, most African countries have a poor image. And that is true not only of foreign investors, but also of domestic investors, as evidenced by the extent of capital flight which has occurred. When asked about their views on business opportunities in Africa, most potential investors tend to refer to the image of political instability, the higher risks and cost of doing business in most African countries than elsewhere. Annex VIII, which sets out the Institutional Investor's country credit ratings for the CBI countries at selected dates since the inception of the CBI, brings out this point: only one of the CBI participants, Mauritius, has reached a 50 percent credit rating, with Seychelles and Zimbabwe next best with an average of around 30 percent. Overall, the CBI average of credit ratings has improved from around 20 percent in 1993 to around 28 percent.

12. The main lesson of experience is that investor confidence is linked not only to the perception of the robustness of reforms but also to their consistent implementation over time. From an investor's viewpoint, Africa's performance regarding the latter seems unsatisfactory. This means that a determined effort is needed over an extended period to firmly establish improved general conditions for attracting investment and to build a better image.

Political Stability

13. Peace and stability both between and within partner countries are pre-conditions for normal business operations. Although there will always be speculators active where profit margins from risky operations are high, investors – especially long-term investors – generally shun countries and sub-regions which are, or are considered to be, unstable and conflict-prone. The CBI countries could take a first step towards

building investor confidence in the region if they were to explicitly recognize neighbourhood stability as a necessary overarching objective. The CBI countries would then need to plan and work within the framework of regional groupings and institutions to find ways to establish and maintain stable and peaceful neighbourhoods.

Good Governance

14. Genuine investors – in for the long haul, not for a quick profit – want to do business straightforwardly. They generally prefer countries where transaction costs are lower and where there is governance which displays democratic, open government, transparency and a willingness to deal with corruption throughout society. There is also empirical evidence that corruption hinders economic development by reducing domestic investment and discouraging foreign direct investment.[9]

15. Moreover, corruption is a subject which is attracting a lot more attention worldwide, and international investors are increasingly influenced by the press reports on this topic and by the published perceptions indices. Annex IX sets out a comparison of the index ratings for 1998 extracted from Transparency International's 1998 list of 85 countries. It can be seen that, with the exception of Namibia and Mauritius, CBI countries are either not ranked or are ranked fairly low in these indices. CBI countries must be prepared to tackle – and be seen to tackle – the issue of corruption.

16. An important visible step towards tackling corruption and achieving good governance would be to accelerate the improvement of the civil service, instal and enforce good financial rules and regulations, and improve the quality of the accounting and legal professions in order to raise, as well as harmonize, standards. This would help raise the perceptions of investors if they see efficient public services as well as well run professional firms and private businesses, and commercial courts.

Macroeconomic Reform and Stability

17. The achievement of the objectives of the CBI – liberalization of trade in goods and services, trade facilitation, liberalization of the exchange system, strengthening of financial intermediation, deregulation of investment, and facilitating

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[9]See, for example, Shang-Jin Wei "Corruption in Economic Development: Beneficial Grease, Minor Annoyance, or Major Obstacle?", February 1999, World Bank Policy Research Working Paper #2048 (posted on the web at: http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2048/wps2048-abstract.html)

the movement of persons – requires, as a necessary condition, sustained political and economic stability. While the issues of political stability and good governance have been referred to earlier, economic stability could be evaluated against steady and broad-based real *per capita* economic growth, low rates of inflation, improvements in external sector operations (particularly exchange market stability and a sustainable external debt position), and improved fiscal operations. In all these matters, the CBI participants, often in the framework of adjustment programmes supported by the World Bank, the IMF, and the other co-sponsors, have achieved a measure of success. Thus real *per capita* GDP growth, which was significantly negative in 1993, increased to over 1 percent by 1997; further positive developments were the decline (a reduction of more than 50 percent) in inflation, and the considerable improvement in the external current account.[10]

18. These developments, though encouraging, should not, however, lull participants into complacency. Macroeconomic stability is vital to underpin the investment facilitation measures contemplated in this paper. An appropriate monetary framework is crucial for lowering inflation rates and, ultimately, nominal interest rates; while further fiscal reforms – both in revenue and expenditure – are critical in facilitating lower real interest rates and thus helping to boost private domestic investment. Moreover, broadening and restructuring of the revenue base is essential if the CBI agenda of trade and exchange reform is to be successfully completed. A reorientation of government expenditure towards human (health and education) and physical infrastructure is important to establish the conditions for future growth. To maintain fiscal - and therefore macroeconomic stability - reductions in non-essential expenditures are apposite. The co-sponsors are also fully aware of the need to ease the debt burden of the CBI countries in an equitable manner. Indeed, initiatives in these areas are being vigorously pursued in other – and perhaps more influential and appropriate – fora. The most notable of these is the debt initiative for the Heavily Indebted Poor Countries (HIPCs) (Annex X). These initiatives need to be supported by clear signs of improved debt management.

Trade Liberalization

19. A major plank of the CBI agenda is the reduction of the anti-export bias of the trade regime and the creation of an incentive structure that will promote efficient investment and trade flows. Towards this end, the CBI Road Map for Trade Reform envisaged a simplification, rationalization, and reduction of tariffs.[11] Implementation of these actions has been substantive but uneven, with half a dozen countries having

[10]See page 3 of the Synthesis Paper prepared for consideration at the Third CBI Ministerial Meeting held in Harare, 19-20 February 1998.

[11]Synthesis Paper, paragraph 11.

met some of the objectives of that Road Map ahead of the target date of October 1998. Thus, Kenya, Uganda and Zambia reached the trade weighted average tariff of not more than 15 percent, while Rwanda and Tanzania are very close to the target; Comoros, Kenya, Madagascar, Rwanda, Uganda and Zambia have met the target of reducing the number of non-zero tariff bands to not more than three; Kenya, Uganda and Zambia have achieved the target of a maximum rate of no more than 25 percent, while Madagascar, Malawi and Tanzania are at 30 percent. In 1994 Mauritius reduced the number of tariff bands to 8; further reform took place in 1999 with customs duties removed on industrial machinery and equipment, and reduced on other items leading to a weighted average tariff of 26 per cent. (Annex XI).

20. While import tariff rates have been generally reduced, there has been slow progress in reducing other duties and charges, and incorporating them in the tariff structures. Some progress has also been made in eliminating tariffs on intra-regional trade (five countries now give an 80 percent preference margin), although progress towards reducing tariff exemptions, thereby increasing the revenue yield and the transparency of the trade tax system, has been limited (Annex XII). Progress towards eliminating import non-tariff barriers (except for a small negative list) has been mixed (Annex XIII), but progress in freeing exports of restrictions has been considerable (Annex XIV). Overall, the CBI countries have made good progress on harmonizing external tariffs but no single country has yet achieved the full package of changes outlined in the Road Map for Trade Reform; so work on the agreed changes needs to be completed expeditiously.

Market Integration

21. In addition to continued efforts at integration into the global economy, greater regional integration of markets could create more opportunities for investors; and for financial markets to develop a critical mass among the CBI participating countries. The average size of an African economy is about $8 billion, compared with $50 billion in other developing regions; and the total GDP of all the CBI countries is $55 billion. The whole of sub-Saharan Africa's economy today, excluding South Africa, is about as large as Thailand's (even with South Africa, it is still not as large as that of Mexico). Hence, few countries can expect to make further substantial and sustained progress unless they expand their access to regional and global markets.

22. Greater regional market integration could also help CBI countries to avoid concurrent replication of efforts to raise investment in the same sectors; and thus avoid too many firms in the same industries with low levels of capacity and technology. It can be argued that this would logically lead to a concentration of investment and development in only a few locations; but, if this were to be the outcome in the short

term, experience in other parts of the world suggests that free mobility of labour and capital, combined with availability of infrastructure for business, would soon entice investors to other places.

Exchange System Liberalization

23. Over the past few years the CBI participating countries have made good progress in liberalizing exchange systems, reflected in the widespread elimination of restrictions on external account transactions, and the shift to market-based exchange rates (Annexes XV and XVI). The reduction in the reliance on direct controls has correspondingly increased the role of macroeconomic policies and the need to strengthen the financial systems. Nevertheless, there is need to strengthen the efficiency of inter-bank spot exchange markets. To strengthen investor confidence and the export environment, there is also a need to remove the remaining restrictions on current account transactions (including arrears), and to further liberalize capital account transactions, and foreign exchange repatriation and surrender requirements. Annex XVII sets out the position of the CBI participating countries on foreign exchange repatriation and surrender requirements as at end-December 1998.

Investment Deregulation

24. Reform of the regulatory environment and the progressive harmonization of investment incentives (both domestic and foreign) are major objectives of the CBI.[12] In this regard, participating countries have agreed to simplify and codify all regulatory provisions into a single published document that would be widely available, and to establish one-stop investment centres that will process all applications within 45-60 days, and grant automatic approval in the absence of objections at the end of that period. Other specific measures call for participating countries to conclude double taxation agreements on a bilateral basis, to authorize the cross-listing of stocks from other exchanges in the region, to expedite the processing of residence and work permits, and to relax visa requirements for investors.

25. Overall progress in the area of investment deregulation has been mixed (Annex XVIII). By end-December 1998, there had been almost full compliance with regard to liberalizing approval procedures (in particular establishing a one-stop investment approval authority); and a majority of countries have completed the publication of Investment Codes. However, the record with regard to the observance

[12] Synthesis Paper, paragraph 28.

of the Statute of Limitations is less encouraging. The ratification of COMESA's Multilateral Industrial Enterprise Charter has been overtaken by recent economic reforms in participating countries, such as improvements in investment related legislation which generally removed discrimination against FDI. In addition, participants were encouraged to become members of the Multilateral Investment Guarantee Agency (MIGA) and, where necessary, bilateral investment guarantee agencies such as OPIC. All CBI participating countries are now members of MIGA.

26. Progress on concluding double taxation agreements is partial and much more needs to be done in this area. Annex XIX sets out the reported position as at mid-1998 but more agreements may be in existence.[13]

27. Progress in dealing with labour market issues (visa protocol, residence and work permits, and short-term entry permits) has also been mixed. While some non-island economies have taken action on short-term entry permits for border residents, there has been relatively little progress in implementing the COMESA visa protocol.[14] There has also been little progress in expediting the processing of residence and work permits.

Consistency in Policy and Application

28. At the TWG meeting in November 1998, most CBI countries expressed the view that they had made progress in establishing the necessary conditions described above. Their concern was that, despite this progress, the expected supply response has not materialized. The continued reluctance on the part of investors underlines the need for consistency in applying the necessary conditions for investment, especially macroeconomic stability and structural reforms, over a prolonged period, such that the risk of any reversal is perceived as negligible.

D. Principal Actions Needed to Increase Investment over the Medium-Term

29. Many factors influence investors' attitudes and decisions, and it is evident that economic malaise or conflicts in one country usually have spill-over effects in neighbouring countries. Also, investors are not homogenous: they attach different

[13]The individual CBI participants have not reported on a consistent basis: (i) some have reported on agreements that had been concluded (i.e. new treaties); (ii) others have listed the countries (presumably all) with which they have agreements; and (iii) there are cases where one CBI country has reported having concluded an agreement but the other country has not (e.g. Comoros and Mauritius).

[14]It should be noted that Kenya, Tanzania, and Uganda no longer require visas for citizens of EAC countries for travel between these countries.

priorities to different factors. This section does not deal with the fundamental political, macroeconomic, structural reform, debt, or trade issues that affect investment, which were outlined in section C, since these are dealt with in detail in other, more appropriate fora.[15] Instead, it outlines practical actions which CBI countries can - within a regional framework - undertake in the medium-term to attract and facilitate investment. These actions fall into eight areas: tax reform, legal and judicial reform, institutional reforms, capital market development, human capital development, credible privatization, expanded and upgraded infrastructure, and investment promotion.

Tax Reform

30. Potential investors want to know and understand the tax regime, and how taxes are assessed and paid. They pay particular attention to the level of taxation, simplicity of calculation, and the reputation for speedy processing without demands for kick-backs or suggestions for unofficial discounts; and they compare tax arrangements with countries with which they are familiar. Hence, tax reform which aims to achieve fairness, consistency, efficiency, transparency, and harmonization will encourage investment. If agreement on this Road Map for Investment Facilitation is reached, steps to rationalize and harmonize taxes (e.g. on income and profits) will assume greater importance. It should be noted that tax reform should not be at the expense of essential expenditure. However, it should be appreciated that lower tax rates – consonant with an adequate revenue base – which would mean higher net returns to investors, would be more attractive and would also reduce the incentives for evasion and corruption. Annex XX summarizes the standard personal income and corporate profit tax rates in the CBI participating countries.

31. Reforms of taxes on income and profits could include: (i) the finalisation of double taxation treaties among all CBI countries and with all traditional and expected trading partners; (ii) lower tax rates; (iii) elimination of tax holidays so as to ensure non-discrimination between types of investors; (iv) recognition of the need for tax allowances for certain types of expenditure (e.g. research and development, and staff training); and (v) improvements in tax assessment and collection procedures (see *Institutional Reforms*). It should be noted that the tax reform measures referred to here would comprise only those which would specifically impinge on investors' attitudes; other aspects of tax reform would be a matter for individual governments to address.

[15] For example: political issues within the context of OAU; debt issue within the context of HPIC; macroeconomic and structural reform issues within the context of adjustment programs supported by the Bretton Woods institutions and other partners; and trade issues within the context of the earlier CBI Road Map for Trade Reform.

Legal and Judicial Reforms

32. The problems of exercising payment and property rights have long been recognized and action to address them is long overdue. Changes are needed not only because of outdated laws and the rationale for harmonization but also because courts are not functioning properly. In a number of CBI countries, banks, especially state-owned banks that undertook directed credit policies, have had to be financially restructured, not because of insufficient spreads or high overheads (although the latter have played their part) but because of non-payment or the banks' inability to realize collateral on overdue debts. Too often, the excessive time needed to process recovery action through the courts and the unpredictable outcome of what should be a straightforward legal process to recover debt have led to a lack of confidence in the judicial system. This affects the ability of businesses, especially locally owned firms, to raise loan capital (which, in turn, affects savings mobilization).

33. In the context of investment facilitation, the CBI participating countries should complete the work already begun by the TWGs to determine the requirements for legal reforms which will remove anomalies and constraints to investment. The principal areas where reforms are most commonly needed are: corporate law, contract law, bankruptcy, labor law, and property rights. Reforms in these areas, which should also remove discrimination against certain types of investors, would contribute greatly to creating a level playing field for investment and doing business. However, there is widespread recognition that redrafting of legislation will not of itself introduce the requisite changes. Judicial reforms are essential to ensure that laws are applied properly. Only then will investors begin to acquire greater confidence that there is legal support for claims for payment and for property rights.

34. Given the inherent pressure being applied by globalization, the CBI countries must, in the medium-term, work to harmonize commercial and labor laws. Harmonization of corporate, contract, and bankruptcy laws will be complex and sensitive. However, the fact that this aim has already been accepted in the UEMOA countries shows this to be development which is considered necessary and feasible.[16] In addition there is a proposal for a project to harmonize the commercial laws of Southern Africa.[17]

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[16]The latest text of the draft Common Investment Code for UEMOA countries ("Avant-Projet de Règlement Portant Code Communautaire d'Investissement des Pays Membres de l'UEMOA") was issued by the UEMOA Commission in July 1998.

[17]Professor Winston P. Nagan, Professor of Law at the University of Florida, and Professor Dean Visser, Dean and Professor of Law at the University of Cape Town, have prepared a project document setting out their proposals for harmonization of the commercial laws of Southern Africa (SADC countries).

Institutional Reforms

35. Improvements in governance and other institutional reforms in the public sector are being addressed primarily through civil service reform, strengthening of financial rules and regulations, and privatization. However, in the context of investment facilitation, there is still a need for parallel improvements in those public institutions which deal with businesses (e.g. tax authorities, customs & excise, procurement, trade, licencing, labour, and sector ministries). Personnel in all these types of institutions should understand the importance of being responsive to inquiries and their role in encouraging investment and stimulating growth of commercial activity; i.e. the public services are there as facilitators not controllers. The aim should be to achieve a situation where investors respect these institutions, where inquiries are dealt with minimum fuss, paperwork and delay, and without favour or a hint of under-the-counter payments (or their equivalent).

36. Legal and judicial reforms need to be supported by appropriate institutional reforms; indeed, all are inextricably linked. Heavy government regulation and weak public institutions have deterred foreign investors because of the high transaction costs which result. Reforms of regulatory and administrative systems are, therefore, essential to reduce the cost of doing business and demonstrate that the procedures in use are applied consistently and efficiently. Take the composite example described in Annex XXI.

37. The example in Annex XXI gives a flavour of what doing business in some countries in Africa can entail. While the overall case is fictitious, its elements are based on real investors' experiences; and it aptly illustrates several points. First, it is very unlikely that a so-called "one-stop shop" can deal with all the necessary approvals for investment. Indeed, given the complex nature of the business in the example, it is hardly surprising. Also, without extensive legal resources, an investment agency cannot possibly be aware of all the laws and regulations applicable to each and every sector. At the same time, some Ministries will not agree to delegate the approval procedure to such an agency, so it is inevitable that investors will, at times, have to deal with several ministries, government departments, or licencing authorities for certain approvals. Second, those public institutions which are part of the chain of doing business, may, because of past behaviour, be suspicious of the private sector. There needs to be a change in the culture of such institutions from that of suspicion and control to that of partnership and facilitation. In many instances they are not geared up to respond quickly and positively to inquiries and to work with the private sector in partnership to move processes forward expeditiously. A typical problem is: who should give permission and sign on the dotted line; and, regrettably, just as typical, the need for approval opens up the opportunity to extract a rent for the "service". Finally, the example demonstrates that many services (accounting, architectural, engineering, financial, legal, etc.) are required to support investment;

and the larger the investment and more complex the business, the broader the range of services that are needed.

38. Therefore, while most CBI countries have a one-stop investment agency, reforms are still needed throughout the public sector so that regulatory and administrative institutions will respond to and work with the private sector, process documentation fairly and quickly, and do so without expectation of rewards in addition to salaries. This calls for an education program to show how the private investors operate and respond, as well as changes in the structure and procedures of the these institutions. In addition, further steps should be taken to assist the development of the accounting, banking, and legal professions.

39. Many of the required actions are to be undertaken at the national level. However, regional credibility is important; and there is a clear case for common standards and practices to be adopted by professional bodies across the CBI countries. So, as more countries take steps to streamline administrative procedures and facilitate investment, the more all the CBI countries will benefit, both from experience and a broader base of investor confidence.

Capital Market Development

40. Capital market development plays a vital role in investment facilitation by providing the vehicles for increasing domestic savings which, in turn, makes more capital available. Domestic financial markets need to be strengthened to the point where they can supply some of the much needed long-term capital (debt, quasi-equity, and co-financing) which is currently not available to new local entrepreneurs, except from a relatively few, low-level venture capital providers. Also, investors and businesses require a range of sophisticated financial services, not generally available throughout the CBI countries, to be able to operate efficiently in the global marketplace.

41. Capital market development is presently inhibited by the small size of the economies and low trading levels, and this argues strongly for regional integration of financial markets in order to provide investors with greater choice and flexibility, which are particularly important for bond and equity markets. However, in many countries, the first priority is to develop a sound financial sector and an efficient payments system for goods, services and capital transactions which are essential for increasing cross-border flows and market access. These developments call for the liberalization of domestic financial markets and improvements in their competitiveness by encouraging the free entry of private financial institutions together with appropriately strengthened systems of prudential management and bank supervision.

42. To ensure the soundness of financial institutions in the context of ongoing financial liberalization, the CBI framework calls for intensified efforts to improve prudential and supervisory capacity of central banks so as to encourage development of the commercial banking sector and other financial institutions, and to strengthen the domestic payments system.[18] Additional measures include developing foreign trade instruments and establishing correspondent banking relationships within the region.

43. Despite a variety of continuing problems faced by participating countries, there has been good progress in improving the efficiency of the banking systems. Direct monetary instruments in the form of bank-by-bank credit ceilings and selective credit controls have been phased out in almost all countries; most countries now use indirect monetary instruments such as open-market operations, liquidity requirements and discount facilities. At the same time, administered interest rates have been phased out and replaced with market based mechanisms in most countries (Annex XXII).

44. Attention has also been devoted to strengthening prudential regulations and the central banks power to enforce these regulations. To this end, legislation has been enacted or is being revised in several countries (Annex XXIII). The increasing focus on regulatory issues has coincided with an expansion of financial markets; the number of commercial banks have increased, and so have the foreign banks operating in these countries. Several participating countries have also taken measures to privatize state-owned financial institutions or to reduce government ownership of equity in privately controlled banks. Development of foreign trade instruments and the removal of impediments to entry indicate that significant progress has been achieved in many countries.

45. Despite recent progress in several areas, the degree of competition in financial markets in a number of countries remains limited to a few operators, and a thin supply of instruments. Limited institutional capacity and human resources have also been cited as important barriers in implementing on-site and off-site supervision and inspections for the effective and timely enforcement of prudential regulations. While the additions of new financial institutions and instruments should lead to greater efficiencies in financial sector operations, they demand supporting measures for training to strengthen prudential standards, reporting requirements and regulatory capacity.

46. Once progress in the above areas is well under way, attention can then focus on other improvements. From an investor's point of view, there are three areas where rapid development of the financial sector is needed: medium and long-term financing, financial intermediation, and over-the-counter services.

[18]See Concept Paper endorsed at the first Ministerial Meeting, Kampala, August 1993.

Medium and Long-Term Credit

47. The demand for credit is well known and documented, and, in view of the somewhat slow supply response, action is required to foster the growth of private institutions which provide equity financing and medium- and long-term credit. The CBI sponsors will have an important role in helping and advising countries on ways to bridge the gap between investment requirements and funds that can be mobilized from local savings and FDI.

48. In this context it is worth noting that efforts are under way to address the need for political risk guarantee. In many African countries, the principal reason why interested investors cannot obtain commercial credit is because financial institutions are reluctant to lend without a guarantee against the perceived political risks. To help address this issue, the World Bank – in conjunction with the COMESA Clearing House – has developed proposals for establishing an Africa Guarantee Facility (AGF) – to be renamed the Regional Trade Facilitation Project (RTFP). The AGF/RTFP was discussed briefly at the TWG meeting in November 1998 and a World Bank technical team visited a number of CBI participating countries, which expressed interest in the concept, to discuss the practical details of the proposed facility. An update on the AGF will be given at the forthcoming ministerial meeting. Annex XXIV provides a brief description of the proposed project.

Financial Intermediation

49. The mobilization of domestic savings is itself an important indicator of confidence both in the banking system and in a country's perceived prospects. It also acts as a signal to foreign investors. The extension of financial services to small savers, particularly in rural areas, would broaden and deepen financial intermediation. Thus, more effort is required to develop savings instruments, to educate savers about longer-term investments, and to build confidence in the ability to readily trade their investment instruments. In this regard, there is need to take steps to encourage the expansion of existing stock markets in Harare, Lusaka, and Nairobi. More cross-listings could be one such step.

50. Some economies are too small to support a stock market; and those on the margin are finding it difficult to attract more listings while trading levels are low. An obvious way to permit companies and investors in small economies to derive benefit from an active stock exchange is to develop regional stock exchanges, but these can only be effective if there are free cross-border flows of capital and dividends. At the same time, the larger economies would gain from the reputation attached to added

market capitalization and the demand for attendant financial intermediation services.[19] But regional capital market development would require acceptance of common standards and procedures; for example, listed companies in the various countries would have to adopt uniform accounting and reporting practices and standards.[20]

Over-the-Counter Services

51. In most African countries there is need to harness the latest technology to improve and extend the range of over-the-counter services. For example: (i) transfer of capital should be swift and the cost minimal; (ii) a person should be able to cash travellers cheques immediately on presentation of his/her identity card (or equivalent) and not have to sign several different forms and set aside over an hour for the process; and (iii) an investor who has bought shares should be able to lodge the share certificates with a bank for safekeeping and be confident that he/she can withdraw those certificates on demand.

Human Capital Development

52. The need for human capital development was raised several times during the TWG meeting in November 1998. There is no doubt that this is a critical issue and that greater effort and resources are required for investment in primary and technical education; but these forms of education will need to be sustained over a long period in order to be reflected in changes in business activity. The co-sponsors have been actively supporting capacity building efforts throughout the CBI countries but there is an increasing focus on regional initiatives; and these sources of support should be exploited to the full.[21]

53 Since capacity building requires a long time horizon whilst that of the CBI itself is short, no specific proposals in this area are as yet included in this Road Map. However, a road map extending into the medium term (at least five years ahead)

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[19] A study was carried out with EU funding on the feasibility of establishing an African regional exchange (AFREX). The study proposed AFREX as an independent cross-market, electronic and regulated regional securities exchange which would mainly deal with equity instruments, debt instruments, and money market instruments issued by private corporations and commercial banks. The key objective would be to mobilise funds from capital surplus regions and channel them towards African economies, especially in the Eastern and Southern African region, more effectively than is being done at present or which could be achieved through simply a network of national exchanges. AFREX would specifically serve the needs of smaller economies.

[20] The newly established regional stock exchange in Abidjan provides an example of the steps to be taken and what can be achieved.

[21] For example: (i) the EU has supported capacity building at a regional level under its regional cooperation programmes; and (ii) the Executive Directors of the World Bank recently approved a new instrument whereby the Institutional Development Fund can give grants to regional entities for capacity building activities.

should certainly include extensive efforts to raise skills, especially through tertiary and vocational training. Nevertheless, CBI countries should endeavour to share capacity building programs. Possible avenues for cooperating in and harmonizing human capital development include: (i) adopting common technical education and training syllabuses and materials;[22] (ii) adopting common (international) standards for professional bodies; and (iii) merging professional bodies in order to form regional instead of national institutions, which would have greater influence and be better equipped to provide training and development.

54. Unfortunately, progress in capacity building is now seriously threatened by HIV/AIDS. Nowhere in the world is HIV/AIDS more prevalent than in East and Southern Africa. Annex XXV shows the adult prevalence rates as at end 1997 for the CBI participating countries. At that time more than half of the CBI countries had adult prevalence rates over 10 percent and four countries had rates close to or in excess of 20 percent. These statistics represent a stark picture of human tragedy. Worse still, the prevalence rate in most countries is expected to increase. This reality has profound implications for development, including investment.

55. As the incidence of HIV/AIDS becomes more widely known and understood (and it must be in order to deal effectively with this disease) it will, in the absence of counter-measures, become an increasing deterrent to investment. Companies in the most affected countries are facing the prospect of significant increases in staff costs arising from staff absenteeism (due to illness and family bereavements), higher labour turnover (due to incapacity and deaths), increasing recruitment, training, and staff welfare costs (medical insurance, medical expenses, and assistance to affected employees). Absenteeism, high labour turnover, and under-trained staff are also likely to impact on production efficiency and quality, all of which pose additional burdens on managers (who themselves represent one of the categories most affected by the HIV/AIDS disease). This means that the comparative advantage of a plentiful supply of labour is rapidly being eroded and the countries concerned will become increasingly non-competitive.[23] Without immediate and visible action to counter the HIV/AIDS threat, foreign investors will shy away from setting up and/or developing businesses which are labour intensive. Otherwise, they will need incentives which will limit staff costs to internationally competitive levels. Dealing with HIV/AIDS is therefore no longer simply a medical problem. Its effects now cut across all sectors and every aspect of development, including investment. Hence, CBI participating countries must be seen to recognize and address this critical issue by taking concerted joint action to deal with its growing impact.

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[22]The AERC, with support from a group of donors, is implementing a collaborative MA programme in economics. This programme involves 20 universities in 15 African countries that collaborate to offer a high quality Masters Degree in Economics.

[23]The U.S. Census Bureau's recent report "World Population Profile: 1998" estimates that, by the year 2010, sub-Saharan Africa will have 71 million fewer people than it would have without the effect of AIDS. The report states that the average Zimbabwean can now expect to live 39 years, down from 65 prior to the AIDS epidemic sweeping the country and estimates that Zimbabwe already has 1.6 million fewer people directly or indirectly due to AIDS.

Credible Privatization

56. Privatization is playing an important role in attracting investment. Not only is it the catalyst for significant FDI, it is also helping to introduce and expand competition and it is providing a launch pad for developing the private sector in many African countries. But the process must be credible if it is to continue, avoid reversals, and yield its full potential benefits, including the attraction of the right types of investors.

57. While privatization has taken off in most CBI countries, experiences vary and few programmes are rated as successes. Perceptions are that African governments have only adopted privatization reluctantly and that programmes have generally not been well managed. In particular, there are concerns about insufficient public information and transparency.[24] The recent trend for major utilities to enter the privatization process have only highlighted these issues, with reports from several countries of behind the scenes manœuvering (involving bribes to give preferential treatment to particular investors) in an attempt to bypass the official procedures which were designed to ensure a level playing field. Recently in Uganda, a well publicized example of this led Parliament to suspend the privatization programme there. Despite concern about what this meant to current privatization transactions, the action by Parliament may well prove to be beneficial to Uganda's investment climate because it demonstrated a commitment to root out unacceptable practices. It is becoming increasingly clear that the way in which privatization programmes are managed, including the extent of stakeholder participation and public information, reflects on good governance and, for the immediate future, the general climate for investment in each country.

58. Equally important is the need for divestiture transactions to be negotiated and concluded in a professional, business-like manner. There have been several instances in Africa where the way in which an important privatization deal has been handled has undermined a country's efforts to attract investment (e.g. where there is a delay in negotiating a deal with a first-ranked bidder, or where an additional entrant is introduced after the closure of a competitive bidding process). Governments and their implementing agencies should remain alert to the fact that all investment facilitation efforts can be negated if investors in the market get the wrong signals. Hence, fairness and transparency must be applied consistently.

Investment in New/Upgraded Infrastructure

59. Infrastructure – including power and water supplies, roads, transport and related services, and telecommunication – is essential to business operations. From an investor's point of view, these facilities and services in many CBI countries are inadequate (either because of quality or unreliability) or are too costly. Efforts to

[24]See "Privatization in Africa" by Oliver Campbell White and Anita Bhatia, World Bank, April 1998.

expand and upgrade infrastructure are under way in most countries through privatization, encouraging private sector entrants, and private participation in new major infrastructure projects. However, in some cases, these efforts may take time to realize significant improvements and, in the meantime, there will be added pressure to use existing capacities to maximum efficiency.

60. Privatization is yielding benefits, but more can be done to use the process to accelerate the much needed upgrading of infrastructure. CBI countries should look closely at this, particularly in the context of shared infrastructure (e.g. border roads).

61. In view of the difficulties in quickly accessing reliable utility and other services in many CBI countries, more attention should be given to establishing industrial estates with good infrastructure.[25] At the same time, investors will respond if utility services were provided at world market prices. Already several CBI countries have moved to establish export processing zones (EPZs) including Mauritius, Namibia, Zimbabwe, and Zambia. The record of performance of EPZs has been mixed. There is need to harmonize the regulatory framework of export processing zones and to conform with WTO provisions. However, some observers argue that, because EPZs could attract instances of fiscal fraud, there is a case for their elimination; as an alternative they propose a rebate on the import duty component of applicable exports.

62. Worldwide, in response to the public sectors' difficulties in financing and managing new, major infrastructure projects, there is an increasing trend of private participation in infrastructure (PPI). Whilst there are a few examples in sub-Saharan Africa, PPI has not taken off as in other parts of the world. In the absence of strong commitments on service tariffs and credible regulatory provisions, private companies have been unwilling to take investment risk in the region. In some cases they have taken on a degree of commercial risk under lease contracts; in other cases private participation has been limited to management contracts. However, the projects in the CBI countries for which PPI would be suitable call for large sums of money; but investors are wary due to the long-term payback period and perceived high risks. Instruments for mitigating risks are available through, among others, MIGA, IBRD and IDA partial risk guarantees, and international investment protection treaties.[26] But CBI participating countries could collectively do more to package their efforts so as to be able to use soft loans from multinational financial institutions and equivalent loans and grants from bilateral sources to provide guarantees which would cover medium and long-term credit for both foreign and domestic investors.

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[25]Experience of industrial estates and export processing zones worldwide suggests that they are more likely to be successful if they are privately owned and/or managed.

[26]Note that: (a) the World Bank can now provide IDA guarantees for IDA-only countries; this new facility ($300 million for the pilot phase) can be used to promote private sector-sponsored cross-border projects; and (b) if the proposed Africa Guarantee Facility is adopted, this will add an important new instrument.

Investment Promotion

63. There is no argument about Africa's image outside the continent. Perceptions are largely influenced by the bad news that has emanated from Africa, which has usually described events and situations arising from famine, poverty, sickness, drought, tribalism and racism, civil war, and corruption. Today, a few countries are free of most or all of these elements; while many others have recently taken steps to deal with them. Even so, efforts by individual countries to promote a better image are not enough to correct the common perception of Africa. Hence there is mutual interest among Africa's countries – and the CBI countries in particular – to build a better image, one that portrays the successes as well as the strengths of the continent's resources and opportunities, and one that shows that determined efforts are under way to counter and overcome corruption, HIV/AIDS, instability, and poverty.

E. Proposed Programme of Immediate Actions

64. It would not be feasible to tackle all aspects of investment facilitation at one and same time; hence it is important to discuss and agree priority areas and actions. Firstly though, it must be emphasized that the necessary conditions outlined in section C are of paramount importance, especially with regard to macroeconomic stability. In terms of what CBI participating countries can do additionally to encourage and facilitate investment, this section proposes immediate actions in five priority areas:

(i) accelerate implementation of the CBI trade reform agenda;

(ii) more intensified investment promotion efforts;

(iii) selective legal and judicial reforms;

(iv) selective tax reforms; and

(v) establishment of an Africa Achievements Awards scheme which would promote improvements in the quality of services which influence investment.

65. More could be done but, whatever steps are agreed, there will be a need to focus attention on speedy, effective and coordinated implementation to yield early positive results. The programme described here is only a framework: each country will have to design its own specific path along this Road Map. In the light of the guidance of the Inter-Ministerial Meeting, each TWG will, in conjunction with its national

investment promotion agency, prepare a detailed timetable for implementing the agreed actions, including additional country specific actions which reflect sector priorities. In addition, a comprehensive programme will have to be drawn up for implementing the collective CBI actions and for coordinating those efforts which are to be undertaken simultaneously at the national level.

66. Whilst the actions at the national and regional levels are complementary, they require different implementation approaches. For example, national promotion efforts – both those suggested in this paper and others more generally – can only be the responsibility of local private and/or public institutions. These can – and should – be implemented regardless of the CBI context. However, each participating country has to implement the actions agreed under the CBI in unison so that they are consistent both in nature and timing with other countries and thereby contribute towards building a better regional image and reputation. The regional initiatives, on the other hand, are actions which have to be implemented collectively, by coordinating efforts and contributions using the institutions and vehicles to be agreed upon.

67. Clearly the national level investment promotion efforts, referred to below, will be organized and managed in each country; but action will also be needed at the national level to support most of the other proposed actions. A key issue will therefore be how to ensure concerted efforts which are in unison among the participating countries. This can perhaps be answered if satisfactory institutional arrangements (Section F) can be agreed for those actions which clearly require an appropriate regional vehicle.

Trade Reform

68. There is an urgent need for a substantive push towards the completion of the liberalization of trade regimes, thereby reducing the anti-export bias (essential for investment in small developing economies), improving the use of foreign technology, and increasing the comparative advantage that CBI participating countries could exploit to improve their income distribution. The first step would be to complete expeditiously the import tariffs reforms set out in the existing CBI Road Map for Trade Reform by lowering the trade weighted average of import tariffs to no more than 15 percent, having an import tariff structure of no more than three non-zero rates and a maximum rate of 20-25 percent, and eliminating customs duty exemptions consistent with international treaty obligations. Furthermore, as indicated in the Road Map for Trade Reform, tariff rates on capital goods and raw materials should not exceed five percent.[27]

[27]Synthesis Paper, paragraph 11.

69. A related issue is the introduction of WTO tariff bindings. To date, most CBI participants have not bound many products, and those that have been bound are at rates much higher than the rates applied. Accordingly, in deepening tariff reform and providing additional credibility to the irreversible nature of the reform process, CBI participating countries should initiate the introduction of WTO tariff bindings at rates not much higher than the levels envisaged in the CBI Road Map for Trade Reform and increase the number of tariff lines that are bound. Such a step will greatly enhance the participating countries' credibility in creating an appropriate incentive structure for promoting efficient investment and trade flows. Moreover, it will permit flexibility in case of need as well as discretionary action to reduce tariff levels further.

70. Finally, as already recorded in the Synthesis Paper discussed at the Third CBI Ministerial Meeting, continuing efforts beyond the targets specified in the Road Map for Trade Reform should be made to further reduce the stipulated maximum tariffs, narrow the number of tariff bands further, and lower the average trade-weighted tariff. Uganda is showing the way by already going beyond the targets of that Road Map with two non-zero rates, a maximum rate of 15%, and a trade-weighted average tariff of around 10%. Such efforts will be key in helping the CBI participating countries to integrate into the global economy and remain competitive.

Investment Promotion

Regional (CBI) Level Investment Promotion Efforts

71. To promote investment successfully, African countries need to go forward with conviction and self-confidence and be able to demonstrate that worthwhile investment opportunities exist and that barriers to doing business have been removed. Once the barriers are removed, substantial flows of investment can only be achieved through a sustained promotion program with consistent messages and a stable business environment. The CBI participating countries have a common need to take concrete actions to promote a better image of Africa and, therefore, to encourage investment at two levels: regional and national. At the regional (CBI) level, the following actions could be taken:

a) building on progress to date, simplify and liberalize further the approval procedures and consolidate investment codes and other regulatory provisions into a single published document for each country to facilitate access to regional and world markets by potential investors (by end-2000);

b) cooperate on promotion by adopting common policies and by pooling advertising, promotion events and investment missions.[28] However, without

[28]Efforts could be coordinated with MIGA's IPAnet and the World Bank Group's PrivatizationLink.

full support of all the CBI participating governments, especially in terms of providing adequate resources, a unified approach to investment promotion will not be easy (Annex XXVI). Nevertheless, a joint approach has already been adopted by the investment agencies in Kenya, Tanzania, and Uganda. The proposal here would build on and extend that approach.[29] The centrepiece for promotion should be a public relations campaign to improve the image of doing business in the CBI countries. Whilst specialists would be recruited to advise and coordinate the work, much of the preparation would have to be undertaken by the TWGs. For example, the TWGs would be responsible for identifying and collecting information on success stories and other features that would convey the right messages for attracting investment. The TWGs should consider targeting specific industries and sectors (for example: roads and other infrastructure) and investors. There are three broad categories of investors to be targeted. First are the multinational publicly quoted companies. These are the most important because of their ability to mobilize investment, introduce new technology, expand market access, and to act as a catalyst for new local businesses. These are the types of companies whose presence would send a clear message of confidence to the market place. Next are CBI country nationals who have savings outside the region; and, third, are selected non-traditional investors.[30]

c) improve and share information by establishing a CBI website which would present data of interest to investors, including, for example, macroeconomic data, progress in harmonization of tariff regimes and liberalization of exchange systems, recent and current share prices and trading levels, and availability of support services. Links should be established to the World Bank Group's IPAnet and PrivatizationLink services and Africa Privatization Database, and other relevant sites (by end-1999); and

d) examine the feasibility of establishing cross-border investment funds (see Box 1).

National Level Investment Promotion Efforts

72. At the national level, a four-pronged initiative is suggested. First, a package of changes should be designed and implemented which would make each CBI country a more attractive place to visit and which would provide more information and better services to potential foreign investors.[31] These would include improved

[29]Similar actions are foreseen under the integrated regional programme for developing trade (PRIDE) initiated by the Indian Ocean Commission.

[30]These should be carefully selected on the basis of their recognized special technical niche and financial soundness.

[31]It should be noted that actions and sequencing will vary from one country to another. Each TWG will need to prepare its own country-specific road map for investment facilitation. The co-sponsors can help in this process (e.g., FIAS has helped several countries, including Uganda and Swaziland, to prepare enterprise level investment road maps).

airport arrival arrangements, including a visitors' information desk with maps and printed guides on hotels and business support services (such as firms of accountants, business consultants, lawyers, surveyors, and secretarial services), and provision of quality taxi services without crowd nuisance.

73. Second, greater attention should be paid to the issue of security. Not only do investors, whether they be local or foreign, prefer to do business in an environment in which they feel personally safe, but the level of security is read by many as an indicator of longer term stability. Hence, steps should be taken, in conjunction with the authorities responsible for security measures, to develop and carry out programs to educate people on the need to improve security, not simply in terms of enforcement measures but also in terms of the benefits to society generally if everyone feels safe.

Box 1 : Facilitating Savings and Investment through Cross-Border Funds

Broadening ownership is one of the recurring issues in privatization in most African countries. In most countries, opportunities for broadening ownership are constrained not only by low savings but also by the scarcity of sound investment opportunities and the infancy of the capital market. Opportunities are scarce because most parastatals undergoing privatization require substantial capital investment, technological upgrading, and greater access to markets, in addition to improved corporate governance; and these requirements necessitate the introduction of core investors or, for smaller companies, outright sale to interested investors. Public offerings of shares in companies with a credible track record are few and far between; and as yet unavailable in some countries. At the same, the size of many economies raises doubt as to whether there would, in the foreseeable future, be a sufficient critical mass of equity instruments and trading activity to support a stock exchange. The idea of establishing regional stock exchanges has already been floated; and the first regional stock exchange in Africa has recently been established in Abidjan. But for the CBI countries, the development of one or more regional stock exchanges may be some years into the future. In the meantime, privatization agencies need vehicles for divesting minority stakes in profitable companies in ways which will broaden ownership, while new equity instruments are needed to attract small savers to invest.

A possible instrument for this could be cross-border investment funds. Some privatization agencies (for example in Tanzania and Zambia) are already working on establishing investment funds. CBI members should consider extending this concept to enable funds to hold a portfolio of equities in several countries. There would be a number of details to work out, but cross-border investment funds or unit trusts could:

- facilitate the setting up of funds with a substantive core of attractive equities;
- provide a vehicle for faster divestiture of residual state shareholdings, especially in smaller companies; and
- help broaden ownership and stimulate savings by offering small savers in several countries the possibility of investing in funds where risks are spread across a broader range of equities.

74. Third, in several CBI countries the private sector was for some years under a command economy. As a result, many potential entrepreneurs have very limited knowledge and experience of preparing business plans, raising capital, marketing, quality control, and business administration. Where this situation is applicable, investment promotion efforts should therefore be aimed to provide information and training to meet the need of emerging businesses.

75. Fourth, efforts to attract foreign investors should be matched by promoting a good interaction with local investors. This suggests that investment promotion agencies should play an active part (including, for example, by maintaining databases of foreign and local investors) in facilitating appropriate introductions.

Selective Legal and Judicial Reforms

76. As a recent World Bank document explains, the strengthening of legal, regulatory and judicial underpinnings are essential to private sector development in Africa.[32] In the context of efforts to attract both foreign and local investment and to harmonize procedures in order to facilitate investment, CBI members could: (a) create a new category of "regional enterprises"; (b) adopt common company and branch registration procedures; and (c) establish separate commercial courts to deal with contract enforcement.

77. However, the first and most important step , which would send a clear message to investors, is for the CBI countries to resolve land issues. Investors need to know that appropriate land is available and that they can purchase it or lease it on a long-term basis. Without this reform, the promotion efforts described earlier will be unconvincing and fruitless.

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[32] "Africa Can Compete! A Framework for World Bank Group Support for Private Sector Development in Sub-Saharan Africa" published by the Private Sector Finance Group, Africa Region, World Bank in August 1998.

Regional Enterprises

78. Investors would find the cost of doing business significantly lower if a company registered in one CBI country was recognized as a regional enterprise and could commence activity in other CBI countries without the need to incorporate new legal entities. A firm would be considered a regional enterprise if it was incorporated in one of the member countries regardless of the nationality of ownership. Thus, any firm incorporated in the region, including foreign multi-nationals, would be considered resident.

Improved Company Registration Procedures

79. Adoption of common registration procedures is closely linked to the previous action. However, it could be more easily and quickly adopted. Whilst there might, at least in the short-term, remain differences in the legal forms of companies and regulations governing their ownership and stewardship, there is no reason why agencies responsible for company registrations should not adopt common – and more modern and simplified – registration procedures (see Box 2).

80. This step would evidence the intent and commitment to reducing transaction costs and to gradually harmonizing laws governing businesses and commercial activity. Depending on their colonial history, the corporate laws of member CBI countries are based on one of either: English Common Law and Company Law, Dutch Roman Law, or the Code Civil. Adoption of common registration procedures would be a first important steps towards harmonizing the laws (including contract, corporate, bankruptcy, labour, and property laws[33]) which form an integral part of an investment regime.[34]

81. Overhaul and harmonization of company registration procedures would yield a number of benefits:

- investors would find it easier to register companies;
- registrars would have the ability to share cross-border corporate information;
- automatic links to other registration requirements (such as tax and licencing);
- enormous information retrieval potential (of benefit to government planners and policy makers, economic analysts, investors, and existing or potential creditors); and
- improved billing and collection of penalties.

[33]Including intellectual property rights.

[34]The laws underpinning regulation would also be included. Indeed, a road map extending into the medium term could well include the harmonization and/or integration of regulatory frameworks.

Box 2 : Overhaul and Harmonization of Company Registration Procedures

Incorporation of a business – more often, but not exclusively, in the form of a limited liability company – normally requires registration at a central bureau. In the case of Anglophone countries, the bureau is usually referred to as the Company Registry and the official who signs the certificate of incorporation is known as the Registrar of Companies. Incorporation can or should also trigger tax registration and other business registration requirements, such as trading licences and registration of business names. Within a specified time and annually thereafter, registered companies are required to complete and submit an "Annual Return" to which should be appended a copy of the company's audited financial statements. Similar procedures apply in non-Anglophone countries.

In some countries, because of ill-equipped offices and under-investment in staff and technology, there are significant backlogs of work, procedures are not applied consistently, and linkages to other registration requirements have lapsed. Companies consistently fail to file their returns on time and administrative inefficiencies mean that steps are not always taken to enforce reporting requirements and to collect fees and penalties. A relatively small investment in designing and installing a standard computerized company registration system in the CBI countries could make registration easier for investors and would dramatically improve knowledge of how companies and sectors are performing.

Investment would be facilitated because: (i) investors would know that registration requirements and procedures would be identical in each CBI member country; (ii) with network connections between company registries, it could be feasible for a company registered in one CBI country to automatically open a branch in another country; and (iii) by directly linking incorporation with tax, business names, and trading licencing systems, it would be possible to streamline most, if not all, registration formalities.

Standardized registration systems and procedures would also facilitate trade as buyers and sellers will be able to access publicly disclosed information on potential corporate suppliers and customers across borders.

A company registry is essentially a database to which shareholders, creditors, and other interested parties have legal right of access (on payment of a fee). Upgrading the computerized database would yield enormous potential for improved monitoring of economic changes. Properly administered, it could instantly provide data on business growth, changes in business patterns (entries and exits), and the financial performance of enterprises by type of owner, by sector, by size, by location, etc. However, to yield its full potential benefit, company reporting requirements should also be reviewed and a unified reporting system introduced which would combine the requirements of the tax authorities as well as the registrar of companies. This would require legislation to be updated in order to extend the scope of disclosure of ownership and financial and other information in the annual report and audited financial statements of incorporated companies.

Establish Separate Commercial Courts

82. A fast track system is needed which will give lenders confidence in their ability to recover debt in the event of default. CBI countries could, therefore, establish separate commercial courts to deal with corporate disputes and debt recovery and bankruptcy actions. Uganda has already embarked on this course and would serve as a useful model. Uganda's TWG could be requested to disseminate its experience and lessons in this area to the other TWGs. More recently, COMESA (which is now referred to as an investment area) has established a commercial court; the Court of Justice comprises seven judges who meet on an *ad hoc* basis with a permanent Court Registrar who is in Lusaka.[35]

Selective Tax Reforms

83. The proposals are grouped into four distinct areas – taxes on goods and services, taxes on income and profits, tax administration, and double taxation agreements – with an explicit frontloaded annualized timetable over the next three years. Annex XXVII summarizes good practice in tax and tariff systems. However, as noted earlier, tax reforms should not be at the expense of cutting essential expenditure.

Taxes on Goods and Services

84. An important step would be to make detailed preparations for introducing a broad-based consumption tax (a VAT), preferably with a single rate, minimal exemptions, and a threshold.

Taxes on Income and Profits

85. Steps should be taken to simplify taxes on income and profits and to reduce rates to levels which will diminish the attractiveness of evasion. For companies, the CBI countries could adopt: (i) a common policy on tax holidays and specific exemptions (preferably their elimination); (ii) lower company profits/income tax to one moderate rate and a lower withholding tax.[36] Concomitant with these measures, depreciation allowances on all capital equipment should be uniform among sectors, with a provision for accelerated depreciation, and expenditure on research and development and worker training should be fully deductible.

[35]The Court will, inter alia, adjudicate on unfair trade practices and interpretation of the treaty, and ensure that members comply with agreed decisions.

[36]Withholding tax should be credited at the time of filing individual returns. The status of non-residents should be re-examined in order to take account of the effect of double taxation treaties (or absence thereof).

86. For individuals, the CBI countries should lower personal taxes, limit personal exemptions and deductions, and aim at a few brackets and a moderate top marginal rate.

Tax Administration

87. Among the various aspects of tax administration which could be improved, probably the most important for investment is customs computerization using the least cumbersome means possible. In this regard, there are a number of systems available but customs computerization based upon the Automated System for Customs Data and Management (ASYCUDA) is recommended as that system has been adopted by COMESA.[37] The CBI countries should take steps to ensure policy coordination between the Inland Revenue and Customs Departments and the policy-making ministries (Finance and Planning) with a close liaison with the PIC of the CBI.

Double Taxation Agreements

88. As reported earlier, some progress has been made towards concluding double taxation agreements but there is a long way to go to extend coverage to all the countries from which potential investors may emerge. It is suggested that the CBI countries approach this in three steps: (i) conclude mutual double taxation agreements among all CBI members, preferably in a standard form; (ii) conclude agreements with all traditional trading partners (where they do not currently exist or have lapsed); and (iii) seek to conclude agreements with new countries from which there is potential to attract investment.

Awards to Raise Awareness and Provide Incentives

89. As already explained in Section D, there are certain support services whose availability and quality influence investment. The most important of these are: (i) improving information for investors; (ii) raising professional standards and practices; and (iii) improving financial and non-financial services. The questions then arise: how can CBI countries raise the awareness of the need to make these improvements and what incentives can be put in place to stimulate an early response from the private sector? Box 3 outlines a proposal to establish an awards scheme which would help raise awareness and would provide incentives.

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[37]Several CBI participating countries have already implemented ASYCUDA, often as part of an EU supported COMESA project.

Box 3 : Encouraging Development - A Proposal for Africa Achievement Awards

Today there is wide acceptance that the private sector must be the engine for economic growth. But the recurring question is: what can be done to spur the private sector to deliver the improvements in services and performance which are urgently required? And can ways be found to deliver early measurable improvements without government intervention? By providing financial and publicity incentives to private sector firms in key sectors, the introduction of a scheme of annual Africa Achievement Awards (AAA) would be one possible vehicle for accomplishing this.

For example, the range of financial services needs to be extended and technology harnessed in order to make over-the-counter transactions more efficient and customer friendly. One of the awards could be a prize for the commercial bank which had demonstrably made most progress in introducing more products and in improving the quality of customer services.

Another award could be for more export growth resulting from promotional and quality enhancement efforts. Such an award would be open to companies of all sizes since growth could be measured in relative, not absolute, terms. Yet other awards could be for increased production (whether for domestic or export sales) and for diversification.

If this concept gains CBI acceptance and is adopted, and private and public sponsors commit the required financial support, commercial enterprises in CBI countries could compete for annual awards including, for example, awards for achievements in:

Best financial services	Information technology
Company reporting	Innovation
Efficiency improvement	New business
Environment protection	Increased production and diversification
Export growth	Professional training

The AAA scheme could, with financial support from the CBI sponsors and private sponsorship, offer financial rewards (annual prizes of grants from, say, \$50,000 to \$250,000). Firms would gain significant marketable value in terms of the publicity and kudos from winning an award. At the same time, the scheme would also contribute to information sharing among the participating countries for further dissemination and awareness building.

F. Institutional and Other Requirements for Implementation

90. To implement the proposed actions under this investment facilitation road map, the participating countries' authorities will have to decide on the: (i) scope and sequencing of actions; (ii) preparatory steps; and (iii) the internal and regional institutions who will be responsible. These actions will also require ongoing efforts and support to sustain them beyond the time when the policy decisions to proceed have been taken. This will call for sound planning and effective institutional arrangements based on the following principles:

- consistency in applying the general conditions for investment;
- recognition of the larger market concept (the need to build a regional market as well as further integration into the global economy) and thus the need for CBI participating countries to work together and pool resources so as to maximize investment generation;
- participation of the private sector to the maximum extent feasible;
- broad recognition of, and responsiveness to, the need to sustain credibility in the market place;
- ability to readily communicate and coordinate among CBI participating countries;
- ability to generate and sustain donor support and private sector sponsorship; and
- leadership and a private sector approach to implementation (non-bureaucratic, decisive, speedy).

91. To help the PICs and TWGs to design effective institutional arrangements, Table A on the next page lists each of the proposed actions under the Road Map (Section E), the key institutions who might be involved, and the principal options for implementation. Annex XXVIII provides additional details to help policy makers and the TWGs in this process.

92. There are four major factors which will influence how soon implementation can commence:

a) the presence of a champion who can help drive the programme forward and maintain momentum through continuous contact with the TWG's and others involved in the various activities;

b) agreement on regional institutional arrangements;

c) the authority and capacity of the TWGs. The TWGs must be firmly entrenched in both the policy making framework and in the public-private dialogue; and they must be sustainable to help see through and maintain reforms. In some countries, this may require institutionalising the role of the TWGs (e.g. by placing them within private or semi-private policy institutions or in relevant government ministries). The TWGs will almost certainly require their capacity to be reinforced in order to implement and sustain the changes; and

d) support of the co-sponsors and other donors to ensure adequate and timely resources for (b) and (c).

93. This Road Map represents a challenge which must be met if the CBI participating countries are to demonstrate seriousness in their intent to mobilize investment. While the TWGs will have an important role in monitoring and reporting on progress, the main responsibilities for implementation are likely to fall to the investment promotion agencies. It is, therefore, vital that these agencies be briefed as soon as possible so that they begin the task of contacting and mustering the institutions who should contribute to the individual actions. Many institutions, especially from the private sector, will be involved (in fact more than simply those referred to in the notes in Annex XXVIII) and coordination may not be simple. The use of virtual meetings would greatly facilitate this coordination. This illustrates the need for the agencies to review their resources to ensure that they will have the capacity to deliver.

94. Finally, attention should be drawn to the continuing efforts that will be required under the Road Map for Investment Facilitation: it will involve not only detailed preparatory work but also ongoing efforts, including detailed policy reviews and support over a period of years. Indeed, it may be several years before these actions will yield a discernable response from investors, a fact which underlines the need for consistent application. Hence, Governments and their implementing agencies, the regional institutions involved, and the sponsors will need to be prepared to provide ongoing commitment in order to derive success from this Road Map.

Table A : Institutional Options for Implementing Investment Facilitation Road Map

Proposed Action	Key Institutions Involved at Country Level*	Key Institutions Involved at Regional Level (plus TWGs)	Principal Options for Implementation
Trade Reform			
(a) complete reforms under CBI Road Map for Trade Reform	As now	COMESA, EAC, IOC, SADC	As now
(b) lock in trade reforms	As for (a)	COMESA, EAC, IOC, SADC	As for (a)
(c) go beyond targets in CBI Road Map for Trade Reform	As for (a)	COMESA, EAC, IOC, SADC	As for (a)
Regional Promotion Efforts:			
(a) simplify investment codes and approval procedures and regulatory provisions	IPA, Government legal office	COMESA, EAC, IOC, SADC	IPAs take lead responsibility with detailed work contracted out
(b) joint promotion	IPA, business associations, Government ministries	COMESA, EAC, ECA, IOC, SADC	Africa Business Roundtable, Enterprise Networks, and other private sector cross-border institutions, but detailed work to be contracted out
(c) information website	IPA, business associations, Central Bank, Government ministries	AfDB, ECA	AfDB and institution responsible for joint promotion
(d) examine feasibility of cross-border investment funds	Privatization agency, privatization trust, stock exchange, financial institutions, Ministry of Finance	COMESA, EAC, ECA, IOC, SADC	A co-sponsor or a privatization agency or trust with study contracted out
National Promotion Efforts:			
(a) improve information and travel environment	IPA, business associations, airports/ports authorities, immigration and customs authorities.		IPAs or Chambers of Commerce
(b) improve security	Business associations, police, Ministry of Home Affairs, Ministry of Trade/Industry		Ministry responsible for internal security
(c) assistance to local entrepreneurs	IPA, business associations, banks		Specific projects
(d) promote interaction of local and foreign investors	IPA, Business associations, Ministry of Trade/Industry		IPA or, if very active, Chamber of Commerce
Selective Legal and Judicial Reforms:			
(a) create regional enterprise legal form	Government legal office, accounting and legal professions, business associations	COMESA, EAC, IOC, SADC	COMESA and Government legal offices
(b) adopt common registration procedures	Company registrar, Government legal office, tax authorities, accounting and legal profession, IPA	COMESA, EAC, IOC, SADC	Registrars under guidance of COMESA commercial court
(c) establish separate commercial courts	Justice Ministry, legal profession, judiciary	COMESA	Justice Ministries under guidance of COMESA commercial court
Selective Tax Reforms:			
(a) Lower import tariffs in line with CBI Road Map	As now	As now	As now
(b) simplify income tax structure and lower rates	Ministry of Finance, tax authorities, accounting profession, business associations, IPA	COMESA, EAC, ECA, IOC, SADC	Ministries of Finance
(c) improve tax administration	Ministry of Finance, tax authorities, accounting profession	COMESA, SADC	Ministries of Finance
(d) conclude double taxation agreements	Ministry of Finance, tax authorities, accounting profession	COMESA, EAC, ECA, IOC, SADC	Ministries of Finance
Africa Achievement Awards	Business associations, professional institutes, Government ministries		Enterprise Networks, Africa Business Roundtable, Private firms

Note: The co-sponsors will also contribute to and support these actions, subject to each institution's own policies and assistance programs.

GDP Growth Rates in CBI countries (%) (negative rates in italics)						
CBI Countries:	**1993**	**1994**	**1995**	**1996**	**1997**	**1998***
Burundi	*-5.7*	*-3.1*	*-7.0*	*-8.6*	0.4	4.5
Comoros	3.0	*-5.3*	*-3.9*	*-0.4*	0.0	1.0
Kenya	0.4	2.6	4.4	4.1	2.1	1.5
Madagascar	2.1	0.0	1.7	2.1	3.6	3.6
Malawi	9.7	*-10.2*	14.7	10.7	5.1	4.0
Mauritius	5.4	4.1	4.7	5.4	5.0	5.3
Namibia	*-2.0*	6.7	3.4	2.9	1.8	1.5
Rwanda	*-8.1*	*-19.3*	36.6	12.0	10.9	10.0
Seychelles	6.2	*-0.8*	*-0.6*	4.7	4.3	4.1
Swaziland	3.3	3.5	2.7	3.9	3.7	2.0
Tanzania	12.2	1.4	2.6	4.1	4.0	3.4
Uganda	8.3	6.4	11.4	9.3	5.4	5.7
Zambia	6.8	*-3.4*	*-2.3*	6.5	3.4	*-2.0*
Zimbabwe	1.3	6.8	*-0.7*	7.3	3.2	2.4
All CBI countries:	**3.3**	**0.9**	**4.8**	**5.9**	**3.8**	**3.4**
Some non-CBI countries:						
Angola	*-23.8*	1.4	11.2	11.6	7.6	*-1.1*
Botswana	*-0.1*	4.1	3.1	7.0	6.9	6.0
Lesotho	4.0	12.9	9.1	12.7	8.0	1.5
Mozambique	8.6	7.5	4.3	7.1	12.4	9.1
Nigeria	2.2	*-0.6*	2.6	6.4	3.9	*-3.2*
South Africa	1.3	2.7	3.4	3.2	1.7	*-0.5*
All sub-Saharan Africa:	**0.9**	**2.0**	**5.9**	**4.9**	**3.6**	**1.4**
All SSA excluding South Africa & Nigeria	**0.5**	**2.1**	**8.1**	**5.6**	**4.5**	**3.7**

* 1998 figures are estimates and are subject to revision.

Figures calculated in 1987 constant terms.

Source: *World Bank Africa Rsegion Live Database (12 May1999)*

Gross Domestic Investment in CBI countries as a share of GDP (%)

CBI Countries:	1993	1994	1995	1996	1997	1998*
Burundi	15.7	8.6	7.2	9.9	6.8	6.7
Comoros	20.6	21.0	19.9	18.9	21.3	19.8
Kenya	17.6	19.3	21.8	20.4	19.1	18.4
Madagascar	11.4	10.9	10.9	11.6	11.8	13.3
Malawi	15.2	29.3	16.6	12.4	12.3	18.2
Mauritius	30.7	32.3	25.7	25.1	27.6	26.1
Namibia	16.1	23.1	20.7	22.5	19.8	19.0
Rwanda	15.2	4.3	8.6	10.3	10.0	9.8
Seychelles	28.7	26.2	30.3	50.9	36.0	30.6
Swaziland	26.6	32.1	34.1	30.1	33.9	33.4
Tanzania	26.1	24.9	21.9	18.0	16.3	16.0
Uganda	15.2	14.6	16.2	16.0	15.3	15.4
Zambia	15.0	13.5	13.9	14.9	14.5	16.2
Zimbabwe	22.8	23.5	19.4	23.2	18.7	23.6
All CBI countries:	**19.6**	**20.7**	**19.2**	**19.3**	**17.8**	**18.3**
Some non-CBI countries:						
Angola	26.4	23.2	25.0	22.7	24.7	20.1
Botswana	27.9	25.5	28.2	25.8	25.9	26.0
Lesotho	75.0	80.3	83.2	89.2	85.5	80.0
Mozambique	26.5	31.3	36.1	30.1	29.5	35.2
Nigeria	23.3	19.6	16.1	12.8	15.3	21.4
South Africa	14.5	17.0	18.9	17.4	15.9	17.0
All sub-Saharan Africa:	**17.5**	**19.3**	**19.9**	**19.1**	**18.4**	**20.2**
All SSA excluding South Africa & Nigeria	**19.0**	**21.2**	**21.2**	**22.0**	**21.3**	**22.0**

* 1998 figures are estimates and are subject to revision.

Ratios calculated from current local currency series.

Source: *World Bank Africa Region Live Database (12 May1999)*

Gross Private Investment in CBI countries as a share of GDP (%)						
CBI Countries:	**1993**	**1994**	**1995**	**1996**	**1997**	**1998***
Burundi	2.9	1.4	1.1	1.4	1.7	2.1
Comoros	9.8	9.5	11.5	12.5	14.6	13.8
Kenya	9.6	9.9	13.5	12.3	11.3	13.4
Madagascar	3.7	4.7	5.2	5.0	5.5	6.1
Malawi	2.6	11.6	5.0	5.8	5.2	4.3
Mauritius	20.6	21.7	16.3	16.8	20.0	22.9
Namibia	13.6	12.9	14.7	13.5	11.5	12.0
Rwanda	7.6	1.6	0.7	1.1	1.8	3.4
Seychelles	14.9	14.6	15.2	40.6	25.8	23.2
Swaziland	15.5	21.9	27.0	24.4	21.1	27.8
Tanzania	21.6	20.9	18.5	14.3	13.5	12.1
Uganda	8.5	9.1	10.0	10.1	10.4	9.9
Zambia	7.0	5.6	4.5	8.8	9.5	8.8
Zimbabwe	19.9	18.6	21.3	22.4	21.5	21.3
All CBI countries:	**12.8**	**13.1**	**13.6**	**13.0**	**12.1**	**13.0**
Some non-CBI countries:						
Angola	19.8	28.4	14.1	4.7	20.5	17.0
Botswana	..	..	..	..	..	..
Lesotho	28.1	26.0	..	..	70.0	64.4
Mozambique	15.1	18.4	25.1	20.8	19.5	26.0
Nigeria	12.5	10.7	9.1	6.1	6.7	15.4
South Africa	10.8	11.7	12.6	12.6	12.7	14.6
All sub-Saharan Africa:	**11.7**	**12.6**	**12.8**	**12.5**	**12.7**	**15.8**
All SSA excluding South Africa & Nigeria	**11.1**	**12.8**	**12.9**	**13.7**	**14.2**	**14.9**

* 1998 figures are estimates and are subject to revision.
Ratios calculated from current local currency series.

Source: *World Bank Africa Region Live Database (12 May1999)*

Gross Private Investment in CBI countries as a share of Gross Domestic investment (%)

CBI Countries:	1993	1994	1995	1996	1997	1998*
Burundi	18.4	18.3	19.1	18.0	32.9	31.8
Comoros	47.6	45.1	57.7	66.2	63.8	69.4
Kenya	54.7	51.1	61.9	60.3	58.9	72.8
Madagascar	32.2	43.2	45.2	42.7	46.5	45.6
Malawi	30.3	40.0	29.7	26.1	22.3	23.4
Mauritius	67.1	67.3	63.4	66.7	72.5	87.7
Namibia	83.3	54.9	67.8	68.9	65.2	63.2
Rwanda	50.0	..	8.1	10.7	18.0	34.7
Seychelles	54.5	68.5	77.7	79.7	71.8	76.0
Swaziland	58.1	68.4	79.1	78.4	83.0	83.2
Tanzania	83.0	84.2	84.5	79.0	83.0	76.0
Uganda	55.7	62.6	62.0	64.4	64.6	64.5
Zambia	46.5	46.8	47.5	58.0	54.0	54.4
Zimbabwe	87.6	76.8	110.4	86.4	88.5	90.2
All CBI countries:	**65.2**	**63.2**	**70.5**	**67.5**	**67.8**	**71.2**
Some non-CBI countries:						
Angola	74.7	122.6	56.3	20.7	82.7	84.6
Botswana	..	..	..	..	..	..
Lesotho	37.5	32.4	..	..	81.8	80.5
Mozambique	56.7	58.8	69.6	69.0	66.1	74.0
Nigeria	53.7	54.8	56.2	47.6	43.9	71.9
South Africa	74.4	69.0	66.6	72.6	79.8	85.9
All sub-Saharan Africa:	**67.3**	**65.4**	**64.5**	**65.5**	**68.8**	**74.6**
All SSA excluding South Africa & Nigeria	**64.5**	**63.7**	**63.4**	**62.7**	**66.2**	**67.9**

* 1998 figures are estimates and are subject to revision.

Where the ratio is over 100%, this is because gross domestic investment was lower than the private component as a result of a negative change in assets in the public sector.

Ratios calculated from current local currency series.

Source: *World Bank Africa Region Live Database (12 May1999)*

Net Foreign Direct Investment in CBI countries (current US$m) (net outflows in italics)						
CBI Countries:	**1993**	**1994**	**1995**	**1996**	**1997**	**1998***
Burundi	0.3	*-0.1*	1.4	..	..	.
Comoros	0.2	0.4	0.9	0.9	0.2	..
Kenya	1.5	4.0	12.9	36.0	37.1	19.0
Madagascar	15.4	5.7	9.7	10.2	13.8	..
Malawi	0.0	0.0	0.0	30.0	25.0	39.6
Mauritius	*-18.4*	10.2	26.6	18.2	30.3	25.0
Namibia	49.0	60.0	118.3	151.0	125.0	..
Rwanda	5.8	0.0	2.0	2.2	2.6	..
Seychelles	6.4	16.6	26.6	16.7	44.5	28.0
Swaziland	44.1	*-1.4*	10.4	23.0	34.1	32.0
Tanzania	61.7	63.0	104.1	134.1	150.0	165.0
Uganda	4.0	5.0	2.0	110.0	160.0	190.0
Zambia	0.0	40.0	97.0	117.0	125.4	163.5
Zimbabwe	26.7	80.0	162.0	32.0	146.0	108.3
All CBI countries:	**196.7**	**283.4**	**573.9**	**681.3**	**894.0**	**..**
Some non-CBI countries:						
Angola	302.0	171.0	472.4	181.0	184.6	..
Botswana	*-296.4*	*-23.8*	29.5	90.6	0.0	..
Lesotho	15.0	18.7	31.8	26.0	18.0	..
Mozambique	32.0	35.0	45.0	72.5	64.4	..
Nigeria	581.0	588.0	677.0	761.0	1,141.0	1,151.0
South Africa	*-312.0*	184.0	*-225.0*	144.0	684.0	400.0
All sub-Saharan Africa:	**662.8**	**1,519.2**	**2,114.5**	**2,656.3**	**3894.8**	**..**
All SSA excluding South Africa & Nigeria	**393.8**	**747.2**	**1,662.5**	**1,751.3**	**2069.8**	**..**

* 1998 figures are estimates and are subject to revision.

Source: *World Bank Africa Region Live Database (12 May1999)*

Net Foreign Direct Investment in CBI countries as a share of GDP (%) (net outflows in italics)

CBI Countries:	**1993**	**1994**	**1995**	**1996**	**1997**	**1998***
Burundi	0.0	0.0	0.0	0.1	0.0	..
Comoros	0.1	0.2	0.4	0.4	0.5	..
Kenya	0.0	0.1	0.1	0.4	0.1	0.18
Madagascar	0.5	0.2	0.3	0.3	0.4	
Malawi	0.0	0.0	0.0	1.3	1.0	2.20
Mauritius	*-0.6*	0.3	0.7	0.4	0.7	0.59
Namibia	1.7	3.0	3.5	4.7	3.8	..
Rwanda	0.3	0.0	0.2	0.2	0.2	..
Seychelles	7.0	6.6	4.6	4.3	4.7	5.12
Swaziland	4.1	*-0.6*	*-1.9*	*2.6*	3.2	2.76
Tanzania	1.4	1.5	2.2	2.3	..	2.21
Uganda	0.1	0.1	0.0	1.8	2.4	2.86
Zambia	0.0	1.3	2.8	3.5	5.1	4.93
Zimbabwe	0.4	1.2	2.2	0.4	1.6	1.92
All CBI countries:	**0.6**	**0.8**	**1.2**	**1.4**	**1.2**	**..**
Some non-CBI countries:						
Angola	5.7	4.2	9.3	2.4	2.4	..
Botswana	-7.2	-0.6	0.6	..	..	..
Lesotho	2.1	2.5	3.7	3.0	..	..
Mozambique	1.9	1.9	2.3	3.1	2.3	..
Nigeria	1.8	1.8	2.1	1.6,	2.2	2.26
South Africa	-0.3	0.2	-0.2	0.1	0.5	0.36
All sub-Saharan Africa:	**0.1**	**0.4**	**0.6**	**0.8**	**1.1**	**..**
All SSA excluding South Africa & Nigeria	**0.1**	**0.4**	**1.0**	**1.1**	**1.1**	**..**

* 1998 figures are estimates and are subject to revision.

Ratios calculated from current US$ series.

Source: *World Bank Africa Region Live Database (12 May1999)*

Gross Domestic Savings in CBI countries as a share of GDP (%)
(negative savings in italics)

CBI Countries:	**1993**	**1994**	**1995**	**1996**	**1997**	**1998***
Burundi	*-4.5*	*-9.6*	*-7.2*	0.2	2.6	*-2.0*
Comoros	2.9	*-5.9*	*-6.9*	*-6.1*	*-2.6*	*-5.0*
Kenya	22.4	22.4	15.9	16.3	11.4	13.4
Madagascar	2.5	3.4	3.6	5.8	4.7	5.8
Malawi	*-0.9*	8.3	8.1	0.8	2.1	5.3
Mauritius	24.5	23.4	23.2	23.9	24.1	24.2
Namibia	9.6	16.9	12.8	13.5	14.2	..
Rwanda	*-0.1*	*-54.5*	*-13.7*	*-9.7*	*-7.8*	*-7.7*
Seychelles	18.4	22.1	23.5	39.6	22.3	20.3
Swaziland	26.3	26.0	29.0	18.8	19.5	18.0
Tanzania	*-2.4*	*-1.0*	2.0	3.6	5.4	6.0
Uganda	1.1	4.3	7.1	4.7	7.5	5.8
Zambia	9.0	9.3	8.1	8.7	9.3	6.5
Zimbabwe	21.0	21.6	16.7	23.4	11.9	19.4
All CBI countries:	**10.9**	**12.4**	**11.2**	**12.4**	**9.8**	**9.8**
Some non-CBI countries:						
Angola	25.2	32.7	15.7	20.2	27.3	20.3
Botswana	32.9	38.7	39.1	41.9	44.7	41.9
Lesotho	*-33.2*	*-14.6*	*-16.9*	*-1.8*	*-9.8*	*-16.8*
Mozambique	*-11.4*	*-4.8*	10.6	9.4	13.6	16.0
Nigeria	20.2	20.6	18.2	33.5	21.9	16.3
South Africa	18.5	18.8	19.1	18.7	17.0	18.0
All sub-Saharan Africa:	**9.3**	**11.7**	**10.7**	**13.1**	**11.3**	**..**
All SSA excluding South Africa & Nigeria	**1.6**	**6.6**	**4.4**	**6.1**	**6.8**	**..**

* 1998 figures are estimates and are subject to revision.

Ratios calculated from current local currency series.

Source: *World Bank Africa Region Live Database (12 May1999)*

Gross National Savings in CBI countries as a share of GDP (%) (negative savings in italics)					
CBI Countries:	**1993**	**1994**	**1995**	**1996**	**1997**
Burundi	7.6	4.6	4.3	3.3	6.5
Comoros	24.2	9.3	8.8	9.6	9.1
Kenya	17.7	19.0	16.4	18.2	14.2
Madagascar	3.6	1.4	1.2	5.4	6.2
Malawi	n.a.	n.a	n.a	*-0.5*	1.1
Mauritius	27.7	25.6	25.5	25.7	26.1
Namibia	20.7	26.2	25.3	25.6	25.6
Rwanda	8.7	n.a.	5.4	5.6	2.3
Seychelles	n.a.	n.a.	n.a.	n.a.	n.a.
Swaziland	47.0	39.2	46.3	39.1	41.1
Tanzania	5.4	6.8	*-0.6*	1.5	3.7
Uganda	3.6	9.5	12.1	11.1	12.3
Zambia	n.a.	n.a.	n.a.	n.a.	n.a.
Zimbabwe	n.a.	n.a.	n.a.	n.a.	n.a.
All CBI countries (see note):	**12.4**	**14.3**	**12.5**	**14.0**	**11.4**
Some non-CBI countries:					
Angola	*-11.9*	*-17.1*	*-35.7*	*-22.6*	*-14.4*
Botswana	42.7	35.1	37.7	41.8	n.a.
Lesotho	21.1	55.4	59.8	72.9	47.2
Mozambique	n.a.	n.a.	n.a.	n.a.	n.a.
Nigeria	11.2	11.6	11.1	27.8	17.3
South Africa	16.1	16.7	16.9	16.0	14.4
All sub-Saharan Africa:	**6.2**	**8.6**	**7.4**	**9.7**	**8.3**
All SSA excluding South Africa & Nigeria	***-1.6***	**3.5**	**0.5**	**2.1**	**3.1**

* 1998 figures are estimates and are subject to revision.

Ratios calculated from current local currency series.

Source: *World Bank Africa Region Live Database (12 May1999)*

External Savings in CBI countries as share of GDP (%) **(negative savings in italics)**						
CBI Countries:	**1993**	**1994**	**1995**	**1996**	**1997**	**1998***
Burundi	*-8.1*	*-4.0*	*-2.9*	*-6.6*	*-0.3*	*-4.6*
Comoros	*-2.5*	*-11.7*	*-11.1*	*-9.2*	*-12.1*	*-13.0*
Kenya	1.2	*-0.2*	*-5.4*	*-2.4*	*-3.7*	*-3.1*
Madagascar	*-7.8*	*-9.4*	*-9.7*	*-6.2*	*-5.6*	*-6.7*
Malawi	*-16.5*	*-23.1*	*-12.1*	*-12.0*	*-12.6*	*-16.6*
Mauritius	*-3.2*	*-6.5*	*-0.4*	0.9	*-1.1*	*-1.4*
Namibia	4.8	4.3	4.6	3.1	5.9	..
Rwanda	*-6.4*	*-6.2*	*-1.1*	*-5.1*	*-7.9*	*-8.7*
Seychelles	*-9.0*	*-4.4*	*-8.7*	*-10.8*	*-12.7*	*-11.5*
Swaziland	*-6.4*	3.2	2.4	*-2.5*	*-3.7*	*-5.1*
Tanzania	*-24.5*	*-25.5*	*-21.1*	*-16.1*	*-11.9*	*-15.0*
Uganda	*-11.8*	*-6.6*	*-7.7*	*-8.2*	*-7.9*	*-10.4*
Zambia	*-14.4*	*-11.9*	*-13.3*	*-12.9*	*-11.3*	*-16.0*
Zimbabwe	*-4.7*	*-4.6*	*-5.2*	*-2.1*	*-9.3*	*-8.6*
All CBI countries:	***-7.9***	***-7.1***	***-7.0***	***-5.7***	**-6.6**	**-8.5**
Some non-CBI countries:						
Angola	*-16.0*	*-13.9*	*-19.6*	*-4.5*	*-9.2*	*-13.2*
Botswana	12.3	5.5	7.4	12.3	11.4	3.9
Lesotho	*-53.0*	*-27.9*	*-33.3*	*-32.1*	-38.3	*-50.0*
Mozambique	*-48.4*	*-47.1*	*-34.9*	*-27.9*	*-22.4*	*-26.1*
Nigeria	*-10.1*	*-6.8*	*-3.2*	11.2	4.7	*-6.8*
South Africa	1.6	*-0.3*	*-2.1*	*-1.6*	*-1.5*	*-1.4*
All sub-Saharan Africa:	***-4.8***	***-4.3***	***-4.9***	***-3.0***	***-3.6***	***-5.5***
All SSA excluding South Africa & Nigeria	***-9.5***	**-7.9**	**-8.0**	**-7.5**	**-7.5**	***-8.2***

* 1998 figures are estimates and are subject to revision.

Ratios calculated from current local currency series.

Source: *World Bank Africa Region Live Database (12 May1999)*

Comparison of Institutional Investor's Country Credit Ratings for CBI countries 1993-98*

CBI Countries:	**1993**	**1995**	**1997**	**1998**
Burundi	...	...	...	...
Comoros	...	...	...	...
Kenya	24.7	24.9	28.6	25.9
Madagascar	...	...	...	...
Malawi	16.2	18.8	21.0	19.8
Mauritius	38.4	45.4	51.9	53.0
Namibia	...	...	...	...
Rwanda	...	...	...	...
Seychelles	20.7	23.7	29.5	28.9
Swaziland	22.2	28.5	33.3	32.0
Tanzania	12.9	15.5	18.7	19.9
Uganda	7.3	12.8	20.1	19.9
Zambia	11.7	14.6	16.0	17.2
Zimbabwe	27.7	30.7	33.8	29.8
All CBI countries:	**20.2**	**23.9**	**28.1**	**27.4**
Some non-CBI countries:				
Angola	13.7	10.9	13.6	12.3
Botswana	41.1	48.5	51.2	51.9
Mozambique	8.4	12.6	14.6	17.9
Nigeria	20.3	17.5	15.3	16.4
South Africa	39.6	42.5	46.4	46.6
Selected Non-CBI countries:	**24.6**	**26.4**	**28.2**	**29.0**
All sub-Saharan Africa:	**18.7**	**19.9**	**21.9**	**23.3**

Source: *"The Institutional Investor", 1993-November 1998*

* Based on information provided by leading international banks who were asked to grade each of the countries on a scale of zero to 100, with 100 representing those with the least chance of default.

Comparison of Transparency International 1998 Corruption Index Rankings of CBI countries

(Lower ranking and lower Corruption Perception Index score means more corruption)

	Ranking* **(1 = highest rank and least corruption)**	**CPI Score (1 = most corrupt)**
CBI Countries:		
Burundi	n.r.	n.r.
Comoros	n.r.	n.r.
Kenya	74	2.5
Madagascar	n.r.	n.r
Malawi	45	4.1
Mauritius	33	5.0
Namibia	29	5.3
Rwanda	n.r.	n.r.
Seychelles	n.r.	n.r.
Swaziland	n.r.	n.r.
Tanzania	81	1.9
Uganda	73	2.6
Zambia	52	3.5
Zimbabwe	43	4.2
Some non-CBI countries:		
Angola	n.r	n.r
Botswana	23	6.1
Lesotho	n.r.	n.r.
Mozambique	n.r.	n.r.
Nigeria	n.r	n.r.
South Africa	32	5.2

Source: *Transparency International*

** From list of 85 countries*
n.r. = not rated

Annex X

The HIPC Initiative

The debt initiative for the **Heavily Indebted Poor Countries (HIPCs)** was designed for those countries that have achieved satisfactory policy performance in order to bring their individual debt burden to a sustainable level. The principal objective of the HPIC Debt Initiative is to ensure that adjustment and reform efforts are not put at risk by continued high debt and debt service burdens. By requiring the participation of all relevant creditors, the initiative was designed to facilitate a comprehensive resolution to the debt problem. This Initiative, which was endorsed by the Development Committee in September 1996 for an initial period of two years (i.e. to September 1998), has been extended to end-2000, and is now being implemented. In addition, potential new approaches in the debt relief area are under discussion, notably emerging proposals in the context of G7, which would enhance the HPIC Debt Initiative.

Key Features

- *Eligibility.* To qualify, countries have to be IDA-only and face an unsustainable debt situation after the full application of current debt relief mechanisms, and have to demonstrate an appropriate track record of adjustment and reform.

- *Debt Sustainability Targets* are defined on a case-by-case basis in the range of 200-250 percent net present value (NPV) debt-exports ratio and 20-25 percent of the debt service-exports ratio with debt determined in the light of country specific vulnerability factors such as the concentration and variability of exports and taking into account fiscal indicators of the burden of debt service. For very open economies (where the exclusive reliance on external indicators may not adequately reflect the fiscal burden of external debt), an NPV debt-to-export target below 200 percent of the completion point can be recommended provided that the country concerned meets two criteria at the decision point: an export-GDP ratio of at least 40 percent and a minimum threshold of fiscal revenue-GDP ratio of 20 percent.

- *Track Record.* At the end of the initial three years of good performance under IMF and Bank Supported programs, the international community would grant debt relief, if needed, to achieve debt sustainability over the next three years, provided good performance is sustained. The required six-year performance period would be implemented flexibly on a case-by-case basis, with countries receiving credit towards the decision point stage for programs that are already underway; exceptionally, the second stage of three years might be shortened for countries with sustained records of strong performance.

- *Action at Completion Point.* Assistance as promised at the decision point is provided if the committed debt relief were to bring the actual debt-export or debt service-export ratios at the completion point to the established sustainability target ratios. If the actual ratios fall outside the target, creditors will be asked to adjust their assistance so as to achieve sustainability.

Progress to end-February 1999

The eligibility for 12 HIPCs have been reviewed of which 10 qualify for debt relief packages which could amount to about $4.3 billion in net present value (NPV) terms and an estimated nominal debt service relief amount of about $8.5 billion over time.

Debt relief has been agreed for Bolivia, Burkina Faso, Côte d'Ivoire, Guyana, Mali, Mozambique, and Uganda, totalling about $3.1 billion in NPV terms or about $6.1 billion in debt service relief over time.

Preliminary reviews of eligibility have been completed for Ethiopia, Guinea-Bissau, and Mauritania. HIPC debt relief for these countries could total $1.2 billion in NPV terms at their completion dates equivalent to about $2.5 billion in nominal debt service relief. While Mauritania could reach its decision point in the second quarter of 1999, finalization of debt relief packages for Ethiopia and Guinea-Bissau has been put on hold due to armed conflicts.

For Benin and Senegal, debt sustainability is provided through traditional mechanisms and do not require HIPC debt relief.

Two countries, Bolivia and Uganda, have reached the completion point for delivery of HIPC debt relief totalling nearly $800 million in NPV terms and more than $1.4 billion in debt service relief. For Bolivia, which reached its completion point in

September 1998, relief delivered totals $448 million in NPV terms or $760 million in debt service relief and brings the actual NPV debt-to-export ratio to 218% compared with about 350% in the early-1990s. With supplemental ODA relief granted by Japan of the order of $300 million, the NPV debt-to-export ratio will be further lowered to about 202%. Completion points for Guyana and Mozambique are expected in 1999.

Active preparation of HIPC documents for Guinea, Honduras, Nicaragua, and Niger is underway.

Financing

The World Bank has transferred $850 million to the HIPC Trust Fund to date. At the 1998 Annual Meetings, the Bank's Board of Governers approved another transfer of $100 million out of IBRD's 1998/99 financial year net income. The Bank remains committed to meet its full share of the cost.

The IMF has provided for $520 million to its ESAF/HIPC Trust to finance special ESAF operations under the Initiative.

The African Development Bank has indicated commitment to provide about $206 million from its own resources towards HIPCs during the period 1998-2000.

The HIPC Trust Fund has obtained about $450 million in bilateral contributions and pledges from 19 countries to help meet the cost of AfDB and other MDBs other than the World Bank.

Source: *AfDB, IMF, and World Bank*

Summary of Tariff Systems in Place in CBI countries compared with Trade Reform Road Map Objectives as at end-December 1998

Road Map Objective:	Import Tariff Minimum/ Maximum Rate (to be between 20-25 percent) *(a)*	Harmonize External Tariffs by Having Not More Than Three Non-Zero Rates *(a)*	Incorporate Other Duties and Charges into Tariff *(a)*	Eliminate Tariffs on Intra-CBI Trade *(a)* (preference margin – percent) *(j)*	Lower Trade-Weighted Average of Tariff to No More Than 15 Percent *(a) k)*
Burundi	10/100	5	No	60	35.4
Comoros	0/40	**3**	No	70	30.0
Kenya	**0/25**	**3**	No	80	**12.3 *(h)***
Madagascar	10/30	**3**	No	80 *(b)*	18.0 *(m)*
Malawi *(i)*	10/30	4	No	70	22.0
Mauritius	0/80	8	No	80 (n)	n.a
Namibia	0/75	Multiple	No	None	
Rwanda	10/40	3	No	None	17.5
Seychelles	0/200 *(e)*	9 *(e)*	**Yes**	None *(c)*	n.a
Swaziland	0/75	Multiple	No	None	
Tanzania	0/30	4	**Yes**	80 *(d)*	16.3
Uganda	**0/15**	**2**	No	80 *(f)*	**10.7 *(h)***
Zambia	**0/25**	**3**	**Yes**	60	**11.4 *(h)***
Zimbabwe	0/100	5 *(l)*	No	80 *(g)*	26.6 *(h)*

Source: *Data prepared by the Co-sponsors*

* *Bold figures on shaded area indicates that objectives of Road Map have been met or exceeded*

(a) By October 1998.
(b) Decision made in principle, but not yet implemented (except imports from Mauritius).
(c) Other than a 5 percent preference from IOC member states.
(d) Implemented as of July 1998.
(e) In the form of trades tax. Tariff bands were recently increased to more than nine.
(f) Uganda has had a 10 percent surcharge on selected imports.
(g) Except for a duty-free market access for trade between Mauritius and Zimbabwe.
(h) The trade-weighted average (for 1997 in respect of Kenya and Zimbabwe).
(i) Malawi has a surtax applied uniformly on both imports and domestic production. Manufacturers are entitled to a rebate on taxes paid on production inputs.
(j) The preference margin was to be at 90 percent by October 1997, and eliminated by October 1998.
(k) Unweighted, except where specified, and excludes "other duties and charges".
(l) Number of rate bands; the number of rates are 30.
(m) In 1997.
(n) Increased to 90 per cent in June 1999.

Status of Tariff Exemptions in CBI countries as at end-December 1998

Country	Category of Exemptions					
	Government	Parastatals	Investment Code or General Convention	Recognized NGOs	Goods for Foreign-Financed Projects	Other *(a)*
Burundi	Yes	Yes	Yes	Yes	Yes	Yes
Comoros	Yes	No	Yes	Yes	Yes	Yes
Kenya	No	No	Yes	Yes	Yes	Yes
Madagascar	Yes	No	Yes	Yes	No	Yes
Malawi	No	No	No	Yes	Yes	Yes
Mauritius	No	No	Yes	Yes	Yes	Yes
Namibia	Yes	No	Yes	Yes	Yes	Yes
Rwanda	Yes	Yes	Yes	Yes	Yes	Yes
Seychelles	Yes	Yes	Yes	Yes	Yes	Yes
Swaziland	No	No	No	Yes	No	No
Tanzania	Yes	Yes	Yes	Yes	Yes	No
Uganda	No	No	No	No	No	No
Zambia	No	No	Yes	Yes	Yes	Yes
Zimbabwe	Yes	No	Yes	Yes	Yes	Yes

Source: *World Bank/IMF staff reports; and data provided by the authorities*

(a) Includes discretionary exemptions and waivers granted.

Summary of Import Non-Tariff Barriers in CBI countries as at end-December 1998

	Quantitative Restrictions On Imports		Restrictive Import Licensing Requirements		State Trading Monopolies	Discriminatory Rates of Excise Duty/VAT (etc.) on Certain Imports	Other *(a)*
	Bans	Quotas	For all products	For some products			
Burundi	No	No	No	No	No	Yes	Yes
Comoros	No	No	No	No	Yes	No	No
Kenya	No	No	No	No	No	Yes	No
Madagascar	No	No	No	No	No	No	No
Malawi	No	No	No	No	No	No	No
Mauritius	No	No	No	No	Yes	Yes	No
Namibia	No	Yes	No	Yes	Yes	No	No
Rwanda	No	No	No	No	No	No	No
Seychelles	No	Yes	Yes	—	Yes	Yes	No
Swaziland	No	No	No	No	Yes	No	No
Tanzania	No	No	No	No	Yes	Yes	No
Uganda	Yes	No	No	No	No	Yes	No
Zambia	No	No	No	No	No	Yes	No
Zimbabwe	No	No	No	Yes	No	No	No

Source: *World Bank/IMF staff reports and data provided by the authorities*

Note: In all CBI countries, there are no restrictions by quality standards but every country applies restrictions for health, security, environment, and national heritage reasons.

(a) Includes countervailing duties, dumping, etc.

Status of Export Trade Regimes in CBI countries as at end-September 1998

Country	Quantitative Restrictions Bans	Quantitative Restrictions Quotas	Licensing *(a)*	Duties	Marketing Monopolies
Burundi	No	No	No	Yes	Yes
Comoros	No	No	No	Yes	No
Kenya	No	No	Yes	No	No
Madagascar	No	No	No	No	No
Malawi	No	No	No	No	No
Mauritius	No	No	No	No	No
Namibia	No	No *(b)*	Yes *(c)*	No	Yes
Rwanda	No	No	No	Yes	No
Seychelles	No	No	No	No	No
Swaziland	No	No	No	Yes	Yes
Tanzania	No	No	No	Yes	No
Uganda	VIII	No	None	No	No
Zambia	Yes	No	No	No	No
Zimbabwe	No	Yes	Yes	Yes	Yes

Source: *World Bank and IMF staff reports, and data provided by the authorities*

(a) Only for restrictive (and not for statistical) purposes.

(b) Excludes export quotas on diamonds.

(c) All exports, except to SACU member countries, require a licence. Within SACU, textiles, meat products and second hand goods require a licence.

Status of Exchange Restrictions on Payments and Transfers on Current International Transactions in CBI countries as at end-September 1998

Country	Article VIII/XIV Status	Date of Article VIII Acceptance	Article VIII Restrictions	External Arrears	Article XIV Restrictions	Intention to Move to Article VIII
Burundi	XIV *(a)*	n.a.	n.a.	Yes	Yes *(a)*	Yes, in due course
Comoros *(b)*	VIII	1 VI 1996	None	Yes	n.a.	n.a.
Kenya *(c)*	VIII	30 VI 1994	Yes *(d)*	Yes	n.a.	n.a.
Madagascar *(b)*	VIII	18 VIII 1996	None	Yes	n.a.	n.a.
Malawi	VIII	7 XII 1995	None	Yes	n.a.	n.a.
Mauritius *(b)*	VIII	29 VIII 1993	None	None	n.a.	n.a.
Namibia	VIII	20 VIII 1996	None *(e)*	None	n.a.	n.a.
Rwanda	XIV *(a)*	n.a.	n.a.	Yes	None *(a)*	Yes, in next ten months
Seychelles *(b)*	VIII	3 I 1978	Yes *(f)*	Yes	n.a.	n.a.
Swaziland	VIII	11 XII 1989	None *(e)*	None	n.a.	n.a.
Tanzania *(c)*	VIII	15 VII 1996	None	Yes *(i)*	n.a.	n.a.
Uganda *(c)*	VIII	5 VI 1994	None	Yes *(j)*	n.a.	n.a.
Zambia	XIV	n.a.	None	Yes	Yes *(g)*	Yes, in due course
Zimbabwe	VIII	5 II 1995	Yes *(h)*	None	n.a.	n.a.

Source: *IMF Staff Reports; and data provided by the authorities*

(a) Burundi and Rwanda continue to avail themselves of the transitional arrangements under Article XIV Sec. 2. Rwanda maintains no restrictions on the making of payments and transfers for current international transactions. In November 1997, Burundi reintroduced restrictions in current transactions which had been eliminated at the end of 1995. However, there are arrears in respect of external payments.

(b) Member Indian Ocean Commission.

(c) Member East African Cooperation.

(d) A multiple currency practice arising from outstanding operations under the Exchange Risk Assumption Fund.

(e) Namibia and Swaziland are part of the Common Monetary Area (CMA) comprising Lesotho, Namibia, South Africa, and Swaziland which is a single exchange control area.

(f) On current payments (pipeline) including restrictions on transfers of dividends and management fees.

(g) On private debt service payments (principal) held before January 1991, before the exchange regime was liberalized in 1994.

(h) Arising from blocked corporate dividend and interest payments schemes (to be removed by mid-1999) and multiple currency practice arising from contracts under a discontinued forward exchange cover scheme (to be cleared by end-2000).

(i) With non-Paris Club members.

(j) On reschedulable payments with non-Paris Club bilateral creditors.

Characteristics of Foreign Exchange Markets in CBI countries as at end-December 1998

Country	Unified Interbank Market	Forward Cover Against Exchange Risk	Foreign Currency Accounts (Restrictions)	Authorized Dealers *(a)*	Prudential Restrictions (Exposure Limits)	Restrictions on Capital Flows
Burundi	No	No	Limited	c.b.	Yes	Yes
Comoros	No	Yes	French franc (Limited)	c.b.	No	Yes *(b)*
Kenya	Yes (1993)	Yes	Liberal	c.b. and e.b..	Yes	Liberalized *(c)*
Madagascar	Yes (1994)	No	Liberal	c.b.	Yes	Yes
Malawi	Yes (1994)	Yes	Liberal	c.b. and e.b.	Yes	Liberalized *(g)*
Mauritius	Yes (1994)	Yes	Liberal	c.b.and e.b.	Yes	Liberalized
Namibia	No	Yes	Limited *(i)* (CMA member)	c.b. and e.b.	No	Yes *(d)*
Rwanda	Yes (1995)	No	Liberal	c.b. and e.b.	Yes	Yes
Seychelles	No	No	Limited	c.b.	No	Yes
Swaziland	No	Yes	Limited (CMA member)	c.b.	No	Yes *(d)*
Tanzania	Yes (1994)	Yes	Liberal	c.b. and e.b.	Yes	Yes
Uganda	Yes (1993)	Yes *(h)*	none	c.b. and e.b.	Yes	None *(e)*
Zambia	Yes (1996)	Yes	Liberal	c.b. and e.b.	Yes	Liberalized
Zimbabwe	Yes (1995)	No	Limited	c.b. and e.b.	Yes	Yes *(f)*

Source: *IMF staff reports and data provided by the authorities*

(a) Commercial banks (c.b.) and /or foreign exchange bureaux (e.b.).
(b) Only outside French franc (Operations Account) area.
(c) Except for purchase of shares and securities by non residents (up to 40 percent) and individuals (up to 5 percent).
(d) Only outside CMA area. However, in respect of Namibia, there is a restriction even within the CMA pension funds and life insurance companies have to invest 35 percent of their assets domestically.
(e) Effective July 1, 1997.
(f) In 1996, the maximum foreign ownership of companies listed on the Zimbabwe Stock Exchange was raised to 40 percent.
(g) Malawi has removed restrictions related to the inflow and profit repatriation of FDI and has adopted a liberal attitude regarding portfolio investment by non-residents.
(h) Although there is no official currency futures market, authorized banks may deal in the forward exchange market if there is an underlying approved import or export contract.
(i) Can be operated by EPZ companies and by individuals up to N$350,000.

Foreign Exchange Repatriation and Surrender Requirements in CBI countries as at end-December 1998

Country	1992 (end-December)	1995 (end-December)	1997 (end-December)	1998 (end-Dec)
Burundi	Full repatriation; full surrender excluding 30 percent of non-traditional exports.	EPZ enterprises exempt from surrender; otherwise unchanged.	Unchanged Unchanged	Unchanged
Comoros	Full repatriation and surrender to authorized banks.	Unchanged.		Unchanged
Kenya	Full repatriation and surrender excluding 50 percent of non-traditional exports.	Repatriation without surrender requirement.	Unrestricted	Unrestricted
Madagascar	Full repatriation; 60 percent surrender; 40 percent surrender to authorized banks.	Repatriation and sale of merchandise export proceeds within 90 days of date of shipment; and surrender within 30 days of service receipts.	100 percent repatriation within 4 months.	Unchanged
Malawi	Full repatriation and surrender.	Full repatriation and 60 percent surrender.	Unchanged	Unchanged
Mauritius	Repatriation; surrender to authorized dealer of unused proceeds within 6 months.	Unrestricted since July 1994. *(a)*	Unrestricted *(b)*	Unchanged
Namibia	Full repatriation and surrender.	Full repatriation within 6 months of shipment; and surrender within 30 days of repatriation.	Unchanged	Unchanged
Rwanda	Full repatriation and surrender to authorized banks.	Repatriation; surrender of 90 percent of coffee and tea receipts.	Repatriation of all foreign exchange receipts through commercial banks. *(f)*	Unchanged
Seychelles	Completely unrestricted.	Surrender requirement of 19 percent of commercial banks' foreign exchange inflows to central bank. *(c)*	Repatriation and surrender requirement of all foreign exchange earnings through domestic banks*(e)*	Unchanged
Swaziland	Repatriation and surrender.	Repatriation and surrender.	Unchanged	Unchanged
Tanzania	Full repatriation: surrender of 10 percent of traditional exports and 50 percent of other merchandise. Surrender of invisible proceeds.	Repatriation within 180 days. No surrender requirement.	Repatriation within 60 days.	Unchanged
Uganda	Repatriation: 100 percent of coffee proceeds; otherwise surrender to authorized dealer.	Repatriation to authorized banks.	Unrestricted *(d)*	Unrestricted
Zambia	100 percent surrender of ZCCM metal exports; 10 percent surrender otherwise.	ZCCM surrender reduced to 45 percent; otherwise completely unrestricted.	Unrestricted	Unrestricted
Zimbabwe	Repatriation and surrender.	Repatriation.	Unchanged	Unchanged

Source: *IMF Staff Reports and data provided by the authorities*

(a) 75 percent of exports proceeds of sugar by the Mauritius Sugar Syndicate must be surrendered to the Bank of Mauritius.
(b) Surrender requirement by the Mauritius Sugar Syndicate removed effective July 1, 1997.
(c) No regulations governing repatriation of export proceeds.
(d) Unrestricted as of 1 July 1997, with liberalization of the capital account.
(e) Effective 1 January 1997.
(f) After a reduction to 50 percent in December 1996, the surrender requirement for tea and coffee receipts were eliminated in December 1997.

Implementation of Investment Deregulation, and Labor Market Measures in CBI countries as at end-December 1998

Country	Investment Deregulation						Labor Market Issues		
	Liberalize Approval Procedures *(a)*	Publish Investment Code	45-60 days' Statute of Limitation on Investment Applications	Ratify/ Implement MIE Charter	Dual Taxation Agreements	Cross Listing of Stocks	Implement COMESA Visa Protocol	Improve Processing of Residence/ Work Permits	Short Term Entry Permits for Border Residents
Burundi	Full	Full	Partial	Pending	Pending	Pending	Partial	Partial	Pending
Comoros	Pending *(b)*	Full	Full	Full	Pending	—	Pending	Pending	Full
Kenya	Full	Pending	Full	Pending	Partial	Partial	Partial	Partial	Full
Madagascar	Full	Full *(c)*	Partial	Pending	Partial	—	Pending	Partial	n.a.
Malawi	Full	Full	Partial	Pending	Partial	Partial	Full	Pending	Full
Mauritius	Full	Full *(d)*	Pending	Pending	Partial	Pending	Pending	Pending	n.a.
Namibia	Full	Full	Full	n.a.	Partial	Partial	Partial	Full	Full
Rwanda	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Seychelles	Full	Full	Full	Pending	Partial	Pending	Full	Partial	n.a.
Swaziland	Full	Full	Full	Pending	Partial	Partial	Pending	Pending	Full
Tanzania	Full	Full	Full	Partial	Partial	Pending	Full	Full	Full
Uganda	Full	Full	Full	Partial	Partial	Pending	Full	Full	Full
Zambia	Partial	Full	Pending	Partial	Partial	Partial	Full	Pending	Full
Zimbabwe	Full	Partial	Partial	Pending	Partial	Partial	Partial	Partial	Partial

Source: *Implementation updates provided by Technical Working Groups*

Note: The category "Pending" runs a wide range, from administrative/legislative arrangements in preparation to not yet identified.
(a) Includes creation of a one-stop approval authority.
(b) Passed by parliament but not come into force.
(c) Integrated into general tax law.
(d) Industrial Expansion Act of 1993

Double Taxation Agreements in CBI countries (a) Progress as at mid-1998		
	Degree of Implementation	**Reported to have DTAs with:**
Burundi	not reported	
Comoros	partial	Mauritius
Kenya	partial	Tanzania, Uganda, Zambia
Madagascar	partial	Mauritius
Malawi	partial	Kenya, South Africa
Mauritius	partial	Botswana, Namibia, Madagascar, South Africa, Swaziland, Zimbabwe
Namibia	partial	Mauritius, South Africa
Rwanda	not reported	
Seychelles	partial	South Africa
Swaziland	partial	Botswana, South Africa, United Kingdom
Tanzania	partial	Kenya, Malawi, Uganda, Zambia
Uganda	partial	South Africa, Zambia
Zambia	partial	Botswana, Kenya, Tanzania, Uganda
Zimbabwe	partial	Botswana, Mauritius, Namibia, South Africa

Source: *Imani Development International 1998 Mid-Year Report : Status of the CBI Initiative*

(a) with countries that are members of COMESA or SADC.

Standard Personal Income and Corporate Profit Tax Rates in CBI countries as at end-December 1998

Country	On Individual Incomes *(a)* (percent)	On Corporate Income (percent) Resident	Non-resident
Burundi	60 *(b)*; 20 *(c)*	40	40
Comoros	30 *(d)*; 15 *(e)*	40	40
Kenya	30 *(f)*	30 *(g)*	40 *(g)*
Madagascar	35 *(h)*; 25 *(i)*; 15 *(j)*	35	35
Malawi	35 *(l)*	38	43 *(k)*
Mauritius	30 *(n)*	35 *(m)*	35 *(m)*
Namibia	N$22,500 + 40% *(p)*, 10 *(q)*	40	40 *(o)*
Rwanda	40 *(r)*	40	40
Seychelles	40 *(s)*	40	
Swaziland	39 *(u)*, *(v)*	37.5 *(t)*	37.5 *(t)*
Tanzania	35 *(w)*	30	30
Uganda	Ush 546,000 and 30 *(x)*	35	35
Zambia	30 *(y)*	35 *(z)*	35 *(z)*
Zimbabwe	40 *(bb)*	37.5	46.0 *(aa)*

Source: *Data provided by the co-sponsors*

(a) Maximum rate.
(b) On wage incomes over BF 4.0 million, and rental income over BF 1.5 million.
(c) Capital income (dividends, interest, etc). Distributed income of foreign companies set at 48 percent.
(d) Income over CF 3.5 million.
(e) On capital income, distributed dividends, and interest paid.
(f) On incomes over Ksh 0.45 million.
(g) EPZ enterprises 25 percent after 10 years; Dividends from resident corporations 5 percent, and non-resident corporations 15 percent (both final tax).
(h) Wage income over FMG 1.0 m and non-wage income over 45 percent.
(i) Capital income.
(j) Transfers abroad to non-resident persons or companies.
(k) Waived in cases where tax rate of foreign countries is less than 40 percent.
(l) In excess of MK 42,000 (excludes drought levy of 3 percent).
(m) EPZ rate 15 percent; stock exchange listed companies 25 percent; unit trusts 15 percent; and offshore companies 0-35 percent.
(n) In excess of MR 55,000.
(o) Non-mining. Diamond companies are taxed at 55 percent.
(p) *Of* wage income in excess of N$100,000.
(q) On non-resident shareholders.
(r) On income over RF 1.0 million.
(s) On income over SR 96,000.
(t) Mining companies are taxed at 27 percent on income up to E20,000.
(u) On income over E40,000. Dividend income over E20,000 is taxed at 10 percent on companies listed on the Swaziland Stock Exchange; 20 percent for others.
(v) In addition, non-residents' interest income is taxed at 10 percent, dividends at 15 percent (12 1/2 percent if incorporated in Botswana, Lesotho or South Africa).
(w) On income over Tsh 700,000.
(x) On income over Ush 4.8 million. There is a withholding tax of 15 percent on non-residents' capital income (e.g. interest, dividends).
(y) Incomes over K 1.8 million. There is a withholding tax of 15 percent on capital income (interest, dividends, capital gains, etc).
(z) Companies listed are in the Lusaka Stock Exchange are taxed at 30 percent.
(aa) Includes 8.5 percent on taxable income earned by local branches of foreign companies derived from domestic sources.
(bb) On incomes over Z$ 60,000. Non-resident: shareholders tax 15 percent (on listed companies); interest 10 percent; remittances and royalties 20 percent. Resident: shareholders 15 percent interest 30 percent.

Annex XXI

An example of what an investor might typically encounter in an African country

An experienced foreign investor (international conglomerate) in the chemicals sector, with capital to invest and access to long-term credit, learns that there are increasing business opportunities in Africa. A team visits several African countries where the group has not invested previously. In country X, the team identifies an unfulfilled demand for pharmaceutical products and available human and physical resources as well as possible local partners; this combination suggests a good business opportunity.

The investor goes to the <u>one-stop investment promotion agency</u> where information on the investment code is available. Included in the package of information are details about registering a company, business name, and patents, obtaining a trading licence, the labor code, corporate and employment tax rates and procedures. With the tax and other incentives which are available, the idea begins to look even more attractive. A suitable site is chosen and plans for constructing a factory are drawn up; and the time has now come to set up a corporate legal presence in the country.

Despite the information and help from the investment promotion agency, the investor is well aware that new businesses in general, and the pharmaceutical sector in particular, will require <u>additional licences and permits</u>. Now the administrative hassles begin.

First, there is the question of <u>land title and use</u> for the site, which is unused but is known to be owned by a major parastatal. Current <u>legislation does not permit a foreign investor to hold freehold title</u>. Can a locally registered company hold freehold title, especially when some of the shareholders would be nationals? The investment agency's advice – to let the local investors acquire the freehold and for the new company to lease the property – is not fully convincing. This means going to a lawyer versed in commercial law. Two issues arise immediately: (i) it is unclear what form the legal entity should take - a registered company or a branch; and (ii) land use requires approval at three levels: district (which takes account of the objection procedure); regional (which considers regional implications and where clearance is required before submission to the Ministry; and national (i.e. the Ministry). The lawyer undertakes to look into these matters and to carry out a search on the land title of the selected real estate property. The lawyer discovers that a title document does not exist at the Lands Registry. No-one appears to know what to do in this case of no title, even though there is a general belief that the property is owned by enterprise Y; and, of course, a lease title cannot be drawn up without evidence of the principal land title. Even more complicated is the fact that it is known that the property was sequestered by a previous government some years ago, and that if today the government (through the current parastatal owner) attempts to sell the property, a claim from the original owner is very likely. The investor asks the officials in the Lands Registry and the investment agency, as well as the lawyer, to look into the whole question and to come up with a definitive set of recommendations to resolve the issues.

Meanwhile, the lawyer has also advised the investor that although the investment agency can help facilitate the company registration and issuance of a trading licence, other licences and permits are also required. First, with regard to the factory, it will be necessary to obtain clearance from the Ministry of Natural Resources and the Environment. This Ministry will be concerned about the possible levels of air and effluent pollution; so negotiations on acceptable levels and how these will be recorded and monitored will have to be held. Second, a building permit is required; so the factory plans will have to be submitted to the Ministry of Housing and Construction for approval. Third, since the factory will produce medicines, individual licences for each product will have to be obtained from the Ministry of Health. This is likely to take some time, because the Ministry has no experience of the manufacture of some of the proposed products and has no research facilities for testing.

Whilst these matters are being attended to, the foreign investor's representatives go to a local bank to draw cash to replenish what they have spent since arriving in the country. There is a problem: although cash had been transferred two weeks previously, a bank account has not been opened; indeed an account cannot be opened unless and until a company or a branch of a company has been registered or the individual is a resident. The hassles have only just begun.

Will the investor have the time and patience to deal with these hassles over the next several years to get the business up and running and be prepared to meet the extremely high transaction costs; and will the capital now available for investment still be accessible in three years time?

Monetary Operations and Financial Market Developments in CBI countries as at end-December 1998

	Monetary Instruments			Financial Market Developments			
	Direct *(d)*	Indirect *(a)*	Interest Rate Determination	Primary	Secondary	Interbank	Stock Exchange
Burundi	n.a	omo/rr/lr/sf	n.a	n.a	n.a	n.a	n.a
Comoros	No	None	Controlled	No	No	No	No
Kenya	No	omo/rr/lr/sf	No controls	Active	Active *(b)*	Yes ©	Active
Madagascar	Yes	omo/rr/sf.	No controls	Active	Active *(b)*	Yes *(e)*	No
Malawi	No	omo/rr/sf/rf	No controls	Active	Active	Yes	Yes
Mauritius	No	omo/rr/lr/sf	No controls	Active	Active *(b)*	Yes	Yes
Namibia *(g)*	No	omo/rr/sf	Market determined *(f)*	Active	No	Yes	Active
Rwanda	No	rr/sf/rf	No controls	No	No	Yes *(c)*	No
Seychelles	No	rr/lr	Controlled *(h)*	Yes	No	No	No
Swaziland *(g)*	No	omo/rr/lr/sf	Market determined *(f)*	Active	Active *(b)*	Yes *(c)*	Yes
Tanzania	No	omo/rr/lr/sf	No controls	Active	No	Yes *(c)*	No
Uganda	No	omo/rr/lr/sf	No controls	Active	Active *(c)*	Yes *(c)*	Yes *(c)*
Zambia	No	omo/rr/lr/sf	No controls	Active	Active	Yes	Active
Zimbabwe	No	omo/rr/lr/sf	No controls	Active	Active	Yes	Yes

Source: *IMF Staff Reports and data provided by the authorities*

(a) omo = Open market operations
rr = Reserve requirements
lr = Liquidity requirement
sf = Standing discount facilities
rf = Refinancing facilities
(b) Not well developed
(c) Limited
(d) Credit ceilings and selective credit controls
(e) Exists but not active
(f) Strongly influenced by South Africa
(g) Member of CMA
(h) Maximum and minimum interest rates

Structure of Banking Systems in CBI countries as at end-December 1998

	Supervisory Framework			Infrastructure *(b)*				Prudential Regulations				
	Number of Banks *(a)*	Banking Law Year	Revisions Planned	Central Bank Autonomy	Complete Financial Sector Reform Program	Develop Foreign Trade Instruments	Payment System Efficiency	Capital Adequacy *(e)*	Borrowing Limits *(d)*	Reserve Requirement	Minimum Liquid Assets Requirement	Foreign Exchange Exposure Limits
Burundi	n/a	N/a	n/a	n/a			n/a	n/a	n/a	n/a	n/a	n/a
Comoros	1 (-)	Yes (-)	No	Partial	4	2	Average	Yes	Yes	No	No	Yes
Kenya	67 (8) (g)	Yes 1991)	Yes	Partial	1	1 *(c)*	Average	Yes	Yes	Yes	Yes	Yes
Madagascar	5 (3)	Yes (1995)	No	Full	2	2	Average	Yes	Yes	n/a	Yes	Yes
Malawi	4 (-)	Yes (1989)	No	Partial	1	2	Average	Yes	Yes	Yes	Yes	Yes
Mauritius	10 (5)	Yes (1988)	Yes	Full	1	1	Good	Yes	Yes	Yes	No	Yes
Namibia	5 (4)	Yes (1998)	No	Full	3	4	Good	Yes	No	Yes	Yes	Yes
Rwanda	5 (1)	Pending	Yes	Full	n/a	n/a	Low	Yes	Yes	Yes	n/a	Yes
Seychelles	5 (4)	Yes (1997)	No	Full	1	1	n/a	n/a	n/a	Yes	Yes	n/a
Swaziland	5 (4)	Pending	Yes	Full	3	1	Good	Yes	Yes	Yes	Yes	No
Tanzania	18 (10)	Yes (1991)	No	Partial	2	2	Low	Yes	Yes	Yes	n/a	Yes
Uganda	20 (11)	Yes (1993)	Yes	Full	2	1	Average	Yes	Yes	Yes	Yes	Yes
Zambia	21 (6)	Yes (1994)	Yes	Partial	1	2	Average	Yes	Yes	Yes	Yes	Yes
Zimbabwe	7 (3)	Yes (1965)	Yes	Full *(f)*	2	2	Average	Yes	Yes	Yes	Yes	Yes

Source: *IMF Staff Reports and data provided by the authorities*

(a) Branches and subsidiaries of foreign banks in parentheses.
(b) 1 = Fully implemented; 2. = Partially/ or substantially implemented; 3. = Arrangements for implementation being made; 4 = Arrangements for implementation not in place.
(c) Proposed Kenya Export Development Fund.
(d) As single or connected borrower.
(e) Basle-based.
(f) However, the Ministry of Finance retains the power to license banks.
(g) This includes 53 commercial banks and 14 non-bank financial institutions.

The Proposed Regional Trade Facilitation Project

Rationale

Whilst there are commercial banks, specialized insurance firms, and national export credit agencies who are prepared to assume the political risk in cross border transactions involving some African countries, there are significant gaps in the market which hinder investment and growth of productive activity in Africa. Political risk cover from commercial sources or export credit agencies is not available at all for some African countries, and where it is available, it is usually very costly or on unfavourable terms. In particular, available cover is either very thin or non-existent for transactions over the medium term, thereby restricting the import of essential capital goods.

A major problem arising out of the perception of political risk in African countries is that commercial banks, export credit agencies, and commercial credit risk insurers alike operate within strict country political risk limits. These limits are necessary to observe a prudential spread of risk policies and to comply with the requirements of regulatory authorities. However, from time to time these internally imposed limits have the effect of restricting the availability of finance for projects for reasons that have nothing to do with the viability of the projects or the risk per se of doing business in countries where the limits would be exceeded.

Lack of political risk cover for exports from African countries is a significant impediment to the availability of finance for exports from the region and within the region, in particular, the development of export credit insurance.

A project, originally referred to as the Africa Guarantee Facility but now to be renamed the Regional Trade Facilitation Project (RTFP) has been designed to address these problems and to help fill in the gaps.

Outline

It is envisaged that the RTFPwould use International Development Association (IDA) credits and other donor funds as security for a guarantee or for an insurance agency (the Regional Export Services Agency or RESA) to allow it to provide insurance against political risks in African countries in respect of transactions that are associated with productive activity in those countries.

The principal elements of the proposed RTFP are:

a) Each country agreeing to participate in the RTFP would enter into a credit agreement with the IDA whereby IDA would lend funds, on usual IDA repayment terms, for the purpose of the RTFP;

b) The IDA credit funds and any contributions from other donors would represent a country's contribution in the RTFP;

c) Under the RTFP, insurance policies would be provided by a guarantee or RESA on behalf of participating countries;

d) The IDA credit would give credibility to the operations of RESA and provide a means for RESA to settle valid claims;

e) The insurance policies issued by RESA would cover losses to parties engaged in or supporting productive activity, arising from political risks occurring either in a participating country or produced in a participating country;

f) Political risks would include events such as war or civil commotion, or certain actions taken by a government known as "government performance" risks such as expropriation or imposition of exchange controls;

g) Although the guarantee or insurance policies would be issued by one guarantee agency on behalf of all participating countries, each country would initially have its own separate scheme and would not be liable for obligations assumed by RESA on behalf of other countries; and

h) Obligations of RESA under issued insurance policies would be 100 percent backed by the IDA credit funds and other donor funds held by RESA in escrow accounts.

The greatest benefit from the RTFP will flow to all participants when it becomes a truly regional scheme with a significant number of countries from the region participating in it. Only then can it be fully effective in dealing with the perception of high levels of risk in doing business in Africa as a region.

Source: *Africa Guarantee Facility : Discussion Paper for Technical Working Groups, 14 October 1998*

HIV/AIDS Prevalence Rates among Adults in CBI countries as at end 1997	
	Adult (15-49 years) HIV/AIDS Rate (%)
Burundi	8.30
Comoros	0.14
Kenya	11.64
Madagascar	0.12
Malawi	14.92
Mauritius	0.08
Mozambique	14.17
Namibia	19.94
Rwanda	12.75
Seychelles	unknown
Swaziland	18.50
Tanzania	9.42
Uganda	9.51
Zambia	19.07
Zimbabwe	25.84
All Sub-Saharan Africa	8.00
World Average	1.10

Source: *UNAIDS, Report on the Global HIV/AIDS Epidemic, June 1998*

An Example of the Difficulty of a Unified Approach

SADC IPAs blame insufficient government support for failure to market region successfully

In June 1998 the first meeting of the SADC Subcommittee on Investment took place in Pretoria, South Africa at which the findings of an EU funded study of the investment climate in the SADC region was discussed. Some criticism was meted out against the study, mainly on its statement that the investment promotion agencies (IPAs) in SADC were failing to market the region successfully. Most IPAs felt prejudiced by the lack of full support from their respective governments. Competition between IPAs in the region was also felt to be a problem, leading to "beggar-thy-neighbour" policies. It was felt that the solution to this did not lie in outright competition but, because they serve a common market, IPAs should instead develop working relationships.

At the same meeting it was agreed that all IPAs in the region will be required to provide inputs into the SADC Finance and Investment Protocol. As a step towards this end, a six-country working group was formed.

Summary of Good Practices in Tax and Tariff Systems

- Theoretical and practical considerations have yielded a set of best practices in tax and tariff systems in developing countries. Good tax systems are those that cause a minimum of distortion in resource allocation, and are equitable and easy to administer.

- Taxes on international trade should play a minimal role. Import tariffs should have a low average rate and limited dispersion of rates to reduce arbitrary and excessive rates of protection. Exporters should have duties rebated on inputs used for producing exports. Export duties should be avoided.

- The introduction or strengthening of a broad-based consumption tax (covering manufacturing, import, and distribution sectors), notably a VAT, preferably with a single rate and minimal exemptions, and a threshold to exclude small enterprises. Excises should be restricted to a limited set of products. VAT and excises should be applied equally to imports and domestic products.

- The corporate income tax should be levied at one moderate rate. Depreciation allowances should be uniform across sectors. There should be little use of tax incentives. The personal income tax should be characterized by only a few brackets and a moderate top marginal rate; limited personal exemptions and deductions; a standard exemption that excludes persons with low incomes; and extensive use of final withholding.

- The reforms above may be usefully complemented by the introduction of a simplified tax regime for small businesses and the informal sector.

- Tax and customs administration reforms should modernize systems and procedures. Simplification of the tax and tariff systems is a prerequisite for administrative reforms. Typically reforms stress the reorganization of tax and customs administrations along functional lines; the adoption of effective procedures for a national system of unique taxpayer identification numbers; strengthening of audit; and improvement of taxpayer services. Computerization is generally a central component of reforms along with upgrading of skills of tax and customs officers, and providing them with administrative autonomy and pay incentives.

Source: *IMF Reports SM/98/254 Supplement 1 of November 17, 1998*

Notes on Institutional and Other Requirements for Implementation

1. These notes supplement the options for institutional arrangements set out in Table A (Section F) and indicate some of the main preparatory steps required to implement the actions under the Road Map for Investment Facilitation. The topic headings are set out in the same order as the actions are described in Section E and as listed in Table A.

Trade Reform

2. The institutional arrangements for implementing the proposed actions should be the same as those which have applied for the trade reforms carried out under the Road Map for Trade Reform. The one possible qualification is that, in keeping with the aim to build an improved image, it may, where feasible, be desirable to seek greater private sector participation in the process.

Regional Promotion Efforts

Simplifying Investment Codes and Approval Procedures and Regulatory Provisions

3. Ultimately, the simplification of investment codes and regulatory provisions (which have already begun at the national level and is well advanced in some countries) will result in the adoption of a common code and regulatory regime. Although decisions and actual implementation will take place at the national level, preparatory work will need to be undertaken at the regional level to compare current codes and practices in the various CBI participating countries and to suggest the common codes and provisions that the countries should adopt over an agreed timeframe.

4. In each country, the key institutions to carry out this work will be the investment promotion agency and the government legal office. The first step would be for the PICs and TWGs to brief these institutions on the CBI and to agree a plan of action, allocation of responsibilities, and arrangements for reporting on progress. The TWGs could assume the temporary role of monitoring progress and facilitate the

provision of technical assistance should it be required. By end-1999 each country should have published a single document which sets out its investment code, approval procedures, and regulations. By that time, long term arrangements for coordinating national and regional level work should be established. Although responsibilities for implementation will rest with public agencies, the private sector should be closely involved and relevant business and professional associations consulted on possible changes. To both speed up the process and to ensure broad private sector participation, as much of the detailed work as possible should be contracted out to professional firms.

5. Work at the regional level is required both to monitor and coordinate changes occurring in the countries and to propose policies and procedures for adoption by the CBI participating countries. This work could be undertaken by a coordinating committee established for this specific purpose or by one (or more) of the regional economic institutions. A coordinating committee might have insufficient status and be difficult to organize and manage; and it would be tantamount to establishing another institution. Use of one of the existing regional institutions to head up this work would appear to be more practical, and would be consistent with their roles. The participating countries will have to decide which institution they wish to approach to assume this responsibility.

Joint Promotion

6. The key to success in joint promotion will be a focused campaign, professionally designed and executed, and supported by consistent application of the general conditions for attracting investment. To achieve this, the bulk of the effort and representation must come from the private sector; and a public relations firm, with experience and skills of international promotion activities and image building, should be appointed to advise and assist. A regional private sector institution will have to be selected or formed which will organize this work. One possibility might be to form one or more regional chambers of commerce, but institutions such as the East African Enterprise Network, the Southern African Enterprise Network, the Africa Business Round Table, and ESABO should also be considered; and they should certainly be involved. In addition, the TWGs will have to identify appropriate private sector institutions in their individual countries and consider how best to involve them, and through which institutions.

7. Joint promotion can – and , indeed, should – be undertaken between several as well as all participating countries. What is important is consistency in the messages sent to the market(s). Certain institutions at the national level, who have a key stake in the success of promotional activities, will need to contribute information and resources to the effort. The key stakeholders will most likely be the investment promotion agency, business associations (including, for example, chambers of commerce, manufacturers' associations, and professional bodies) and government

ministries responsible for sectors where private sector investment is desired. Once the overall coordination arrangements have been agreed by the CBI participating countries, the first step would be for each TWG to identify and brief the stakeholders on the CBI and the investment facilitation road map, and to agree on mechanisms to ensure their participation in promotion efforts.

8. Promotional activities will not centre on the CBI participating countries as a defined group but rather on investment in countries in East and Southern Africa and the Indian Ocean and in Africa as a whole. The success of these efforts will be of interest to the regional institutions referred to above (COMESA, EAC, IOC, and SADC) and also to the Africa-wide bodies, such as EAC and OAU.

Setting Up and Maintaining the CBI Information Website

9. It was agreed at the meeting of the TWGs in Mauritius in November 1998 to establish a CBI website to facilitate the exchange of information and lessons of experience among the participating countries. This website, which will be hosted and maintained by the African Development Bank, could also be used to support investment promotion. As with any website, its use and relevance will be determined by the coverage and quality of the information posted. To help ensure quality, the Steering Committee of the Co-sponsors will oversee development and maintenance of the website. Whilst the institution selected to head up joint promotion efforts will use the CBI website as one of several vehicles for announcements and advertising, the main data sources will be TWGs, investment promotion agencies, business associations, central banks, and government ministries. One question to be resolved is which, if any, institution should be responsible for vetting country data before it is passed to the AfDB for posting on the website. In the meantime, the TWGs should help get the website up and running as soon as possible by contributing whatever data they can. Improvements in content and design can follow.

Examining the Feasibility of Cross-Border Investment Funds

10. This is a proposal of particular interest to privatization agencies and those working in the capital market, including merchant banks and the stock exchanges; and, since they are crucial to this initiative and have a vested interest in the outcome of the study, they should be closely involved. Regional agencies too would be interested in this study but, because of the capital market nature, the research and preparatory work would be best undertaken by persons with considerable fund management experience. At this stage, given their involvement in supporting capital market development in many African countries and their frequent contacts and experience of relevant professional firms, it would probably be most practical to invite one of the co-sponsors to take responsibility for the study, which would include a review of the options for implementation.

National Promotion Efforts

Improving the Information and Travel Environment

11. This action will involve institutions who have a stake from a business perspective (such as business associations) and those who, in addition to their business interest, would have an important role to play in implementation (such as the investment promotion agency, airports and port authorities, and immigration, customs, and tax authorities). While all these institutions have something to gain from this, there is much to do to redirect the attitudes and perspectives of their staff towards attracting investors and establishing a working rapport between the public and private sectors.

Improving Security

12. The need to improve security is a rather general requirement which falls outside the remit of the agencies mentioned so far. However, the reality and/or perception of security problems can be a strong deterrent to investment, so a set of actions to attract investment would be incomplete without addressing this issue in territories where it applies. Business associations and the sector ministries keen to mobilize investment can advise on the measures they think should be taken to improve security but the onus for action will rest with the security agencies and their parent ministry.

Assisting Local Entrepreneurs

13. Assistance to local entrepreneurs and investors may be needed in those countries which were for some years under a command economy regime. Lack of, or insufficient knowledge of, investment vehicles and ways to raise capital restricts the potential that exists. Where this situation is applicable, investment promotion efforts can be supported by the provision of information to local investors and of training to entrepreneurs. Investment promotion agencies have a specific role to provide information to potential investors on different types of investment opportunities; and many agencies receive donor support for this activity. Generally, however, the emphasis is on attracting inward investment from developed or emerging economies. Under the investment facilitation road map, equal emphasis would be given to stimulating local and cross-border investment.

14. Training, encompassing such topics as corporate governance, preparing business plans, raising capital, marketing, quality control, and business administration, must be accessible and affordable. Relevant training materials already exist on these topics and these can be adapted and translated to suit local needs. Institutions most

likely to identify training needs are investment promotion agencies, business associations (particularly professional firms), and banks. Clearly identified needs can often be met through donor-supported training projects and the institutional arrangements would be defined during project design.

Promoting Interaction between Local and Foreign Investors

15. Both new foreign investors and local investors requiring a foreign technical partner seek appropriate counterparts. Whilst the Internet is providing an easier way to ascertain information and make contacts it is not yet readily available to most small African businessmen and presentational quality, data reliability, and cost are constraints. Hence, business associations, the investment promotion agency, and sector ministries (particularly the Ministry of Trade & Industry or equivalent) have an important role to play in bringing together local and foreign investors. Overall responsibility for promoting a good interaction between these two groups of investors surely rests with the investment promotion agency. Where they have not already done so, two early steps that they should take are: (i) setting up and maintaining databases of foreign and local investors; and (ii) collecting information from past deals, current investors, and from business associations in order to better understand the requirements for facilitating introductions and for ensuring a better interaction.

Selective Legal and Judicial Reforms

16. Professor Winston P. Nagan, Professor of Law at the University of Florida, and Professor Dean Visser, Dean and Professor of Law at the University of Cape Town, have prepared a document setting out their proposal for a project to harmonize the commercial laws of Southern Africa (SADC countries). Their proposal encompasses company law, insolvency, recognition and enforcement of foreign judgements, conflicts of law, industrial property rights, banking law, contracts, consumer protection, labour, shipping law, environmental law, and taxation. They envisage three phases with the first phase taking three years and the second phase 5-10 years. While the selective and judicial reforms in this Road Map are parallel only with their first phase, the CBI participating countries might, nevertheless, wish to consider the longer term prospect of harmonization of commercial laws and the possibility of using a project management arrangement similar to that proposed by Professors Nagan and Visser.

Creating a Regional Enterprise Legal Form

17. As the CBI countries move towards greater integration and already have a shared need and desire to increase investment, especially cross-border, so the argument for eliminating unnecessary barriers to investment grows. One such barrier is the legal requirement in every country for a continuing business to be registered,

either as a distinct company or as a branch of a foreign company. Investors would find the cost of doing business significantly lower if a company registered in one CBI country were to be recognized throughout the participating countries and were thereby able to commence commercial activity in any other of those countries without the need to incorporate a new and separate legal entity. For this to be feasible, the participating countries would have to adopt common registration requirements and procedures.

18. At the national level, given the need to amend existing legislation, the government legal office would have prime responsibility for this action. This office should liaise with the registrar of companies, the accounting and legal professions, and business associations in order to canvas their experiences, ideas and support. Since, in some countries, incorporation triggers tax registration and there may be differences in tax provisions for different types of companies, it will be essential to involve the tax authorities; and it may be necessary to establish an alternative tax registration mechanism. However, the essential point to be borne in mind is that the changes are to be designed to be investor friendly, not merely the adoption of a set of uniform but complicated provisions and requirements.

19. The creation of a "regional enterprise" form does not necessarily imply the introduction of a new, additional category of incorporated company; it could be achieved merely by a country recognizing the registration of a company in another participating country (most usually a company with limited liability and the liability limited to the amount of the called up capital). Overall regional coordination would have to be provided to ensure legal consistency between participating countries. Since all CBI participating countries are members either of COMESA or SADC or both, they would appear to be the logical institutions to be assigned this responsibility.

Adoption of Common Registration Procedures

20. At the national level, this action should be the responsibility of the company registrar (or equivalent in the non-Anglophone countries), under the overall umbrella of the government legal office which would draft and process any necessary legislative changes. Inputs would also be required of the tax authorities, and the accounting and legal professions (who typically handle registration procedures on behalf of clients). Investment promotion agencies should also be consulted as they will have to advise investors of forthcoming changes.

21. At the regional level, it would also be logical for this action to be coordinated by COMESA/SADC. However, there will need to be close consultation among the company registration bodies in the CBI participating countries in order to agree on the common procedures and the specifications for the system for accessing and transferring registration data across borders. The latter is an essential step before being able to adopt the regional enterprise form.

Establishing Separate Commercial Courts

22. In many African countries, the difficulties experienced by creditors wishing to pursue recovery claims through the courts – whether due to significant delays in reaching a final settlement or because of the uncertain outcome despite clarity in the legislation – is a major deterrent to investment. Existing investors testify to these difficulties; and it applies not only to them but also to lending institutions (which, in part, explains the acute shortage of term lending in most CBI countries). The establishment of separate commercial courts, with specific responsibility for hearing and deciding on these cases and with the requisite expertise to do so, would represent a major step to facilitate investment.

23. Overall responsibility at the national level would fall to the Ministry of Justice, while the legal profession would provide important inputs to the design of streamlined case application, submission, and hearing procedures. The Ministries of Justice would need to coordinate to ensure consistency and this could be facilitated by COMESA which has recently established its regional commercial court in Lusaka.

Selective Tax Reforms

Lowering of Import Tariffs in Line with CBI Road Map for Trade Reform

24. The first step in the proposed selective tax reforms, the lowering of import tariffs in line with the CBI road map on harmonization of tariffs, would be a continuation of the existing initiatives which are currently under way. The existing institutional arrangements will suffice for this purpose.

Simplifying the Income Tax Structure and Introducing Lower Tax Rates

25. At the national level, responsibility for simplifying the income tax structure and lowering rates rests with the Ministry of Finance and its relevant tax authority. However, in the general spirit of private/public dialogue and the specific joint aim to facilitate investment, the ministry and tax authority should hold detailed consultations with the accounting profession, business associations, and the investment promotion agency.

26. Regional institutions will not be directly involved but they will act as an important source of comparative information on experiences among CBI and other countries.

Improving Tax Administration

27. This action will involve the same institutions as for the previous item. However, the focus is different. Simplifying the structure and reducing rates would be designed to make investment more attractive whilst not adversely affecting the government budget; improving tax administration would be aimed at improving the manner in which tax assessment and collection are administered. The aim would be to introduce changes whereby assessment and collection procedures would be streamlined, with the tax authority providing a speedy and cordial service, with steps taken to minimize unprofessional behaviour. Again, the consultative process, and the tax authority's responsiveness to proposals, will be important to making real progress.

Concluding Double Taxation Agreements

28. Conclusion of double taxation agreements, obviously a matter for the respective finance ministries and their tax authorities, should be undertaken in the three stages proposed in the road map. The first stage, conclusion of agreements among CBI participating countries, could be greatly facilitated if a standard form and content were to be adopted. Finance ministries should consult with the accounting professions (who work on the details of their practical application) and with the regional economic institutions to develop a standard agreement.

Africa Achievements Awards

29. This proposal could not only provide the incentives referred to in the road map, it could also help to identify success stories to be used for investment promotion. However, it must be launched and administered professionally; otherwise it could cause embarrassment and have a negative impact on image. Also, to attract the interest of sponsors and entrants, it will require a credible institutional umbrella, one that has a good reputation in the private sector. For this reason it would be preferable that the awards scheme be administered by a private organization. Consideration should be given to using the newly established enterprise networks since these are attractive to fledgling businesses, have no hint of political affiliations, and have the enthusiasm and understanding of what is required. To broaden the field to embrace countries outside the CBI and the enterprise networks, organizations such as the Africa Business Roundtable could be involved. The first step would be to consult with these and similar organizations to ascertain their views, to specify the scope of the scheme, to discuss how the scheme would be administered, what it would cost, and to identify possible sponsors. The selected organization(s) should then prepare a document setting out the outcome of the consultations which could be adapted to mobilize sponsorship and would later form the basis of a brochure on the scheme for distribution to firms throughout the CBI participating countries.

SCHÉMA DIRECTEUR POUR LA PROMOTION DE L'INVESTISSEMENT

PROJET DE DOCUMENT SOUMIS À L'EXAMEN DE LA RÉUNION MINISTÉRIELLE (MAURICE, OCTOBRE 1999)

PRÉPARÉ PAR LES ORGANISMES DE PARRAINAGE EN CONSULTATION AVEC LES GROUPES DE TRAVAIL TECHNIQUES DES PAYS PARTICIPANTS

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Annexes

Résumé et vue d'ensemble

1. Lors du troisième Conseil des ministres de l'Initiative transfrontalière (ITF) qui s'est tenu à Hararé en février 1998, les pays participants sont convenus de poursuivre et d'élargir l'ITF, et d'axer les activités futures de l'Initiative sur la promotion de l'investissement. Les participants ont prié les organismes de parrainage de l'ITF (BAfD, UE, FMI et Banque mondiale) de préparer un schéma directeur à cette fin. La première ébauche de ce document a été examinée par les groupes de travail techniques (GTT) à Maurice, en novembre 1998, et cet exercice a débouché sur la préparation du présent document qui sera présenté à la quatrième réunion ministérielle. Les pays participants pourront utiliser ce schéma directeur individuellement ou conjointement pour promouvoir et faciliter les investissements provenant de l'intérieur comme de l'extérieur de la zone visée par l'ITF.

2. Si le présent schéma directeur a été conçu à l'intérieur du cadre de l'ITF, il n'en demeure pas moins applicable par d'autres pays ne participant pas à l'ITF. Il pourra donc être diffusé, par l'entremise de la Coalition mondiale pour l'Afrique, à d'autres organisations régionales et sous-régionales africaines qui pourront participer à sa mise en œuvre et en tirer parti.

Performance récente de l'ITF en matière d'investissement et d'épargne

3. Un examen sélectif de la performance des pays d'Afrique sub-saharienne et des pays de l'ITF en matière de croissance et d'investissement révèle les tendances principales suivantes :

- même si la croissance réelle moyenne du PIB a amorcé une remontée en Afrique sub-saharienne au cours des récentes années, tout indique que : (i) la crise est-asiatique et l'intensification des conflits armés annoncent l'arrivée d'une nouvelle et imprévisible période d'incertitude; (ii) la croissance des pays d'Afrique sub-saharienne et des pays de l'ITF au cours des quelques prochaines années ne sera vraisemblablement pas suffisamment robuste et diversifiée pour assurer une amélioration sensible du niveau de vie des habitants;

- l'investissement brut dans l'ensemble des pays de l'ITF n'a pas atteint le seuil minimal de 25 % du PIB suggéré par la Coalition mondiale pour l'Afrique;

- l'investissement direct étranger (IDE) dans les pays en développement a augmenté entre 1990 et 1996, mais ces apports ont surtout été concentrés dans un petit groupe de pays dont aucun n'appartenait à l'Afrique sub-saharienne; l'IDE a certes augmenté dans les pays de l'ITF de 1993 à 1997, mais il n'a pas dépassé 1,2 % du PIB de ces pays;

- de 1994 à 1998, la part du PIB consacrée à l'épargne n'a pas augmenté dans les pays de l'ITF.

4. On peut tirer de ce qui précède les principales leçons suivantes :

- la confiance des investisseurs est fondée non seulement sur l'idée que les réformes sont solides, mais aussi qu'elles sont mises en œuvre de façon suivie et soutenue;

- même dans certains des pays ayant entamé des réformes en vertu de l'ITF, les efforts de réforme (dont les effets ne se font généralement sentir qu'à long terme) n'ont pas été poursuivis avec suffisamment de persévérance pour regagner la confiance des investisseurs;

- du point de vue des investisseurs, les conditions qui existent actuellement en Afrique ne sont pas propices aux affaires;

- si l'évaluation des risques laisse constater une certaine amélioration de la situation depuis l'entrée en vigueur de l'ITF dans les pays participants, aucun de ces derniers n'a encore réussi à maintenir un faible niveau de risque à long terme;

- il faudra faire un effort concerté, sur une période prolongée, pour établir fermement de meilleures conditions générales pour attirer l'investissement et façonner une image plus positive.

Conditions essentielles pour attirer l'investissement

5. De nombreuses mesures ont déjà été prises en faveur de l'investissement dans le cadre de l'ITF, mais il reste encore beaucoup à faire, notamment dans les domaines suivants :

- ***La stabilité politique.*** Les pays de l'ITF pourraient progresser considérablement dans l'estime des investisseurs s'ils déclaraient de façon explicite qu'ils considèrent la stabilité régionale comme un impératif primordial.

- ***La bonne gestion des affaires publiques et privées***. La préférence des investisseurs va aux pays dirigés par un gouvernement démocratique et ouvert, qui agit dans la transparence et est prêt à s'attaquer à la corruption à tous les niveaux de la société. En plus de réformer le secteur public par le biais de la privatisation, les pouvoirs publics doivent également :

  - *s'attaquer à la corruption ou se montrer prêts à s'y attaquer sérieusement;*

  - *réorganiser et réorienter les institutions publiques* de sorte qu'elles procurent des services qui faciliteront les activités des investisseurs plutôt que de les réglementer.

- ***Les réformes et la stabilité macroéconomique***. Grâce aux programmes d'ajustement, les pays de l'ITF sont parvenus dans une certaine mesure à assurer une croissance économique par habitant continue et largement répartie, des positions extérieures plus solides, des taux d'inflation faibles et en diminution, une progression maîtrisée des variables monétaires et une meilleure gestion budgétaire. Il n'en reste pas moins nécessaire :

  - *d'exercer plus de vigilance sur le plan macroéconomique* pour pouvoir surmonter les tempêtes qui secouent actuellement l'ensemble de l'économie mondiale et menacent d'annuler les gains si chèrement acquis par la région;

  - *de poursuivre les réformes des finances publiques*, tant du côté des recettes que du côté des dépenses, qui sont indispensables pour étayer les mesures de promotion de l'investissement décrites dans le présent document;

  - *de restructurer les dépenses publiques pour réduire le fardeau du service de la dette* afin de réaffecter les ressources limitées au profit de la santé et de l'éducation et de l'infrastructure matérielle.

- ***La libéralisation du commerce extérieur***. Le schéma directeur de l'ITF pour la réforme des régimes du commerce extérieur préconise la simplification, la rationalisation et la réduction des tarifs douaniers. Jusqu'à présent, des progrès importants mais inégaux ont été accomplis, et il convient d'accélérer la mise en œuvre de cette réforme afin de réduire davantage le biais anti-exportation, d'encourager l'utilisation des technologies étrangères et d'exploiter l'avantage comparatif.

- ***L'intégration des marchés***. En dépit des progrès accomplis ces dernières années sur le plan de la croissance économique, l'Afrique est en train de perdre sa part déjà faible des marchés mondiaux. En plus de poursuivre ses efforts à l'intégration dans l'économie mondiale, elle aurait donc intérêt à promouvoir l'intégration des marchés régionaux afin de multiplier les occasions d'investissement et de permettre aux marchés financiers d'atteindre une masse critique, compte tenu, en particulier, de la taille actuelle des économies des pays de l'ITF. Les efforts actuels de certains pays d'Afrique de l'Ouest et d'Afrique centrale constituent des exemples à suivre.

- ***La libéralisation des régimes de change.*** Des progrès remarquables ont été accomplis en matière de libéralisation des régimes de change, et il faut poursuivre les efforts afin de : i) supprimer le reste des restrictions afférentes aux transactions courantes (ce qui exige notamment la résorption des arriérés; ii) libéraliser encore plus les mouvements de capitaux, ainsi que les règles de rapatriement et de rétrocession des devises.

- ***La déréglementation de l'investissement.*** Les procédures d'approbation ont bien été libéralisées, mais les progrès ont été lents ou inégaux en ce qui concerne la conclusion d'accords de double imposition, l'autorisation des cotations croisées en bourse et la solution des problèmes du marché du travail.

- ***La cohérence des politiques et de leur application.*** Gagner la confiance des investisseurs est un travail de longue haleine et il faut pour cela créer les conditions nécessaires et les maintenir à long terme.

Principales mesures requises pour faire augmenter l'investissement à moyen terme

6. Les investisseurs ne sont pas tous homogènes et ils accordent des priorités différentes à des facteurs différents. En plus de maintenir la stabilité macroéconomique et d'atteindre les objectifs fixés par l'ITF en matière de réforme du commerce, d'autres grands domaines d'action peuvent également servir à attirer et à promouvoir l'investissement :

- ***La réforme fiscale.*** Cette réforme pourrait viser les objectifs suivants : abaissement des taux d'imposition; suppression des exonérations temporaires; amélioration des méthodes de calcul et de recouvrement des impôts; conclusion de traités de double imposition entre les pays de l'ITF, ainsi qu'avec leurs partenaires commerciaux traditionnels et potentiels.

- ***Les réformes juridiques et judiciaires.*** Des réformes sont nécessaires pour protéger les droits de paiement et de propriété et pour redorer le blason du système judiciaire en assurant le traitement des réclamations dans des délais raisonnables, conformément à la bonne application des lois pertinentes. Les principaux domaines qui devraient faire l'objet de réformes sont : le droit des sociétés, le droit des marchés de services, la législation sur les faillites, le droit du travail et les droits de propriété. Il ne suffira pas de rédiger de nouvelles lois pour obtenir les changements souhaités; les réformes judiciaires sont également nécessaires pour veiller à ce que les lois soient bien appliquées. Soumis aux pressions inhérentes à la mondialisation, les pays de l'ITF devront finir par adopter, à long terme, des lois communes sur le commerce et le travail.

- ***Les réformes institutionnelles***. Même si la plupart des pays de l'ITF se sont dotés d'agences de promotion des investissements qui constituent en fait un guichet unique, il n'en reste pas moins nécessaire de réformer l'appareil réglementaire et administratif afin de réduire le coût de la conduite des affaires et de démontrer que les procédures sont appliquées systématiquement et efficacement. D'autres mesures s'imposent également pour encourager le développement des professions comptable, bancaire et juridique.

- ***Le développement du secteur financier***. Il convient de porter une attention spéciale à la création d'instruments qui favoriseront l'épargne intérieure et l'investissement à moyen et à long terme. Par ailleurs, les entreprises ont besoin de pouvoir compter sur une gamme améliorée de services financiers qui leur permettront de fonctionner plus efficacement. Il convient d'avancer rapidement dans les secteurs suivants :

  - *financement à moyen et long terme* : vu la faible réaction de l'offre, il faut encourager la croissance des institutions privées qui fournissent des fonds propres et du crédit à long terme;

  - *intermédiation financière* : il faut s'efforcer de sensibiliser les épargnants aux possibilités d'investissement à long terme en actions ainsi qu'à l'existence d'autres instruments financiers, et élargir les marchés pour multiplier les occasions d'investissement. Toutefois, un marché de capitaux régional et la multiplication des cotations croisées ne pourront être réalisés que si les capitaux et dividendes peuvent franchir librement les frontières, et cela présuppose l'acceptation de normes et procédures communes;

  - *services directs à la clientèle* : il faut utiliser les ressources technologiques les plus avancées pour améliorer et étendre la gamme des services à la clientèle.

- ***La mise en valeur des ressources humaines***. Les investisseurs préfèrent les endroits où ils peuvent trouver une main-d'œuvre qualifiée, mobile, efficace et bon marché. Les efforts de coopération et d'harmonisation entre participants peuvent notamment mener à l'adoption de normes communes d'éducation technique et de normes internationales communes à l'usage des organismes professionnels. Il convient en outre d'améliorer la santé de la population et d'accroître l'efficacité de la main-d'œuvre. Malheureusement, les ravages du VIH et du SIDA en Afrique de l'Est et en Afrique australe se répercutent actuellement sur tous les secteurs et tous les aspects du développement, y compris l'investissement. Les pays de l'ITF doivent donc unir leurs forces pour lutter contre ce fléau.

- ***La crédibilité de la privatisation***. Outre qu'elle permet de catalyser d'importants flux d'IDE, la privatisation aide également à établir et développer la concurrence et fournit un tremplin au développement du secteur privé. L'impression dominante est que les dirigeants africains ont accepté la privatisation à contrecœur. Le manque d'information du public et de transparence est une source de préoccupation. La façon dont les programmes de privatisation sont gérés influe donc sur le climat de l'investissement de chaque pays.

- ***Des infrastructures nouvelles et revalorisées***. Beaucoup des pays de l'ITF ne sont pas dotés d'infrastructures propres à attirer l'investissement. En même temps qu'on s'applique à corriger ce problème, des pressions supplémentaires s'exerceront pour qu'on utilise les installations existantes avec un maximum d'efficacité. En réponse aux difficultés que le secteur public rencontre dans le financement et la gestion de grands et nouveaux projets d'infrastructure, il convient de s'appuyer sur la tendance croissante à privilégier la participation privée aux infrastructures en favorisant l'application stricte d'une réglementation crédible et l'encadrement des projets d'infrastructure dans un contexte régional pour que les prêts concessionnels des institutions financières internationales puissent servir de garantie aux investisseurs.

- ***La promotion de l'investissement***. Les pays de l'ITF ont mutuellement intérêt à se construire une meilleure image, qui dépeigne les succès, les ressources et les opportunités de ce groupe de pays.

Proposition de programmes prioritaires

7. Il n'est pas possible d'aborder ici tout à la fois l'ensemble des aspects de la promotion des investissements. C'est la raison pour laquelle le présent schéma directeur définit des domaines d'action prioritaires. Le programme présenté ici ne constitue donc qu'une ébauche dont chaque pays pourra s'inspirer pour concevoir son propre parcours selon le schéma directeur. Des mesures autres que celles proposées ci-après pourraient donc être envisagées. On insiste surtout (mais non exclusivement) sur les initiatives régionales qui pourraient être mises en œuvre collectivement ou à l'unisson par les pays de l'ITF. Les mesures suivantes sont recommandées :

- ***Accélération de la mise en œuvre des réformes commerciales de l'ITF :***

  - *mise en œuvre complète et rapide des réformes des droits d'importation* proposées dans le schéma directeur de l'ITF pour la réforme des régimes du commerce extérieur. Ces actions contribueraient à une meilleure harmonisation des régimes tarifaires des pays de l'ITF et à la réduction de leur biais anti-exportation;

  - *officialiser les réformes tarifaires* en adoptant le plafonnement tarifaire de l'OMC à des taux ne dépassant pas trop ceux envisagés dans le schéma directeur pour la réforme des régimes du commerce extérieur. Une telle mesure augmenterait de beaucoup la crédibilité des pays de l'ITF en créant une structure appropriée d'incitatifs pour des investissements et des échanges commerciaux efficaces;

  - *dépasser les objectifs fixés dans le schéma directeur pour la réforme des régimes du commerce extérieur* en réduisant encore le taux maximum, le nombre de taux appliqués et le tarif moyen pondéré par les échanges (comme l'a fait l'Ouganda). De tels efforts seront d'une grande utilité pour aider les pays de l'ITF à intégrer l'économie mondiale et à demeurer concurrentiels.

- ***Promotion de l'investissement :***

  - *au niveau régional (ITF).* Les pays doivent coopérer à la promotion en : i) mettant sur pied une campagne de relations publiques pour améliorer la réputation du climat des affaires; ii) partageant l'information en créant un site Internet consacré à l'ITF; iii) étudiant la faisabilité de la création de fonds d'investissement transfrontaliers;

  - *au niveau national.* Il convient d'élaborer et de mettre en œuvre un train de réformes en vue d'améliorer l'information et les services et de faire en sorte que l'on puisse se rendre dans chacun des pays de l'ITF sans craindre d'être importuné et en toute sécurité. Les GTT peuvent jouer un rôle important aux niveaux régional et national.

- ***Réformes juridiques et judiciaires sélectives :***

  - *reconnaissance de l'« entreprise régionale ».* Une société serait considérée comme une entreprise régionale à partir de sa constitution dans l'un des pays participants, quelle que soit la nationalité du propriétaire;

  - *adoption de procédures communes d'enregistrement des sociétés et des succursales.* L'adoption de procédures communes représenterait un premier pas important vers l'harmonisation des contrats et des lois sur la faillite et la propriété;

- *création de tribunaux de commerce distincts.* Une procédure accélérée est nécessaire afin que les bailleurs de fonds soient sûrs de pouvoir recouvrer leurs créances en cas de cessation de paiement.

- ***Réformes fiscales sélectives :***

  - *taxes sur les biens et services.* Il conviendrait d'élargir l'assiette fiscale par l'instauration d'une taxe nationale à taux unique et sans effet de cascade;

  - *impôts sur le revenu et les bénéfices.* Des mesures devraient être prises pour simplifier l'impôt sur le revenu et les bénéfices et réduire les taux d'imposition à des niveaux propres à décourager l'évasion fiscale;

  - *mesures visant à améliorer et harmoniser l'administration fiscale et douanière*;

  - *conclusion d'accords de double imposition* entre les pays de l'ITF, et avec leurs partenaires commerciaux traditionnels et d'autres pays qui présentent la possibilité d'attirer l'investissement.

- ***Prix comme moyens de sensibilisation et d'incitation privés.*** Le schéma directeur propose également la création d'un prix annuel d'excellence en Afrique pour inciter le secteur privé à améliorer la qualité de ses services et ses résultats et pour assurer une meilleure diffusion de l'information.

Il convient de noter que pour que les mesures énumérées ci-dessus portent fruit, il conviendra de créer et de maintenir les conditions propices, énumérées au paragraphe 5, pour attirer l'investissement.

Exigences institutionnelles et autres aux fins de l'exécution

8. Pour mettre en œuvre toutes ces mesures, les pays de l'ITF devront obligatoirement s'entendre sur les arrangements institutionnels appropriés qui devraient de préférence mettre l'accent sur la participation du secteur privé. Pour favoriser ce processus, le schéma directeur suggère des arrangements institutionnels et des étapes préparatoires à la mise en œuvre des actions immédiates proposées.

A. Introduction

1. Lors de la troisième réunion ministérielle des pays de l'ITF qui s'est tenue à Hararé en février 1998, les pays participants ont décidé de poursuivre et d'élargir l'ITF. Ils se sont également accordés sur une accélération du programme d'action de l'ITF, notamment dans le domaine de la promotion de l'investissement, y compris l'harmonisation des politiques nationales et régionales, afin de créer un climat propice à des investissements efficaces. Ils ont également prié les organismes de parrainage (Banque africaine de développement, Commission européenne, Fonds monétaire international et Banque mondiale) de préparer une proposition-cadre pour l'élaboration et la mise en œuvre d'un programme décrivant les mesures que pourrait prendre chaque pays participant à l'ITF afin d'encourager et de faciliter l'investissement en provenance de ces pays et d'ailleurs. Ce document, sorte de schéma directeur pour la promotion de l'investissement, a été préparé en réponse à cette requête. Il a été examiné par les Groupes de travail techniques (GTT) lors de leur quatrième réunion tenue à Maurice, en novembre 1998, et la présente version reflète les commentaires formulés à cette occasion. Le présent document doit servir de cadre aux discussions qui auront lieu lors de la quatrième réunion ministérielle qui se tiendra à Maurice, en 1999. Cette réunion sera également l'occasion d'examiner et d'entériner les mesures que les pays de l'ITF devront prendre pour harmoniser leur action de manière à ce que tous en recueillent les fruits.

2. Le présent document s'articule comme suit. La section B résume la performance récente des pays de l'ITF en matière d'investissement et d'épargne. La section C décrit les conditions de base requises pour attirer les investissements. On y résume les progrès accomplis dans le cadre de l'ITF sur le plan de la libéralisation des régimes de change, des réformes commerciales et de la déréglementation de l'investissement qui sont essentiels pour la promotion de l'investissement. La section D énumère les mesures nécessaires pour attirer plus d'investissements à moyen terme, en mettant l'accent sur celles qui joueraient à l'avantage mutuel des pays de l'ITF. La section E dresse la liste des actions immédiates de promotion de l'investissement – à mettre en œuvre collectivement ou à l'unisson – qui pourraient donner lieu à des progrès mesurables sur une période de temps relativement courte. La section F examine les exigences institutionnelles et autres à respecter pour la mise en œuvre de ces actions.

3. Si le présent schéma directeur a été conçu à l'intérieur du cadre de l'ITF, il n'en demeure pas moins applicable par d'autres pays ne participant pas à l'ITF. Il pourra donc être diffusé, par l'entremise de la Coalition mondiale pour l'Afrique, à d'autres organisations régionales et sous-régionales africaines qui pourront participer à sa mise en œuvre et en tirer parti.

B. Performance récente des pays de l'ITF en matière d'investissement et d'épargne

4. S'il est vrai que la croissance réelle du PIB en Afrique a amorcé une remontée bienvenue, se situant à environ 5 % en 1996 (5,9 % pour l'ensemble des pays de l'ITF), on est encore loin du niveau nécessaire pour réduire la pauvreté. Bien que la tendance de la période 1995-1997 soit encourageante, tout indique que de nombreuses économies africaines ont régressé en 1998, subissant le contrecoup de la crise financière est-asiatique et de conflits armés. Le taux de croissance global du PIB des pays d'Afrique sub-saharienne en 1998 a subi une baisse estimée à plus de 2 % par rapport au niveau de 1997, pour se situer à environ 1,4 %. Notons toutefois que dans les pays de l'ITF, le taux de croissance du PIB a atteint 3,4 % en moyenne et que ces pays ont donc réussi dans l'ensemble à maintenir leur taux de croissance au niveau de celui de l'année précédente.

5. En dépit des progrès accomplis ces dernières années sur le plan de la croissance économique, l'Afrique est en train de perdre sa part déjà faible des marchés mondiaux. En plus de trouver des moyens d'intégrer le marché mondial, les pays doivent également examiner les possibilités d'étendre et de diversifier les marchés régionaux. À l'heure actuelle, le commerce régional en Afrique sub-saharienne, tout en étant plus important au niveau sous-régional, ne représente qu'environ 7 % du commerce total.[1] Les tendances en matière d'investissement sont également inférieures aux niveaux souhaités. Dans un rapport récent de la Coalition mondiale pour l'Afrique[2], on lit «qu'il faut faire passer le niveau des investissements en Afrique de ses taux actuels de 16-18 % du PIB à un taux annuel de 25 % ou mieux, pour mettre la région sur la voie d'une croissance et d'une réduction de la pauvreté soutenue et adéquate.» Non seulement importe-t-il d'augmenter le niveau des investissements, mais il faut également en améliorer la qualité.[3]

6. Les données portant sur le niveau des investissements intérieurs bruts de l'ensemble des pays de l'ITF, comparativement au reste de l'Afrique (annexe II), montrent que : i) l'investissement intérieur brut de l'ensemble des pays de l'ITF a été inférieur au minimum de 25 % préconisé par la Coalition mondiale pour l'Afrique et

[1]Le faible niveau du commerce régional en Afrique sub-saharienne est dû principalement à la structure de production et d'exportations axée principalement sur les besoins des pays industrialisés. Il convient toutefois de souligner que le secteur du commerce sous-régional est plus actif (par exemple, environ 10 % au sein de l'UEMOA et 17 % au sein de la SADC). Par ailleurs, il existe un important commerce transfrontalier non répertorié en Afrique sub-saharienne. Très récemment, on a annoncé que le volume des échanges entre les pays de la COMESA avait connu une croissance soutenue à 20 % par année depuis 1995, et que dans la période écoulée entre 1994 et 1998, le commerce intra-COMESA avait triplé.

[2]«*Enhancing the Investment Environment in Africa*», document GCA/EC/n°2/03/1998, préparé pour la réunion du Comité économique tenue à Gaborone en mars 1998. La section B s'inspire beaucoup de ce rapport.

[3]Pour souligner la nécessité d'améliorer la qualité des investissements, un document récent («*Is Investment in Africa Too High or Too Low*», par Devarajan, Easterly et Pack, mai 1999) présente des données qui trahissent la faible productivité des investissements en Afrique et conclut qu'à moins de trouver une solution pour supprimer une partie ou l'ensemble des obstacles qui ont nui, par le passé, à la productivité des investissements, les résultats qu'on obtiendra risquent d'être décevants.

inférieur également à celui de l'ensemble des autres pays d'Afrique sub-saharienne (avec ou sans l'Afrique du Sud et le Nigéria); et ii) quelques-uns seulement des pays de l'ITF ont atteint l'objectif de 25 % et seulement trois – les Seychelles, le Swaziland et Maurice – ont maintenu ce niveau depuis cinq ans. Compte tenu des limites des ressources publiques, il est peu vraisemblable que l'investissement public augmente sensiblement. En conséquence, il conviendra de mobiliser davantage l'investissement privé pour maintenir les niveaux cités plus haut (qui représentent la somme de l'investissement public et de l'investissement privé).[4] Dans ce contexte, il convient de relever les efforts consacrés non seulement par les pays de l'ITF mais également par certains pays d'Afrique de l'Ouest et d'Afrique centrale à l'exploration et à l'élaboration de mécanismes d'élargissement des échanges commerciaux et d'amélioration du climat commercial national et régional.[5]

7. La situation de l'investissement privé brut est peut-être un peu plus encourageante. Au cours des six dernières années, la part des investissements provenant du secteur privé a constamment avoisiné les deux tiers environ du total (annexe III). Toutefois, le niveau des investissements privés est demeuré passablement stable, à environ 13 % du PIB. Ainsi, la plupart des pays auront beaucoup à faire pour faire passer le niveau des investissements au minimum préconisé de 25 % du PIB s'ils choisissent pour cela de mobiliser l'investissement privé.

8. La mondialisation des systèmes économiques et financiers a entraîné une croissance spectaculaire de l'investissement étranger privé depuis la fin des années 80. Ces dernières années, le montant total des flux d'investissement privé étranger en faveur des pays en développement a dépassé celui de l'aide publique au développement. S'il est vrai que les flux d'investissement direct étranger (IDE) en direction des pays en développement ont continué à augmenter de 1990 à 1996, la plupart de ces flux ont été concentrés dans une douzaine de pays, dont aucun ne fait partie de l'Afrique sub-saharienne. En fait, la part des flux de capitaux dont les pays de cette région ont bénéficié est restée stationnaire, quand elle n'a pas diminué. Même si l'IDE en direction des pays de l'ITF et de l'ensemble des pays d'Afrique sub-saharienne a laissé constater une croissance régulière jusqu'en 1997 (annexe IVa), ces flux nets n'ont représenté qu'environ 1 % du PIB (annexe IVb).

9. Il est également utile de se reporter aux données disponibles sur l'épargne dans les pays de l'ITF. Les données sur les taux d'épargne intérieure brute[6] (en pourcentage

[4]Il convient de noter que l'objectif proposé de 25 % du PIB présume d'une efficacité raisonnable de l'utilisation des investissements actuels et futurs. On peut obtenir la croissance par l'utilisation plus efficace de l'investissement, mais à l'inverse, des investissements plus importants ne seront pas nécessairement garants de la croissance.

[5]L'Organisation pour l'harmonisation du droit des affaires en Afrique (OHADA) est une initiative visant à harmoniser le droit commercial en Afrique centrale et en Afrique de l'Ouest grâce à l'adoption d'«actes uniformes», à la mise en place des procédures judiciaires appropriées et à la promotion de l'arbitrage. L'ouvrage intitulé «*New Business Law in Africa : OHADA*», publié par Price Waterhouse, Fidafrica, présente un résumé utile de cette initiative.

[6]Correspondant à la différence entre le produit intérieur brut et la consommation totale.

du PIB) sur les cinq années écoulées entre 1993 et 1997 indiquent que l'épargne n'a pas augmenté par rapport au PIB dans les pays de l'ITF (voir annexe V). Des données limitées semblent par ailleurs indiquer qu'il en est de même pour l'épargne nationale brute[7] (annexe VI), avec des niveaux légèrement plus élevés. Pour achever le tableau, l'annexe VII indique les taux d'épargne extérieure[8] de chaque pays, qui sont presque tous affectés d'un signe négatif.

C. Conditions essentielles pour attirer l'investissement

10. Les statistiques de la section B démontrent clairement que la plupart des pays de l'ITF, et du reste de l'Afrique en général, n'arrivent pas à attirer suffisamment d'épargnes et d'investissements. Cette situation s'explique essentiellement par l'absence d'une ou de plusieurs des conditions générales à respecter pour attirer l'investissement : stabilité politique, bonne gestion des affaires publiques, réforme et stabilité macroéconomique, liberté du commerce et des changes, libéralisation de l'investissement et (pour les gros investisseurs) marché de taille suffisante. Ces conditions sont reprises ci-dessous. Reste, en outre, le problème d'image.

L'image

11. L'image de la plupart des pays d'Afrique, comme terre d'investissement, est mauvaise. L'ampleur de la fuite des capitaux que l'on a pu observer prouve que cela vaut aussi bien pour les investisseurs nationaux que pour les investisseurs étrangers. Quand on leur demande leur opinion sur le potentiel d'affaires en Afrique, la plupart des investisseurs mentionnent l'instabilité politique, les coûts et les risques élevés, et le fait qu'il est possible de faire des affaires ailleurs, à un coût et à un risque moindres. Pour illustrer cette situation, l'annexe VIII présente la cotation du crédit des pays de l'ITF préparée par *The Institutional Investor* à certaines dates choisies depuis la mise en œuvre de l'ITF. Ce tableau montre qu'un seul des pays de l'ITF, Maurice, a obtenu la cote de crédit de 50 %, les Seychelles et le Zimbabwe partageant le deuxième rang avec une moyenne d'environ 30 %. Pour l'ensemble des pays de l'ITF, les cotes moyennes de crédit sont passées d'environ 20 % en 1993 à environ 28 % en 1998.

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[7]Correspondant à la somme de l'épargne intérieure brute, nette d'un facteur de revenus provenant de l'étranger (tirés de l'investissement direct étranger, y compris les dividendes, les revenus locatifs et les honoraires professionnels), et nette des transferts privés de l'étranger (par exemple, les envois de fonds, les transferts de migrants, les dons, les dots, les héritages et les pensions alimentaires).

[8]Correspondant à la position financière nette d'un pays vis-à-vis du reste du monde, représentée par le solde des transactions courantes (de la balance des paiements) à l'exclusion des subventions d'équipement. Le solde des transactions courantes correspond à la différence entre les exportations des biens et de l'ensemble des services auxquels s'ajoutent les importations courantes sans contrepartie, et l'importation des biens et services auxquels s'ajoutent les exportations sans contrepartie à destination du reste du monde.

12. S'il y a une leçon à tirer de cette expérience, c'est que la confiance des investisseurs est fondée non seulement sur l'idée que les réformes sont solides, mais aussi qu'elles sont mises en œuvre de façon suivie et soutenue. Du point de vue de l'investisseur, les conditions pour faire des affaires en Afrique ne sont pas satisfaisantes. Il faut par conséquent faire un effort concerté sur une période prolongée pour établir fermement de meilleures conditions générales pour attirer l'investissement et façonner une image plus positive.

La stabilité politique

13. La paix et la stabilité, tant entre les pays partenaires qu'au sein de chacun d'eux, sont des conditions nécessaires au déroulement normal des affaires. Même s'il existera toujours des spéculateurs disposés à intervenir lorsque les marges bénéficiaires des opérations risquées sont élevées, les investisseurs, notamment ceux qui travaillent à long terme, évitent en général les pays et les sous-régions qui sont, ou ont la réputation d'être, instables ou qui présentent des risques de conflit. Les pays de l'ITF pourraient progresser considérablement dans l'estime des investisseurs s'ils déclaraient de façon explicite qu'ils considèrent la stabilité régionale comme un impératif primordial. Ils devraient alors prévoir de travailler dans le cadre des groupements et organismes régionaux pour déterminer le moyen de créer et de maintenir des relations de voisinage stables et paisibles.

La bonne gestion des affaires publiques et privées

14. Les investisseurs de bon aloi, qui s'intéressent au long terme plutôt qu'à des profits éclairs, veulent pouvoir conduire leurs affaires de façon simple et ouverte. En général, leur préférence va aux pays où les coûts des transactions sont moindres, où les affaires publiques et privées sont bien gérées par un gouvernement démocratique et ouvert, qui agit dans la transparence et qui est prêt à s'attaquer à la corruption à tous les niveaux de la société. Tout porte à croire, par ailleurs, que la corruption nuit au développement économique en réduisant l'investissement intérieur et en décourageant l'investissement direct étranger.[9]

[9] Voir, par exemple, Shang-Jin Wei, «Corruption in Economic Development: Beneficial Grease, Minor Annoyance, or Major Obstacle?», février 1999, document de travail no 2048 de la Banque mondiale (que l'on peut consulter sur l'Internet à l'adresse suivante : http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2048/wps2048-abstract.html).

15. Par ailleurs, la corruption est de plus en plus sous le feu des projecteurs, et les investisseurs internationaux sont de plus en plus influencés par les articles de presse et par les indices de corruption qui ressortent des sondages d'opinion. L'annexe IX présente le classement des indices de corruption pour l'année 1998, tirés de la liste de 85 pays parue dans *Transparency International.* On y constate que, à l'exception de la Namibie et de Maurice, les pays de l'ITF ne figurent pas dans ce tableau ou obtiennent une note plutôt faible. Les pays de l'ITF doivent donc être prêts - et se montrer prêts - à relever le défi de la corruption.

16. Un moyen important de lutter contre la corruption et d'améliorer la gestion des affaires publiques et privées serait d'accélérer le développement de la fonction publique; d'adopter et de mettre en vigueur un ensemble adéquat de règles et de règlements financiers et d'améliorer la qualité des professions comptable et juridique pour rehausser les normes tout en les harmonisant. Les investisseurs seraient favorablement impressionnés s'ils se trouvaient en présence d'une fonction publique efficace ainsi que de bureaux professionnels, d'entreprises privées et de tribunaux de commerce bien gérés.

Réformes et stabilité macroéconomiques

17. Pour atteindre les objectifs de l'ITF — libéralisation des échanges de biens et services, promotion du commerce, libéralisation des régimes de change, renforcement de l'intermédiation financière, déréglementation de l'investissement et libre circulation des personnes — un des impératifs fondamentaux est la stabilité politique et économique, qui doit être durable. Bien qu'il ait déjà été question ailleurs de la stabilité politique et de la bonne gestion des affaires publiques, on pourrait mesurer la stabilité économique à l'aune de certains critères : croissance du PIB par habitant continue et bien répartie, taux d'inflation faibles, amélioration des opérations du secteur extérieur (en particulier, stabilité des marchés de change et viabilité de la dette extérieure), et amélioration des opérations budgétaires. Les pays de l'ITF ont enregistré quelques succès sur tous ces fronts, souvent dans le cadre de programmes d'ajustement appuyés par la Banque mondiale, le FMI et d'autres organismes de parrainage. Ainsi, la croissance du PIB réelle par habitant, nettement négative en 1993, est passée à plus de 1 % en 1997; on a aussi pu constater un recul (de plus de 50 %) de l'inflation et une amélioration très nette des comptes extérieurs courants[10].

18. Bien qu'ils soient encourageants, ces progrès ne devraient pas inciter les participants à la complaisance. La stabilité macroéconomique est vitale pour soutenir les mesures de promotion de l'investissement envisagées dans le présent document. Un

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[10]Voir page 3 du document de synthèse préparé pour discussion à la Troisième réunion ministérielle, tenue à Hararé les 19 et 20 février 1998.

cadre monétaire approprié est en outre crucial pour abaisser les taux d'inflation et, à terme, les taux d'intérêt nominaux; il importe en outre de poursuivre les réformes des finances publiques (tant du côté des recettes que du côté des dépenses) pour favoriser une baisse des taux d'intérêt réels et ainsi promouvoir l'investissement intérieur privé. Par ailleurs, l'élargissement et la restructuration de l'assiette des recettes fiscales sont essentiels pour mener à bien le programme de réforme des régimes du commerce et des changes dans le cadre de l'ITF. La réorientation des dépenses publiques au profit de l'infrastructure sociale (santé et éducation) et matérielle est également indispensable pour créer les conditions propices à la croissance future. Pour maintenir la stabilité budgétaire (et donc, macroéconomique), il convient aussi de réduire les dépenses non essentielles. Les organismes de parrainage sont également pleinement conscients de la nécessité d'alléger le fardeau de la dette des pays de l'ITF d'une façon équitable. Des initiatives dans ce domaine sont poursuivies avec énergie dans d'autres enceintes, peut-être plus influentes et mieux adaptées, la plus remarquable étant l'initiative en faveur des pays pauvres très endettés (PPTE) (annexe X). Ces initiatives doivent pouvoir s'appuyer sur des signes clairs d'une amélioration de la gestion de la dette.

Libéralisation des échanges commerciaux

19. Un des éléments principaux du programme de l'ITF est la réduction du biais anti-exportation du régime commercial et la création d'une structure incitative propre à encourager des flux d'investissements et d'échanges commerciaux efficaces. Dans ce but, le schéma directeur pour la réforme des régimes du commerce extérieur de l'ITF préconise la simplification, la rationalisation et la réduction des tarifs.[11] Jusqu'à présent, des progrès importants mais inégaux ont été accomplis, une demi-douzaine de pays ayant atteint les objectifs de ce schéma directeur avant la date limite d'octobre 1998. Ainsi, le Kenya, l'Ouganda et la Zambie ou abaissé le tarif moyen pondéré par les échanges à 15 % ou moins, tandis que le Rwanda et la Tanzanie sont très près d'y parvenir; les Comores, le Kenya, Madagascar, le Rwanda, l'Ouganda et la Zambie ont réduit le nombre de taux autres que le taux zéro à trois ou moins; le Kenya, l'Ouganda et la Zambie ont abaissé le taux plafond à 25 % ou moins tandis que Madagascar, le Malawi et la Tanzanie utilisent un taux de 30 %. En 1994, Maurice a réduit le nombre de taux à 8; les réformes se sont poursuivies en 1999 avec la suppression des droits de douane pour la machinerie et l'équipement industriels et la réduction des droits pour d'autres produits qui ont ramené le taux moyen pondéré à 26 % (annexe XI).

[11]Document de synthèse, paragraphe 11.

20. Si les taux des droits d'importation ont en général été abaissés, les progrès ont été plus lents pour ce qui est de la réduction des autres droits et redevances, et de leur intégration à la structure tarifaire. L'élimination des droits sur les échanges intra-régionaux est aussi en bonne voie (cinq pays ont atteint l'objectif d'une marge de préférences de 80 %), encore que la réduction des exemptions tarifaires (de nature à augmenter les recettes et la transparence des taxes sur le commerce international) ait été limitée (annexe XII). Quant à l'élimination des obstacles non tarifaires (sauf pour une série limitée d'articles), les progrès ont été inégaux (annexe XIII); par contre, les restrictions à l'exportation ont été levées en très grande partie (annexe XIV). Dans l'ensemble, les pays de l'ITF ont donc assez bien progressé sur la voie de l'harmonisation des tarifs extérieurs, mais aucun d'eux n'a encore réussi à procéder à l'ensemble des changements préconisés par le schéma directeur pour la réforme des régimes du commerce extérieur et il leur incombe donc de s'exécuter rapidement.

Intégration des marchés

21. En plus de poursuivre leurs efforts d'intégration dans l'économie mondiale, les pays de l'ITF, par une intégration plus poussée des marchés régionaux, pourraient créer plus d'opportunités pour les investisseurs et permettre aux marchés financiers d'atteindre une masse critique. L'économie d'un pays africain «pèse» en moyenne environ 8 milliards de dollars, contre 50 milliards de dollars dans d'autres régions en développement, et le PIB total de l'ensemble des pays de l'ITF est de 55 milliards de dollars. La somme des économies de l'Afrique sub-saharienne, Afrique du Sud non comprise, équivaut à peu près à l'économie de la Thaïlande (même en comptant l'Afrique du Sud, on arrive à un total inférieur au poids économique du Mexique). Il ne faut donc pas s'attendre à ce que beaucoup de pays puissent faire seuls des progrès substantiels et durables à moins d'accroître leur accès aux marchés régionaux et mondial.

22. L'intégration régionale pourrait aussi aider les pays de l'ITF à éviter la répétition inutile des efforts de promotion des investissements dans les mêmes secteurs, et ainsi éviter la création d'un trop grand nombre d'entreprises dans le même secteur industriel avec de faibles niveaux de production et de technologie. Certains prétendront que cela conduirait logiquement à une concentration des investissements et du développement dans un nombre limité d'endroits, mais si cela risque d'être le cas à court terme, l'expérience vécue dans d'autres régions du monde porte à croire que la mobilité de la main-d'œuvre et des capitaux, combinée à la disponibilité des infrastructures pour la conduite des affaires, aurait tôt fait d'attirer l'attention des investisseurs sur d'autres endroits.

Libéralisation des régimes de change

23. Au cours des récentes années, la libéralisation des régimes de change a bien progressé dans les pays de l'ITF, comme en a témoigné l'élimination très générale des restrictions afférentes aux transactions courantes et le passage à des taux de change déterminés par le marché (annexes XV et XVI). Le recours moins fréquent aux contrôles directs a, par contrecoups, donné plus de relief au rôle de la politique macroéconomique et augmenté la nécessité de renforcer les systèmes financiers. Il n'en reste pas moins nécessaire d'accroître l'efficacité des marchés interbancaires au comptant. Pour renforcer la confiance des investisseurs et créer un climat plus propice aux activités d'exportation, il conviendra en outre de supprimer le reste des restrictions afférentes aux transactions courantes (ce qui suppose la résorption des arriérés), et de libéraliser encore davantage les mouvements de capitaux ainsi que les obligations de rapatriement et de rétrocession des devises. L'annexe XVII résume la situation des pays de l'ITF en ce qui concerne le respect des exigences relatives au rapatriement et à la rétrocession des devises, fin décembre 1998.

Déréglementation de l'investissement

24. La réforme du cadre réglementaire et l'harmonisation progressive des incitations à l'investissement (national et étranger) sont des objectifs primordiaux de l'ITF[12]. À cet égard, les pays participants sont déjà convenus de simplifier et de codifier toutes les dispositions de leur réglementation dans un document unique qui sera largement diffusé. Ils ont décidé de créer des agences de promotion des investissements à guichet unique qui traiteront toutes les demandes dans un délai de 45 à 60 jours et accorderont une autorisation automatique en l'absence d'objections à la fin de la période. D'autres mesures précises visent la conclusion, par les pays participants, d'accords de double imposition sur une base bilatérale, l'autorisation des cotations croisées d'actions sur différentes bourses de la région, la réduction des délais de délivrance des permis de séjour et de travail et l'assouplissement des formalités de visa pour les investisseurs.

25. Globalement, les progrès accomplis sur le plan de la déréglementation de l'investissement ont été inégaux (annexe XVIII). Fin décembre 1998, presque tous les pays avaient donné suite aux recommandations en matière de libéralisation des procédures d'approbation (notamment par la création d'un bureau d'approbation des investissements à guichet unique); la publication de codes de l'investissement était chose faite dans une majorité de pays participants. Cependant, les progrès sont moins encourageants pour ce qui est du respect des délais légaux. Compte tenu des réformes

[12]Document de synthèse, paragraphe 28.

économiques entreprises récemment par les pays participants, telles que les amendements apportés à la législation de l'investissement qui suppriment en général la discrimination à l'encontre des IDE, la ratification de la charte MIE du COMESA est devenue inutile. Les pays participants étaient en outre invités à devenir membres de l'Agence multilatérale de garantie des investissements (AMGI) et, si nécessaire, d'agences bilatérales de garantie des investissements comme la *Overseas Private Investment Corporation* (OPIC). Tous les pays de l'ITF sont aujourd'hui membres de l'AMGI.

26. Pour ce qui est de la conclusion d'accords de double imposition, les progrès ont été lents et il reste encore beaucoup à faire. Le tableau de l'annexe XIX résume la situation telle qu'elle existait au milieu de 1998, mais d'autres accords pourraient être intervenus depuis[13].

27. S'agissant du marché du travail (formalités de visa, permis de séjour et de travail, permis de séjour court), les progrès sont inégaux. Si des pays non insulaires ont pris des mesures relatives aux permis de séjour court pour les frontaliers, il n'y a guère eu d'avancées en ce qui concerne l'application du protocole du COMESA relatif aux visas[14]. Il n'y a pas eu beaucoup de progrès non plus pour ce qui est de l'accélération des délivrances de permis de séjour et de travail.

Cohérence des politiques et de leur application

28. À la réunion des GTT de novembre 1998, la plupart des pays de l'ITF ont estimé qu'ils avaient fait des progrès dans l'établissement des conditions nécessaires décrites ci-dessus. Ils s'inquiétaient cependant de ce que les répercussions attendues de ces progrès sur l'offre ne s'étaient pas matérialisées. Les réticences persistantes des investisseurs montrent bien la nécessité de faire preuve de cohérence dans la création des conditions nécessaires à l'investissement, notamment la stabilité macroéconomique et les réformes structurelles, sur une période prolongée pour faire en sorte que tout risque perçu de retour en arrière soit négligeable.

[13]Les rapports des pays participant à l'ITF n'ont pas été livrés régulièrement : i) certains ont fait état des accords qu'ils avaient conclus (par exemple, de nouveaux traités); ii) d'autres ont fourni la liste (présumément complète) des pays avec lesquels ils avaient conclu des accords; iii) il existe des cas où un pays de l'ITF mentionne avoir conclu un accord alors que l'autre pays soi-disant partie à cet accord omet de le mentionner (par exemple, les Comores et Maurice).

[14]Il est à noter que le Kenya, la Tanzanie et l'Ouganda n'exigent plus de visa des ressortissants de la CAE pour les déplacements entre ces pays.

D. Principales actions nécessaires pour stimuler l'investissement à moyen terme

29. De nombreux facteurs influent sur le comportement et les décisions des investisseurs, et il est clair que les effets des malaises ou des conflits économiques sévissant dans un pays se répercutent sur les pays voisins. En outre, les investisseurs ne sont pas homogènes et ils accordent des priorités différentes à des facteurs différents. La présente section ne traite pas des réformes politiques, macroéconomiques ou structurelles, ni des problèmes de la dette ou du commerce qui influent sur l'investissement et dont il a été question à la section C, toutes ces questions ayant été traitées en détail sur des tribunes plus appropriées[15]. Au lieu de cela, elle présente les principales actions concrètes que les pays de l'ITF peuvent mener dans un cadre régional en vue d'attirer et de faciliter les investissements. Ces actions se divisent en huit domaines : réformes fiscales, réformes juridiques et judiciaires, réformes institutionnelles, développement du secteur financier, mise en valeur des ressources humaines, crédibilité de la privatisation, développement et revalorisation des infrastructures et promotion de l'investissement.

Réforme fiscale

30. Les investisseurs potentiels souhaitent connaître et comprendre le régime d'imposition ainsi que la façon dont les impôts sont évalués et recouvrés. Ils prêtent une attention particulière à l'équité de l'impôt, à la simplicité du calcul et à la réputation des procédures rapides qui permettent d'éviter les pots-de-vin ou les propositions de dégrèvement officieux, et ils comparent ces dispositions fiscales à celles des pays qui leur sont familiers. Par conséquent, une réforme fiscale visant à concilier équité, cohérence, efficacité, transparence et harmonisation permettra d'encourager les investissements. Si le présent schéma directeur pour la promotion de l'investissement reçoit l'aval des pays participants, les étapes visant à rationaliser et à harmoniser les impôts (par exemple, sur le revenu et les bénéfices) prendront une plus grande importance. Il convient de rappeler que la réforme fiscale ne devrait pas être réalisée aux dépens d'autres dépenses essentielles. Cependant, il apparaît déjà que la diminution des taux d'imposition — favorisée par une assiette fiscale plus adéquate — qui signifierait pour les investisseurs une augmentation des rendements nets, serait plus attrayante et inciterait moins à la fraude et à la corruption. Le tableau de l'annexe XX résume les taux de l'impôt sur le revenu des particuliers et sur les bénéfices des sociétés appliqués par les pays de l'ITF.

[15]Par exemple : les questions politiques dans le contexte de l'OUA; les problèmes de l'endettement dans le contexte de l'initiative PPTE; les réformes macroéconomiques et structurelles dans le contexte des programmes d'ajustement appuyés par les institutions de Bretton Woods et d'autres intervenants; les questions du commerce dans le contexte du schéma directeur de l'ITF pour la réforme des régimes du commerce extérieur.

31. Les réformes des impôts sur le revenu et les bénéfices pourraient inclure : i) la finalisation des traités de double imposition entre tous les pays de l'ITF et avec tous leurs partenaires commerciaux traditionnels et potentiels; ii) l'abaissement des taux d'imposition; iii) la suppression des exonérations temporaires d'impôt, de manière à garantir l'égalité entre les catégories d'investisseurs; iv) l'admission de la nécessité de déductions fiscales pour certaines formes de dépenses (par exemple, recherche-développement et formation du personnel); v) l'amélioration des procédures de calcul et de recouvrement (voir *Réformes institutionnelles*). Il convient de noter que les mesures de réforme fiscale citées ici incluent uniquement les mesures susceptibles d'infléchir le comportement des investisseurs. Il reviendrait aux gouvernements individuels de traiter les autres aspects de la réforme fiscale.

Réformes juridiques et judiciaires

32. L'existence de problèmes dans la pratique des droits patrimoniaux et du recouvrement des créances est bien établie, et il est donc grand temps d=y remédier. Ce n=est pas tant la législation dépassée — ou la logique d'harmonisation — qui rend le changement nécessaire, mais le dysfonctionnement des tribunaux. Dans un certain nombre de pays participants à l=ITF, les banques et en particulier les banques nationales qui ont été soumises à des politiques de crédit dirigé, ont dû subir une restructuration financière non pas parce que leurs marges étaient insuffisantes ou leurs frais généraux excessifs (encore que ces derniers aient effectivement eu une incidence) mais parce qu=elles ne pouvaient pas récupérer les actifs donnés en nantissement des créances en souffrance. Trop souvent, la lenteur des actions en recouvrement devant les tribunaux et l'imprévisibilité des résultats de ce qui devrait être un processus juridique simple de recouvrement des créances ont provoqué une perte de confiance dans le système judiciaire. Du coup, il est plus difficile pour les entreprises, en particulier les entreprises détenues par des investisseurs locaux, de réunir des capitaux d'emprunt (ce qui influe par ricochet sur la mobilisation de l'épargne).

33. Dans un contexte visant à faciliter les investissements, les pays de l'ITF devraient achever le travail déjà entrepris par les GTT et déterminer quelles sont les réformes juridiques nécessaires qui permettraient de faire disparaître les anomalies et les contraintes exercées sur les investissements. Les principaux domaines dans lesquels les réformes sont généralement les plus nécessaires sont les suivants : droit des entreprises, droit des contrats, droit des faillites, droit du travail et droit de la propriété. Les réformes opérées dans ces domaines, qui devraient également mettre fin à la discrimination pratiquée à l'encontre de certaines catégories d'investisseurs, contribueraient beaucoup à créer un climat d'égalité favorable aux investissements et aux échanges commerciaux. Cependant, il est unanimement reconnu qu'il ne suffira pas de rédiger de nouvelles lois

pour obtenir les changements souhaités. Les réformes judiciaires sont aussi nécessaires pour veiller à la bonne application des lois. Alors seulement, les investisseurs commenceront à gagner confiance et à croire qu'il existe réellement un soutien juridique pour leurs créances et leurs droits de propriété.

34. Compte tenu de la pression exercée par la mondialisation, les pays de l'ITF doivent, à moyen terme, s'efforcer d'adopter un droit commercial et un droit du travail communs. L'harmonisation du droit des entreprises, des contrats et de la faillite sera une tâche complexe et délicate. Cependant, le fait que les pays de l'UEMOA ont déjà approuvé cette démarche essentielle montre bien que cela est possible.[16] Il existe en outre un projet d'harmonisation des lois commerciales en Afrique australe.[17]

Réformes institutionnelles

35. La réforme de la fonction publique, le renforcement des règles et de la réglementation financières et la privatisation sont les principaux moyens utilisés pour améliorer la bonne gestion des affaires publiques et réaliser les autres réformes institutionnelles nécessaires dans le secteur public. Toutefois, dans un contexte visant à faciliter les investissements, il convient également d'améliorer les institutions publiques qui traitent avec les entreprises (par exemple, les autorités fiscales, les douanes et l'accise, et les ministères responsables de l'approvisionnement, du commerce, de la délivrance des permis, du travail et de l'administration sectorielle). Les membres du personnel de toutes ces institutions devraient comprendre l'importance d'être attentif aux demandes qui leur sont faites et de promouvoir l'investissement et la croissance de l'activité commerciale. Autrement dit, la fonction publique est là pour aider les gens, et non pour surveiller leurs actions. L'objectif devrait être d'inspirer le respect des investisseurs pour ces institutions, en traitant leurs demandes avec un minimum de complications, de paperasserie et de retards, et en évitant les faveurs et les propositions de pots-de-vin (ou leur équivalent).

36. Les réformes juridiques et judiciaires doivent être étayées par des réformes institutionnelles adéquates, qui sont inséparables. Les coûts de transaction élevés dus au poids des réglementations gouvernementales et à la fragilité des institutions publiques ont découragé les investisseurs étrangers. Des réformes des systèmes réglementaires et administratifs sont donc indispensables si l'on souhaite réduire le coût des échanges commerciaux et démontrer que les procédures actuelles sont appliquées de manière cohérente et efficace. Voir à ce propos l'exemple présenté dans l'annexe XXI.

[16]Le dernier texte de l'Avant-projet de règlement portant Code communautaire d'investissement des pays membres de l'UEMOA a été publié par la Commission de l'UEMOA en juillet 1998.

[17]M. Winston P. Nagan, professeur de droit à la *University of Florida*, et M. Dean Visser, doyen et professeur de droit à la *University of Cape Town*, ont préparé un projet d'harmonisation des lois commerciales pour les pays d'Afrique australe (SADC).

37. L'exemple décrit dans l'annexe XXI donne une idée de ce que peut être le commerce dans certains pays d'Afrique. Il s'agit d'un ensemble fictif, mais les divers éléments qui le composent sont fondés sur les expériences réelles des investisseurs et illustrent parfaitement les différents points qui nous intéressent. En premier lieu, il est très peu probable qu'un guichet unique puisse délivrer l'ensemble des approbations nécessaires aux investissements. Étant donné la nature complexe du commerce décrit dans l'exemple, c'est en réalité à peine surprenant. Par ailleurs, à moins de disposer d'importantes ressources juridiques, l'agence d'investissement à guichet unique ne saurait être informée de l'ensemble des lois et réglementations applicables à chacun des secteurs. Parallèlement, certains ministères n'accepteront pas que la procédure d'approbation soit déléguée à cette agence. Il est par conséquent inévitable que les investisseurs aient quelquefois affaire à plusieurs ministères, services gouvernementaux ou autorités de tutelle pour certaines autorisations. En second lieu, ces institutions publiques qui font partie de la chaîne des affaires risquent de devenir méfiantes à l'égard du secteur privé en raison de son comportement passé. Au lieu d'entretenir un climat de méfiance et de contrôle, ces institutions devraient plutôt promouvoir la collaboration et faciliter le travail des investisseurs. Dans beaucoup de cas, elles ne sont pas enclines à répondre aux demandes d'information ni à travailler en partenariat avec le secteur privé afin d'accélérer les procédures. Le problème suivant est typique : qui doit donner l'autorisation et signer le document requis? Et, fait tout aussi regrettable que typique, la nécessité d'une autorisation crée l'occasion de soutirer une gratification pour le «service». En dernier lieu, l'exemple démontre que de nombreux services (comptabilité, architecture, ingénierie, services financiers ou juridiques, etc.) sont un soutien essentiel aux investissements. Plus ces derniers sont importants, plus le commerce devient complexe et plus la gamme des services nécessaires s'enrichit.

38. Ainsi, alors que la plupart des pays de l'ITF ont un guichet unique pour les investissements, des réformes dans le secteur public restent nécessaires afin que les institutions réglementaires et administratives puissent répondre au secteur privé et travailler avec lui, traiter la documentation correctement et rapidement et ce, sans s'attendre à une gratification en plus du salaire. Cela exige un programme de sensibilisation pour expliquer comment les investisseurs privés opèrent et réagissent, ainsi qu'une évolution de la structure et des procédures de ces institutions. De plus, il serait souhaitable de prendre des mesures d'aide au développement des professions de la comptabilité, de la banque et du droit.

39. Nombre des actions nécessaires doivent être engagées à l'échelon national. Toutefois, la crédibilité régionale est importante et il y a beaucoup à dire en faveur de l'adoption de normes et pratiques communes par les organismes professionnels des pays participants. Par conséquent, plus les pays prendront des mesures visant à rationaliser les procédures administratives et à faciliter les investissements, plus l'ensemble des pays de l'ITF bénéficiera à la fois de l'expérience et de la confiance accrues des investisseurs.

Développement du marché des capitaux

40. Le développement du marché des capitaux joue un rôle déterminant en matière de promotion des investissements en créant les conditions propices à l'augmentation de l'épargne intérieure qui, par ricochet, stimule l'investissement en capital. Les marchés financiers intérieurs ont besoin d'être renforcés afin de devenir une source utile du capital à long terme si nécessaire (dette, quasi-fonds propres et cofinancement) qui manque actuellement aux nouveaux entrepreneurs locaux, exception faite d'un nombre relativement restreint de petits fournisseurs de capital de risque. En outre, les investisseurs et les entreprises ont besoin d'une gamme de services financiers modernes, qui n'existent généralement pas dans les pays de l'ITF, pour fonctionner efficacement dans le contexte de la mondialisation des marchés.

41. Le développement du marché des capitaux est actuellement inhibé par la petite taille des économies et le faible niveau des échanges. Dans un tel contexte, l'intégration régionale des marchés financiers procurerait aux investisseurs un choix plus vaste et une plus grande souplesse, deux conditions particulièrement importantes pour les marchés des obligations et des valeurs mobilières. Toutefois, dans beaucoup de pays, on doit s'attaquer en priorité à la création d'un secteur financier solide et d'un système de paiements efficace pour les échanges de biens et de services et les mouvements de capitaux qui sont essentielles à l'intensification des échanges transfrontaliers et à l'ouverture des marchés. Dans ce contexte, il convient de libéraliser les marchés financiers intérieurs et d'en améliorer la compétitivité en favorisant l'entrée libre des institutions financières privées et en mettant en place les systèmes renforcés appropriés de gestion prudentielle et de surveillance des banques.

42. Pour assurer la solidité des institutions financières dans le contexte actuel de libéralisation financière, l'Initiative transfrontalière préconise une intensification des efforts en vue d'améliorer l'aptitude des banques centrales à assurer l'application des règles prudentielles et la surveillance, d'encourager le développement du secteur bancaire commercial et des autres institutions financières et de renforcer le système intérieur de paiements[18]. Les mesures supplémentaires à envisager comprennent la création d'instruments du commerce extérieur et l'établissement des liens interbancaires correspondants à l'intérieur de la région.

43. Malgré les problèmes de toutes sortes auxquels les pays de l'ITF continuent d'être confrontés, des progrès encourageants ont été accomplis en ce qui a trait à l'efficacité des systèmes bancaires. Les instruments monétaires directs tels que les plafonds de crédit individuels et le contrôle sélectif du crédit ont été graduellement abandonnés dans la plupart des pays qui utilisent aujourd'hui des instruments monétaires indirects comme

[18]Voir le document de réflexion adopté lors de la première conférence ministérielle, à Kampala, en août 1993.

les opérations d'open market, les liquidités obligatoires et les guichets permanents de réescompte. Parallèlement, les taux d'intérêt contrôlés ont été graduellement remplacés par des mécanismes fondés sur le marché dans la plupart des pays (annexe XXII).

44. On s'est également employé à renforcer les règles prudentielles et la capacité des banques centrales à en assurer la mise en vigueur. À cette fin, des lois ont été adoptées ou sont en voie de révision dans plusieurs des pays participants (annexe XXIII). L'intérêt accru porté aux questions de réglementation a coïncidé avec une expansion des marchés financiers; le nombre de banques commerciales et de banques étrangères actives dans ces pays a augmenté. Plusieurs des pays participants ont également pris des mesures pour privatiser les institutions financières d'État ou pour réduire la participation financière de l'État dans les banques privées. Le développement d'instruments du commerce extérieur et la levée des obstacles à l'entrée donnent à conclure que des progrès sensibles ont été réalisés dans plusieurs pays.

45. Malgré les progrès récents réalisés dans plusieurs domaines, le degré de concurrence sur les marchés financiers de nombre des pays participants reste limité à quelques opérateurs et à un petit nombre d'instruments. Les limites de la capacité institutionnelle et des ressources humaines constituent également des obstacles importants à la mise en place des systèmes internes et externes de surveillance et d'inspection essentiels à la mise en œuvre, en temps utile, de règles prudentielles et efficaces. Si la création de nouvelles institutions et de nouveaux instruments financiers doit conduire à une plus grande efficacité des opérations du secteur financier, elle doit pouvoir s'appuyer sur des mesures de formation visant à renforcer les règles prudentielles, les exigences de publicité et la capacité de réglementation.

46. Lorsque toutes les mesures susmentionnées seront bien engagées, on pourra alors envisager d'autres types d'améliorations. Du point de vue des investisseurs, le développement rapide du secteur financier est nécessaire dans les trois domaines suivants : financement à moyen et long terme, intermédiation financière et services directs à la clientèle.

Crédit à moyen et long terme

47. La demande de crédit est un sujet bien connu et décrit. L'offre étant plutôt lente à réagir dans ce domaine, il est nécessaire d'encourager la croissance des institutions privées qui proposent un financement des fonds propres et du crédit à moyen et à long terme. Les organismes de parrainage de l'ITF ont un rôle crucial à jouer pour aider les pays et les conseiller sur les moyens de combler le fossé existant entre les besoins en investissements et les fonds mobilisables, qu'il s'agisse de l'épargne locale ou des IDE.

48. Dans ce contexte, il convient de noter que des efforts sont en cours pour trouver une solution au problème du risque politique. Dans beaucoup de pays africains, la réticence des institutions financières à prêter sans garantie contre le risque politique perçu est la raison principale pour laquelle les investisseurs intéressés sont incapables d'obtenir le crédit commercial dont ils ont besoin. Pour aider à solutionner ce problème, la Banque mondiale, en collaboration avec la caisse d'émission du COMESA, a élaboré un projet de création d'un Mécanisme de garantie pour l'Afrique (AGF), qui aura pour nom officiel «Projet de promotion des échanges régionaux» (PPER). Le AGF/PPER a été brièvement abordé lors de la réunion des GTT de novembre 1998; une équipe technique de la Banque mondiale s'est rendue dans un certain nombre de pays de l'ITF qui avaient fait part de leur intérêt pour ce projet, afin de discuter des aspects pratiques de cette facilité. Un état des lieux sera présenté lors de la prochaine réunion ministérielle. L'annexe XXIV présente une brève description du projet.

Intermédiation financière

49. La mobilisation de l'épargne intérieure est elle-même un indicateur important du degré de confiance dans le système bancaire et dans l'opinion des marchés sur les perspectives économiques d'un pays. Elle agit également comme un signal aux investisseurs étrangers. L'élargissement des services financiers aux petits épargnants, en particulier en zones rurales, élargirait et approfondirait l'intermédiation financière. Ainsi, il faut consacrer plus d'efforts à la création d'instruments d'épargne, sensibiliser les épargnants aux investissements à plus long terme et leur donner l'assurance qu'ils pourront négocier aisément leurs instruments de placement. À cet égard, il convient de prendre des mesures propres à favoriser l'expansion des places boursières d'Hararé, de Lusaka et de Nairobi. Une de ces mesures consisterait à augmenter les cotations croisées sur plusieurs bourses.

50. Certaines économies sont de taille trop réduite pour alimenter une bourse des valeurs et celles qui sont de taille intermédiaire ont du mal à attirer un plus grand nombre de cotations alors que le volume de transactions est faible. Un des moyens évidents permettant aux sociétés et aux investisseurs des petites économies de tirer parti d'un marché boursier actif est de mettre en place des bourses régionales, mais celles-ci ne peuvent être efficaces que si les capitaux et les dividendes peuvent librement franchir les frontières. Par ailleurs, les économies de plus grande taille bénéficieraient de la réputation associée à une capitalisation boursière accrue ainsi que de la demande connexe de services

d'intermédiation financière[19]. Toutefois, la mise en place de marchés de capitaux régionaux passe par l'acceptation de procédures et de normes communes. Par exemple, les sociétés cotées dans les différents pays auraient à adopter des pratiques et des normes uniformes en matière de comptabilité et de publicité des comptes[20].

Services directs à la clientèle

51. Dans la plupart des pays africains, il importe d'exploiter des technologies modernes afin d'améliorer et d'enrichir la gamme des services à la clientèle. Par exemple : i) les transferts de capitaux devraient être rapides et leur coût minime; ii) toute personne devrait pouvoir encaisser d'emblée des chèques de voyage sur présentation d'une carte d'identité (ou d'un document équivalent) sans avoir à signer plusieurs formulaires et à patienter plus d'une heure pour une telle démarche; iii) un investisseur ayant acheté des actions devrait pouvoir confier ces titres en garde à une banque et être certain de pouvoir les retirer sur demande.

Mise en valeur des ressources humaines

52. La nécessité d'une meilleure mise en valeur des ressources humaines a été soulevée plusieurs fois pendant la réunion des GTT de novembre 1998. Il s'agit sans l'ombre d'un doute d'une question importante et il convient de consacrer plus d'efforts et de ressources à l'investissement dans l'éducation primaire et technique, mais ces formes d'éducation devront pouvoir compter sur un soutien à long terme pour pouvoir engendrer des changements dans l'activité commerciale. Les organismes de parrainage ont soutenu activement les efforts de renforcement des capacités dans les pays de l'ITF, mais les initiatives régionales font l'objet d'un intérêt croissant. Il faudrait exploiter ces possibilités d'aide autant que faire se peut[21].

53. Comme le renforcement des capacités nécessitera un effort à long terme et que la durée de vie de l'ITF est courte, aucune proposition particulière n'a encore été incluse à ce propos dans le schéma directeur. Toutefois, un schéma directeur axé sur

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[19]Une étude a été réalisée avec l'aide financière de l'UE sur la faisabilité d'une bourse régionale africaine (AFREX). L'étude a proposé de faire de l'AFREX une bourse des valeurs indépendante, intermarché, électronique et réglementée qui traiterait principalement des actions, des créances et des instruments du marché monétaire émis par les sociétés privées et les banques commerciales. L'objectif principal serait de mobiliser les fonds des régimes aux capitaux excédentaires et de les acheminer dans les économies africaines, notamment celles de l'Afrique de l'Est et de l'Afrique australe, plus efficacement qu'on ne le fait actuellement ou que ce qui pourrait être fait en mettant simplement en place un réseau de bourses nationales. AFREX répondrait principalement aux besoins des économies de petite taille.

[20]La nouvelle bourse d'Abidjan donne un exemple des mesures à prendre et des réalisations possibles.

[21]Par exemple : i) l'UE a soutenu le renforcement des capacités à l'échelon régional grâce à ses programmes de coopération régionaux; et ii) le Conseil de la Banque mondiale a récemment entériné un nouvel instrument permettant au Fonds de développement institutionnel d'accorder des subventions aux entités régionales pour des activités afférentes au renforcement des capacités.

l'intervention à moyen terme (au moins cinq ans) devrait certainement inclure des efforts visant à accroître les aptitudes, particulièrement dans le domaine de la formation tertiaire et professionnelle. Néanmoins, les pays de l'ITF devraient faire en sorte de partager leurs programmes de renforcement des capacités. Au nombre des possibilités de coopération et d'harmonisation des efforts de développement du capital humain, on peut mentionner : i) l'adoption de programmes et de matériel de formation et d'éducation communs[22] ; ii) l'adoption de normes communes (internationales) pour les organismes professionnels; iii) la fusion des organismes professionnels nationaux pour en faire des institutions régionales qui auraient une influence plus grande et seraient mieux équipées pour offrir de la formation et du développement.

54. Malheureusement, les progrès réalisés en matière de renforcement des capacités sont aujourd'hui sérieusement menacés par la propagation du VIH/SIDA. L'Afrique de l'Est et l'Afrique australe sont les régions du monde où cette maladie est la plus répandue. L'annexe XXV montre les taux de fréquence de cette maladie chez les adultes dans les pays de l'ITF à la fin de 1997. À cette époque, plus de la moitié des pays participants présentaient des taux de fréquence de plus de 10 %, et quatre de ces pays avaient des taux proches ou supérieurs à 20 %. Ces statistiques sont l'illustration d'une véritable tragédie humaine, d'autant plus qu'on s'attend à une augmentation de la fréquence de la maladie dans la plupart des pays. Cette réalité a des répercussions profondes sur le développement, y compris sur l'investissement.

55. À mesure qu'on reconnaîtra le problème du VIH/SIDA et qu'on en comprendra les causes (deux conditions essentielles au traitement efficace de cette maladie), elle deviendra un obstacle de plus en plus formidable à la promotion de l'investissement, à moins qu'on ne découvre des moyens efficaces de la combattre. Les entreprises de la plupart des pays touchés doivent envisager la possibilité de hausses sensibles des coûts de main-d'œuvre liées à l'absentéisme (dû à la maladie et au décès des membres de la famille), d'un renouvellement accéléré de la main-d'œuvre (dû aux maladies et aux décès), de dépenses croissantes pour le recrutement, la formation et les avantages sociaux du personnel (assurance et dépenses médicales, aide aux employés touchés). L'absentéisme, le renouvellement du personnel et l'emploi de personnel sous-qualifié risquent par ailleurs d'influer sur la production et la qualité et d'accroître ainsi encore davantage le fardeau des gestionnaires (qui font partie eux-mêmes d'une des catégories les plus touchées par la maladie). Dans ces conditions, l'avantage comparatif que représente une main-d'œuvre abondante subit une érosion rapide et les pays touchés perdront rapidement leur avantage concurrentiel[23] . À défaut de pouvoir constater la mise

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[22]Le Consortium pour la recherche économique en Afrique, avec l'aide d'un groupe de bailleurs, a mis en œuvre un programme coopératif d'études universitaires de deuxième cycle en économie. Vingt universités réparties en 15 pays africains collaborent pour offrir ce programme d'études universitaires de haute qualité.

[23]Dans un rapport récent du *U.S. Census Bureau* (*World Population Profile: 1998*), on estime que d'ici à l'an 2010, les pays de l'Afrique subsaharienne compteront 71 millions de moins de gens qu'ils n'en auraient comptés n'eut été des effets du SIDA. Ce rapport indique que l'espérance de vie moyenne d'un habitant du Zimbabwe est aujourd'hui de 39 ans, alors qu'elle atteignait 65 ans avant l'arrivée de l'épidémie dans ce pays, et il estime que le Zimbabwe a déjà perdu 1,6 million d'habitants à cause des effets directs et indirects du SIDA.

en place de mesures immédiates pour lutter contre la menace du VIH/SIDA, les investisseurs étrangers hésiteront à créer ou à développer dans ces pays des entreprises à forte intensité de main-d'œuvre. Il faudra leur offrir des incitatifs qui limiteront les coûts de la main-d'œuvre à des niveaux compétitifs à l'échelle internationale. La lutte contre le VIH/SIDA n'est donc plus simplement un problème médical. Ses effets se font sentir sur l'ensemble des secteurs et sur tous les aspects du développement, y compris l'investissement. En conséquence, les pays de l'ITF doivent montrer qu'ils reconnaissent le problème et prendre des mesures concertées pour faire face à ses répercussions de plus en plus lourdes.

Crédibilité de la privatisation

56. La privatisation est un facteur déterminant pour attirer les investisseurs. Outre qu'elle permet de catalyser d'importants flux d'IDE, elle aide également à établir et développer la concurrence et fournit un tremplin au développement du secteur privé dans de nombreux pays africains. Toutefois, s'il doit se poursuivre, il faut que le processus soit crédible, ce qui signifie qu'il doit éviter les retours en arrière et porter vraiment ses fruits, c'est-à-dire notamment attirer les bonnes catégories d'investisseurs.

57. Si la privatisation est en plein essor dans la plupart des pays participants, les résultats sont variables et peu de programmes sont considérés comme des réussites. L'impression générale est que les gouvernements africains n'ont adopté la privatisation qu'à contrecoeur et que les programmes n'ont généralement pas été bien gérés. Le manque de transparence et d'information du public est en particulier une source de préoccupations[24]. La tendance récente à inclure les grandes sociétés de services publics dans le processus de privatisation n'a fait qu'accentuer ces problèmes, car on rapporte dans plusieurs pays des manœuvres en coulisses (des dessous-de-table qui assurent un traitement préférentiel à certains investisseurs) visant à contourner les procédures officielles conçues pour que chacun soit sur un pied d'égalité. En Ouganda, un exemple de ce type dévoilé au grand jour a récemment forcé le Parlement à suspendre le programme de privatisation. Malgré les difficultés que cela peut occasionner pour les opérations de privatisation en cours, il est fort probable que cette attitude du Parlement sera en fin de compte bénéfique pour le climat de l'investissement en Ouganda puisqu'elle a prouvé sa détermination à lutter contre les pratiques inacceptables. Il apparaît de plus en plus nettement que la façon dont sont gérés les programmes de privatisation, y compris le degré de participation des parties prenantes et la qualité de l'information du public, est déterminante pour la qualité de la gestion des affaires publiques et, dans un avenir proche, pour le climat général de l'investissement dans chaque pays.

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[24]Voir « La privatisation en Afrique » d'Oliver Campbell White et Anita Bhatia, Banque mondiale, avril 1998.

58. Il est par ailleurs tout aussi important que les opérations de désengagement de l'État soient négociées et conclues d'une manière professionnelle et efficiente. On peut citer de nombreux cas, en Afrique, où d'importants programmes de privatisation ont été gérés d'une manière telle qu'ils ont miné les efforts des pays à attirer l'investissement (par exemple, retards dans la négociation d'un accord avec un soumissionnaire de premier rang, ou arrivée d'un acteur supplémentaire après la fermeture du processus d'appel d'offres). Les gouvernements et leurs agences de mise en œuvre devraient être pleinement conscients du fait que leurs efforts de promotion de l'investissement peuvent être réduits à néant si les investisseurs et les marchés reçoivent de mauvais messages. Il convient donc de faire preuve en tout temps d'équité et de transparence.

L'investissement dans des infrastructures nouvelles et revalorisées

59. Les infrastructures, y compris les sources d'énergie et d'eau, les routes, le transport et les services y afférant et les télécommunications, sont essentielles à la conduite des affaires. Du point de vue de l'investisseur, ces installations et ces services sont inadéquats dans plusieurs des pays de l'ITF (mauvaise qualité ou manque de fiabilité) ou sont trop coûteux. La plupart des pays participants ont entrepris de bâtir ou de revaloriser leurs infrastructures par l'entremise de la privatisation, en encourageant la participation du secteur privé dans de nouveaux projets importants d'investissement dans les infrastructures. Toutefois, dans certains cas, ces efforts pourraient prendre du temps à porter fruit et les capacités existantes subiront entre-temps des pressions accrues afin de fonctionner avec un maximum d'efficacité.

60. La privatisation porte ses fruits, mais il est possible d'utiliser davantage le processus afin d'accélérer l'indispensable mise à niveau des infrastructures. Les pays de l'ITF sont encouragés à examiner cette possibilité, en particulier dans le contexte des infrastructures communes (par exemple, les routes frontalières).

61. Au vu des difficultés que pose dans de nombreux pays participants l'accès rapide à des services publics (et autres) fiables, il faudrait s'attacher davantage à établir des zones industrielles dotées d'infrastructures de qualité[25]. Par ailleurs, les investisseurs réagiraient positivement si les services publics étaient fournis aux prix du marché mondial. Plusieurs des pays de l'ITF ont déjà commencé à établir des zones franches industrielles, y compris Maurice, la Namibie, le Zimbabwe et la Zambie. Les résultats obtenus au chapitre de la performance ont été variables. Il est nécessaire d'harmoniser le cadre réglementaire des zones franches de traitement des exportations et de se conformer aux

[25]L'expérience des complexes industriels et des zones franches pour l'industrie d'exportation du monde entier porte à conclure qu'ils auraient plus de chances de réussir s'ils étaient privés ou gérés par le secteur privé.

dispositions de l'OMC. Toutefois, selon certains observateurs, comme les zones franches risquent de créer des conditions favorables à la fraude fiscale, on devrait plutôt chercher à les éliminer et recourir plutôt au remboursement des droits d'importation versés pour les produits exportés admissibles.

62. Dans le monde entier, en réponse aux difficultés que le secteur public rencontre dans le financement et la gestion de grands et nouveaux projets d'infrastructures, la tendance actuelle privilégie la participation privée aux infrastructures (PPI). Mis à part quelques exemples en Afrique sub-saharienne, ce mouvement n'a pas vraiment pris d'essor dans d'autres parties du monde. En l'absence d'engagements significatifs sur les tarifs des services et de dispositions réglementaires crédibles, les sociétés privées n'ont pas voulu prendre le risque d'investir dans la région. Dans certains cas, elles ont accepté un certain degré de risque commercial sous forme de contrats de location-exploitation. Dans d'autres cas, leur participation s'est limitée à des contrats de gestion. Cependant, les projets élaborés dans les pays de l'ITF et auxquels la PPI serait adaptée nécessitent de grosses sommes d'argent et les investisseurs sont méfiants en raison de la durée de récupération des investissements à long terme et de l'ampleur des risques pressentis. Il existe pourtant des instruments permettant de limiter les risques, entre autres les garanties partielles fournies par l'AMGI, la BIRD et l'IDA, ainsi que des traités internationaux de protection des investissements.[26] Mais les pays de l'ITF pourraient s'attacher davantage à joindre les efforts de chacun de manière à utiliser les prêts sur mesure proposés par les institutions financières internationales et les crédits et subventions équivalents offerts par des sources bilatérales pour fournir les garanties nécessaires au recouvrement des crédits à moyen et long terme des investisseurs étrangers et nationaux.

Promotion des investissements

63. L'image que donne l'Afrique par delà le continent est sans appel. Cette perception est fortement influencée par les tristes nouvelles en provenance d'Afrique, décrivant des événements et situations causés par la famine, la pauvreté, la maladie, la sécheresse, le tribalisme, le racisme, les guerres civiles et la corruption. Quelques pays se sont aujourd'hui libérés de l'ensemble ou de la plupart de ces maux; et nombreux sont ceux qui ont récemment entrepris d'y porter remède. Malgré tout, les efforts déployés par chacun des pays afin de promouvoir une meilleure image ne suffisent pas à rectifier la perception collective de l'Afrique. Il est donc dans l'intérêt commun des pays africains et des pays qui participent à l'ITF d'améliorer leur image, en mettant en lumière les

[26]À noter que : a) la Banque mondiale peut désormais fournir des garanties de l'IDA aux pays admissibles uniquement aux concours de l'IDA. Ces nouvelles facilités (300 millions de dollars pour la phase pilote) peuvent servir à promouvoir des projets transfrontaliers parrainés par le secteur privé; b) si la Facilité de garantie pour l'Afrique est adoptée, elle deviendra un nouvel outil important.

réussites et le potentiel de ressources et d'opportunités présentes sur le continent, et de montrer que des efforts sérieux sont déployés pour lutter contre la corruption, le VIH/SIDA, l'instabilité et la pauvreté, et vaincre ces fléaux.

E. Propositions de programmes prioritaires

64. Il n'est pas possible d'aborder ici tout à la fois l'ensemble des aspects de la promotion des investissements. Il est par conséquent essentiel de définir d'un commun accord des domaines d'action prioritaires. Soulignons d'abord d'entrée de jeu l'importance primordiale des conditions préalables énumérées à la section C, notamment en ce qui concerne la stabilité macroéconomique. La présente section examine les mesures immédiates qui pourraient être prises par ailleurs par les pays de l'ITF pour promouvoir et faciliter l'investissement. On en distingue cinq catégories :

i) accélération de la mise en oeuvre des réformes commerciales de l'ITF;

ii) intensification des efforts de promotion de l'investissement;

iii) réformes juridiques et judiciaires sélectives;

iv) réformes fiscales sélectives;

v) mise en place d'un système de prix d'excellence en Afrique capable de promouvoir l'amélioration de la qualité des services qui influent sur l'investissement.

65. Il serait possible d'en envisager davantage, mais quelles que soient les étapes convenues, il sera nécessaire de mettre l'accent sur leur mise en œuvre rapide, efficace et coordonnée, pour obtenir sans tarder des résultats positifs. Le programme présenté n'est qu'une ébauche : chaque pays devra concevoir son propre parcours selon ce schéma directeur. À la lumière des recommandations de la Conférence interministérielle, chaque GTT devra, en collaboration avec son agence nationale de promotion de l'investissement, préparer un échéancier détaillé pour la mise en œuvre des mesures adoptées, ainsi que des initiatives nationales supplémentaires qui refléteront ses priorités sectorielles. Par ailleurs, il conviendra d'élaborer un programme complet de mise en œuvre des mesures collectives de l'ITF et de la coordination des efforts qui devront être déployés simultanément à l'échelle nationale.

66. Si les initiatives nationales et régionales sont complémentaires, les moyens utilisés pour leur mise en œuvre n'en seront pas moins différents. Par exemple, les efforts de promotion nationale – ceux suggérés dans le présent document et tous les autres — ne peuvent relever que des institutions locales privées ou publiques. Ils peuvent — et devraient — être mis en œuvre peu importe le contexte de l'ITF. Toutefois, chaque pays

participant doit mettre en œuvre les actions adoptées dans le cadre de l'ITF à l'unisson afin d'en assurer la cohérence et la coordination avec celles des autres pays et de contribuer ainsi à redorer l'image et la réputation de la région toute entière. Les initiatives régionales, par contre, doivent être mises en œuvre collectivement, par la coordination des efforts et des contributions et l'utilisation des institutions et des véhicules adoptés d'un commun accord.

67. Les efforts de promotion de l'investissement déployés au niveau national et qui sont décrits ci-dessous devront clairement être organisés et gérés dans chaque pays, mais des mesures devront également être prises au niveau national, à l'appui de la plupart des autres actions proposées. Il sera donc crucial de déterminer comment on parviendra à coordonner les efforts déployés par les pays participants. On pourra peut-être y parvenir en s'accordant sur des mesures institutionnelles satisfaisantes (section F) pour ces actions qui nécessitent clairement un véhicule régional approprié.

Libéralisation des échanges commerciaux

68. Il paraît urgent de donner une impulsion sensible aux réformes afin de mener à bien la libéralisation des régimes commerciaux de manière à réduire le biais anti-exportation (ce qui est essentiel pour promouvoir l'investissement dans les petites économies en développement), à encourager l'utilisation des technologies étrangères et à accroître l'avantage comparatif que beaucoup de pays de l'ITF pourraient exploiter pour améliorer la distribution du revenu. Il conviendrait à cette fin, dans un premier temps, d'achever rapidement les réformes des droits d'importation décrites dans le schéma directeur de l'ITF pour la réforme des régimes du commerce extérieur en ramenant le droit d'importation moyen pondéré par les échanges à 15 % au maximum, avec tout au plus un barème de trois taux applicables (autres que le taux zéro), en ramenant le taux maximum à 20-25 % et en supprimant les exonérations des droits de douane conformément aux clauses des traités internationaux. Par ailleurs, tel que suggéré dans le schéma directeur pour la réforme des régimes du commerce extérieur, les droits applicables aux biens d'équipement et aux matières premières ne devraient pas dépasser 5 %[27].

[27]Document de synthèse, paragraphe 11.

69. L'adoption des consolidations tarifaires de l'OMC est une question connexe. Jusqu'à présent, la plupart des pays de l'ITF n'ont pas consolidé les taux sur beaucoup de produits, et lorsqu'ils l'ont fait, ils ont retenu des taux beaucoup plus élevés que ceux de l'OMC. En approfondissant la réforme tarifaire et en rehaussant la crédibilité de l'irréversibilité du processus de réformes, les pays de l'ITF devraient entreprendre l'introduction des consolidations tarifaires de l'OMC à des taux qui ne dépassent guère ceux que préconise le schéma directeur et accroître le nombre de lignes tarifaires consolidées. Une telle mesure rehausserait sensiblement la crédibilité des pays de l'ITF en créant une structure d'incitations propice à des flux efficaces d'investissements et d'échanges commerciaux. En outre, elle donnerait une certaine souplesse en cas de besoin et une marge de manœuvre discrétionnaire pour poursuivre la libéralisation des tarifs.

70. Finalement, comme le suggérait déjà le document de synthèse examiné à la Troisième réunion ministérielle de l'ITF, il convient de poursuivre les efforts pour dépasser les objectifs fixés dans le schéma directeur pour la réforme des régimes du commerce en réduisant encore le droit maximum, le nombre de taux et le taux moyen pondéré par les échanges. L'Ouganda a déjà donné l'exemple en ramenant le nombre de taux autres que le taux zéro à deux, le taux maximum à 15 % et le taux moyen pondéré par les échanges à environ 10 %. De tels efforts seront essentiels pour aider les pays de l'ITF à s'intégrer dans l'économie mondiale et à rester concurrentiels.

Promotion de l'investissement

Efforts de promotion de l'investissement à l'échelle régionale (ITF)

71. Pour promouvoir l'investissement avec succès, les pays africains doivent aller de l'avant, se montrer confiants en leurs capacités et faire la preuve qu'il existe chez eux des possibilités valables d'investissement et que les obstacles qui nuisaient à la conduite des affaires ont été supprimés. Une fois les obstacles levés, on ne pourra obtenir des flux substantiels d'investissement qu'au moyen de programmes d'incitations soutenus accompagnés de messages cohérents, dans un climat stable et propice aux affaires. Les pays de l'ITF ont besoin d'engager des actions concrètes propres à revaloriser l'image de l'Afrique et de promouvoir de ce fait l'investissement à deux niveaux : régional et national. Au niveau régional (ITF), les actions suivantes pourraient être menées :

a) en s'appuyant sur les progrès déjà accomplis, simplifier et libéraliser davantage les procédures d'approbation et consolider les codes de l'investissement et autres dispositions réglementaires en un document unique pour chaque pays afin de faciliter l'accès des investisseurs potentiels aux marchés régionaux et mondiaux d'ici la fin de l'an 2000;

b) coopérer aux mesures incitatives grâce à l'adoption de politiques communes et à l'organisation en commun de campagnes publicitaires et promotionnelles et de missions de promotion de l'investissement[28]. Cependant, sans le soutien total de l'ensemble des gouvernements participant à l'ITF, en particulier par la mise à disposition des ressources adéquates, il ne sera pas aisé d'aborder le volet de l'incitation à l'investissement de manière unifiée (annexe XVI). Une approche commune a néanmoins été adoptée par les agences de promotion des investissements du Kenya, de la Tanzanie et de l'Ouganda. Il s'agirait de consolider et de développer cette approche[29]. Il faudrait que la pièce maîtresse de ces incitations soit une campagne de relations publiques destinée à revaloriser l'image des échanges commerciaux dans les pays de l'ITF. En amont du recrutement d'experts à même de conseiller et de coordonner les tâches, les GTT assumeraient une grande partie du travail de préparation. Ils seraient par exemple chargés de la collecte de l'information sur les cas de réussite industrielle ou commerciale et les autres éléments susceptibles de véhiculer les bons messages pour stimuler l'investissement. Les GTT devraient envisager de cibler des branches et des secteurs économiques donnés (par exemple, les routes et autres infrastructures) ainsi que des investisseurs précis appartenant à trois grandes catégories. La première de ces catégories regroupe les sociétés publiques admises à la cote internationale. Ce groupe est le plus important à cause de son aptitude à mobiliser l'investissement, à introduire les nouvelles technologies, à élargir l'accès aux marchés et à servir de catalyseur pour les nouvelles entreprises locales. La présence de ces sociétés enverrait un message clair aux marchés. La deuxième catégorie est celle des ressortissants des pays participants qui ont choisi de placer leur épargne en dehors de la région et la troisième est celle des investisseurs non traditionnels[30];

c) améliorer et partager les informations en créant un site Internet consacré à l'ITF qui proposerait aux investisseurs des données susceptibles de les intéresser telles que des données macroéconomiques, les progrès réalisés en matière d'harmonisation des régimes tarifaires et de la libéralisation des régimes de change, les derniers cours de la Bourse, le volume des échanges commerciaux et la disponibilité des services d'aide. Ce site devrait être relié électroniquement aux services d'information «IPAnet» et «PrivatizationLink» du Groupe de la Banque mondiale, ainsi qu'aux bases de données concernant la privatisation en Afrique et aux autres sites pertinents (d'ici la fin de 1999);

d) étudier la faisabilité de la création de fonds d'investissement transfrontaliers (voir encadré 1).

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[28]Ces efforts pourraient être menés en coordination avec l'IPAnet, le réseau de communications et d'échanges de renseignements en ligne de l'AMGI, et «PrivatizationLink», le service d'information consacré à la privatisation du Groupe de la Banque mondiale.

[29]Des actions similaires sont envisagées en vertu du Programme régional intégré de développement des échanges (PRIDE) mis en place par la Commission de l'Océan indien.

[30]Ces derniers devraient être choisis avec soin, selon la niche technique spécialisée à laquelle ils appartiennent et leur viabilité financière.

Encadré 1 : Promotion de l'épargne et de l'investissement grâce aux fonds transfrontières

L'extension de l'actionnariat est un des problèmes récurrents de la privatisation dans la plupart des pays africains. Dans la majorité des pays, les possibilités sont limitées non seulement par la faiblesse de l'épargne mais également par le manque de bons projets d'investissement et par l'état embryonnaire du marché de capitaux. Les occasions d'investir sont rares parce que la plupart des sociétés parapubliques soumises à la privatisation ont besoin d'une recapitalisation très substantielle, d'une mise à niveau technologique et de meilleures conditions d'accès aux marchés, en plus de la nécessaire amélioration de leur gestion. Ces besoins signifient qu'il faut mettre en place un noyau dur d'investisseurs stratégiques ou, pour les entreprises plus petites, céder d'emblée l'affaire aux investisseurs intéressés. Les offres publiques de vente d'actions des sociétés ayant des antécédents crédibles sont rares ou encore inexistantes dans certains pays. Parallèlement, au vu de la taille d'un grand nombre d'économies, il y a lieu de se demander si le nombre de titres en circulation et le volume des échanges peut atteindre la masse critique suffisante pour, à l'avenir, alimenter l'activité d'une place boursière. L'idée de créer des marchés boursiers régionaux a déjà été émise et la première bourse régionale d'Afrique a récemment vu le jour à Abidjan. Cependant, pour les pays qui participent à l'ITF, il faudra peut-être attendre quelques années avant de mettre en place une ou plusieurs bourses régionales. D'ici là, les organismes de privatisation ont besoin de moyens pour proposer à la vente des participations minoritaires dans le capital des entreprises rentables de manière à en étendre l'actionnariat. Par ailleurs, de nouveaux instruments de participation sont nécessaires pour stimuler l'investissement des petits épargnants.

Les fonds transfrontières pourraient figurer parmi ces instruments. Certaines organismes de privatisation, en Tanzanie et en Zambie par exemple, travaillent déjà à la création de fonds d'investissements. Les pays qui participent à l'ITF devraient envisager d'étendre ce concept afin que les fonds puissent permettre de détenir un portefeuille d'actions dans plusieurs pays. En dépit d'un certain nombre de détails qu'il faudra revoir, ces fonds d'investissements transfrontières ou fonds communs de placement permettraient de :

- faciliter la mise en place de fonds grâce à un noyau solide de titres attrayants;
- Fournir un moyen adapté pour la cession des participations publiques résiduelles, en particulier dans les petites entreprises et
- développer l'actionnariat et stimuler l'épargne en proposant aux petits épargnants de plusieurs pays la possibilité d'investir dans des fonds dont les risques sont répartis sur une gamme d'actions plus large.

Efforts de promotion de l'investissement à l'échelle nationale

72. Au niveau national, l'initiative proposée comporte quatre volets. Premièrement, concevoir et mettre en œuvre un ensemble de modifications qui ferait de chaque pays participant une destination plus attrayante et qui améliorerait l'accès à l'information et les services aux investisseurs étrangers potentiels[31]. Cela supposerait que l'on améliore l'accueil à l'aéroport en installant un bureau d'informations pour les visiteurs équipé de cartes et de guides des hôtels et des services d'aide aux entreprises (cabinets comptables, experts-conseils, services juridiques, experts et secrétariats), et des services de taxi de qualité que l'on puisse emprunter sans avoir à se frayer un chemin à travers la foule.

73. Deuxièmement, il conviendrait de prêter une plus grande attention aux problèmes de sécurité. Non seulement les investisseurs, qu'ils soient locaux ou étrangers, préfèrent commercer dans un environnement où ils se sentent personnellement en sécurité, mais le degré de sécurité est perçu par beaucoup comme un indicateur de stabilité à long terme. Il est donc nécessaire de prendre des mesures en liaison avec les organes responsables de l'ordre public afin d'élaborer et d'exécuter des programmes de sensibilisation de la population à la nécessité d'une meilleure sécurité, qui ne décrivent pas simplement les mesures de maintien de l'ordre mais fassent aussi comprendre que la société en général a tout à gagner à ce que chacun se sente en sécurité.

74. Troisièmement, dans beaucoup des pays de l'ITF, le secteur privé a dû composer pendant un certain nombre d'années avec une économie dirigée. En conséquence, beaucoup d'entrepreneurs potentiels ont une connaissance et une expérience très limitées de la préparation des plans d'affaires, de la mobilisation des capitaux, de la commercialisation, du contrôle de la qualité et de la gestion des affaires. Dans une telle situation, les efforts de promotion de l'investissement devraient donc chercher à fournir l'information et la formation voulues pour répondre aux besoins des entreprises naissantes.

75. Quatrièmement, les efforts déployés pour attirer les investisseurs étrangers devraient s'accompagner, en parallèle, d'efforts équivalents pour la promotion d'une bonne interaction avec les investisseurs locaux. À cette fin, les agences de promotion de l'investissement devraient jouer un rôle actif (y compris, par exemple, en maintenant des bases de données sur les investisseurs étrangers et locaux) pour faciliter les contacts des uns avec les autres.

[31]Il faut noter que le rythme imprimé à ces actions pourra varier d'un pays à un autre. Chaque GTT devra préparer son propre schéma directeur pour la promotion des investissements. Les organismes de parrainage peuvent contribuer à ce processus (par exemple, le service-conseil pour l'investissement étranger où FIAS a aidé plusieurs pays dont l'Ouganda et le Swaziland à préparer leur schéma directeur concernant les investissements à l'échelle de l'entreprise).

Réformes juridiques et judiciaires sélectives

76. Comme l'explique un récent document de la Banque mondiale, le renforcement des supports juridiques, réglementaires et judiciaires est nécessaire au développement du secteur privé en Afrique[32]. Dans le contexte des efforts qui visent à attirer à la fois les investisseurs étrangers et locaux et à harmoniser les procédures afin de faciliter les investissements, les pays de l'ITF pourraient : a) créer une nouvelle catégorie d'«entreprises régionales»; b) adopter des procédures communes d'enregistrement des sociétés et des succursales; c) créer des tribunaux de commerce distincts pour veiller à l'exécution des contrats.

77. Toutefois, l'étape essentielle entre toutes et qui enverrait un message clair aux investisseurs consisterait pour les pays de l'ITF à résoudre tous les problèmes fonciers. Les investisseurs doivent pouvoir être convaincus qu'ils pourront acheter ou louer à long terme des terres en quantités suffisantes. À défaut d'une telle réforme, les efforts de promotion décrits ci-dessus paraîtront vides de sens et inutiles.

Entreprises régionales

78. Les coûts opérationnels baisseraient considérablement pour les investisseurs si une société enregistrée dans un pays participant était reconnue comme une entreprise régionale et avait la possibilité d'étendre ses activités dans d'autres pays participants sans avoir à se constituer en une nouvelle entité juridique. Une société serait ainsi considérée comme une entreprise régionale au moment de sa constitution dans l'un des pays participants, quelle que soit la nationalité du propriétaire. De cette manière, toute société constituée à l'intérieur de la région, y compris les multinationales étrangères, serait considérée comme résidente.

Amélioration des procédures d'enregistrement des sociétés

79. L'adoption des procédures communes d'enregistrement est étroitement liée à la mesure antérieure. Toutefois, on pourrait l'adopter plus facilement et plus rapidement. Si des différences risquent de persister, à tout le moins à court terme, dans les formules juridiques des sociétés et la réglementation de leur propriété et de leur gérance, rien ne devrait empêcher les agences responsables de l'enregistrement des entreprises d'adopter des procédures d'enregistrement communes, modernes et simplifiées (voir encadré 2).

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[32] Voir «*Africa Can Compete!*, cadre du soutien apporté par le Groupe de la Banque mondiale au développement du secteur privé en Afrique sub-saharienne», publié par le Groupe de financement du secteur privé, région Afrique, Banque mondiale, août 1998.

80. Une telle démarche prouverait les intentions et la détermination des autorités de réduire les coûts de transaction et d'harmoniser graduellement les lois régissant les entreprises et les activités commerciales. Selon leur histoire coloniale, le droit des entreprises des pays participants est fondé sur l'un des droits suivants : le droit commun et le droit des entreprises anglais, le droit romain néerlandais et le Code civil. L'adoption de procédures d'enregistrement communes serait un premier pas significatif vers l'harmonisation de l'appareil juridique (droit des contrats, des sociétés, de la faillite, du travail et droit foncier[33]) qui fait partie intégrante du régime de l'investissement[34].

81. La refonte et l'harmonisation des procédures d'enregistrement des sociétés auraient les effets positifs suivants :

- il serait plus facile pour les investisseurs d'enregistrer les sociétés;
- les bureaux d'enregistrement pourraient partager des informations sur les entreprises avec leurs homologues d'autres pays;
- les liens avec les autres obligations d'enregistrement (par exemple, pour l'impôt et les licences) seraient automatisés;
- les possibilités d'accès à l'information (utiles aux planificateurs et aux décideurs du gouvernement, aux analystes économiques, aux investisseurs et aux créanciers existants ou potentiels) seraient énormément accrues;
- les procédures de facturation et de recouvrement des amendes seraient améliorées.

[33]Y compris les droits de la propriété intellectuelle.

[34]Les règlements d'application de ces lois seraient également inclus. En fait, un schéma directeur dont l'application s'étend au moyen terme pourrait fort bien inclure l'harmonisation ou l'intégration des cadres réglementaires.

Encadré 2 : Refonte et harmonisation des procédures d'enregistrement des sociétés

La constitution d'une société — la forme la plus fréquente mais non exclusive étant la société à responsabilité limitée — suppose en général son enregistrement auprès d'un bureau spécialisé. Dans le cas des pays anglophones, il est généralement appelé Registre des sociétés et l'agent qui signe le certificat est le Receveur de l'enregistrement des sociétés. La constitution d'une société peut ou devrait également entraîner d'autres obligations de déclaration auprès des services fiscaux et autres organismes professionnels, pour l'obtention des licences professionnelles et le dépôt du nom de la société. Dans un délai imparti et, par la suite, chaque année, il est demandé aux sociétés enregistrées de remplir et de soumettre un «Rapport annuel» avec en annexe une copie des états financiers vérifiés. Des processus semblables s'appliquent dans les pays non anglophones.

Dans certains pays, en raison du mauvais équipement des bureaux et du manque d'investissement en ressources humaines et en moyens techniques, le nombre des tâches non accomplies est considérable, les procédures ne sont pas appliquées de manière cohérente et les liens entre les différentes obligations d'enregistrement se sont relâchés. Il est fréquent que les sociétés ne remettent pas leurs déclarations dans les délais prévus. L'inefficacité administrative signifie que des mesures ne sont pas toujours prises pour exiger la reddition des comptes et recouvrer les cotisations ou amendes. Un investissement relativement faible dans la création et la mise en place d'un système informatique classique d'enregistrement des sociétés dans les pays de l'ITF permettrait de faciliter l'enregistrement des investisseurs et améliorerait considérablement la connaissance du fonctionnement des entreprises et des secteurs.

Ceci faciliterait les investissements pour les raisons suivantes : i) les investisseurs sauraient que les procédures et obligations d'enregistrement sont identiques dans chacun des pays participants; ii) l'interconnexion des registres des sociétés donneraient à une entreprise enregistrée dans un des pays participants la possibilité d'ouvrir automatiquement une succursale dans un autre pays et iii) en créant des liens directs entre les systèmes fiscaux, les raisons sociales et les licences professionnelles, il deviendrait possible de réduire la plupart, si ce n'est la totalité, des formalités d'enregistrement.

Des systèmes et des procédures d'enregistrement normalisés faciliteraient également le commerce en permettant aux acheteurs et aux vendeurs de se renseigner sur les fournisseurs et les clientèles présents outre-frontière.

Le registre des sociétés est pour l'essentiel une base de données à laquelle les actionnaires, les créanciers et autres parties intéressées peuvent légalement accéder (contre paiement d'un droit d'accès). La mise à niveau de cette base de données informatique permettrait d'améliorer considérablement le suivi de l'évolution économique. Une gestion correcte de cette base permettrait de fournir des données sur la croissance économique, l'évolution des différentes catégories d'entreprises (création/disparition) et les performances financières des sociétés par type de propriétaire, par secteur, par taille, par zone géographique, etc. Cependant, afin qu'elles donnent un maximum de résultats, il faudrait revoir les obligations de publicité financière des sociétés et mettre en place un système uniforme de déclarations obligatoires qui centraliserait les formalités requises par les services fiscaux et par le registre des sociétés. Une mise à jour de la législation serait alors nécessaire afin que les données concernant la propriété, les finances et autres informations contenues dans le rapport annuel et les états financiers vérifiés des entreprises constituées puissent être plus largement diffusées.

Création de tribunaux de commerce distincts

82. Une procédure accélérée est nécessaire afin que les bailleurs de fonds soient sûrs de pouvoir recouvrer leurs créances en cas de cessation de paiement. Les pays de l'ITF pourraient donc créer des tribunaux de commerce spécialisés qui s'occuperaient des différends commerciaux, du recouvrement des créances et des procédures de faillite. L'Ouganda s'est déjà engagé dans ce processus et sera un modèle très utile. Le GTT de l'Ouganda pourrait être invité à transmettre les leçons de son expérience dans ce domaine aux autres GTT. Plus récemment, le COMESA (à présent désigné comme zone d'investissement) a créé un tribunal de commerce. Cette Cour de justice spéciale est composée de sept juges qui se réunissent avec un greffier permanent basé à Lusaka.[35]

Réformes fiscales sélectives

83. Les propositions en cette matière sont regroupées en quatre domaines distincts — taxes sur les biens et les services, impôts sur le revenu et les bénéfices, gestion fiscale et accords de double imposition — et accompagnées d'un calendrier annuel détaillé couvrant les trois prochaines années. L'annexe XXVII résume les bonnes pratiques fiscales et tarifaires. Toutefois, tel que mentionné auparavant, les réformes fiscales ne devraient pas être réalisées aux dépens des dépenses budgétaires essentielles.

[35]Cette Cour sera appelée, entre autres, à statuer sur des affaires de pratiques commerciales déloyales et sur l'interprétation du traité, et à faire en sorte que les membres respectent les décisions prises.

Taxes sur les biens et les services

84. Des préparatifs détaillés en vue de l'adoption d'une taxe à la consommation (TVA) assise sur une large base, de préférence à un seul taux, avec un minimum d'exonérations et un seuil défini constitueraient un progrès important.

Impôts sur le revenu et les bénéfices

85. Des mesures devraient être prises afin de simplifier les impôts sur le revenu et les bénéfices et ramener les taux à des niveaux qui n'encouragent pas autant la fraude. Les pays de l'ITF pourraient adopter à l'intention des sociétés : i) une politique commune sur les concessions fiscales et les exemptions spéciales (prônant de préférence leur suppression); ii) une réduction de l'impôt sur les bénéfices/le revenu des sociétés, à un seul taux modéré et une baisse des retenues à la source[36]. Parallèlement, les déductions pour amortissement sur l'ensemble des biens d'équipement devraient être uniformes d'un secteur à l'autre, avec des possibilités d'amortissement accéléré, et les dépenses de recherche-développement et de formation du personnel devraient être déductibles en totalité.

86. Pour les particuliers, les pays de l'ITF devraient abaisser les impôts sur le revenu, limiter les exemptions personnelles et les déductions et viser à limiter les tranches d'imposition et à fixer un taux marginal maximal modéré.

Gestion fiscale

87. Parmi les divers aspects de la gestion fiscale qui pourraient être améliorés, le plus important pour l'investissement serait probablement l'informatisation des douanes de la façon la plus simple possible. Il existe à ce propos un certain nombre de systèmes, mais celui recommandé est le Système douanier automatisé (SYDONIA) qui a déjà été adopté par le COMESA[37]. Les pays de l'ITF devraient prendre des mesures pour assurer la coordination des politiques entre les services fiscaux et douaniers et les ministères responsables de ces politiques (Finances et Plan) en association étroite avec le Comité d'exécution des politiques (CEP) de l'ITF.

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[36]Les retenues à la source devraient être créditées au moment des déclarations d'impôt individuelles. Il conviendrait également de réviser le statut des non-résidents afin de prendre en compte les retombées des traités de double imposition (ou de leur inexistence).

[37]Plusieurs des pays de l'ITF ont déjà adopté le système SYDONIA, souvent dans le cadre d'un projet du COMESA appuyé par l'UE.

Accords de double imposition

88. Comme indiqué précédemment, le processus de conclusion d'accords de double imposition est en bonne voie, mais il reste beaucoup à faire pour l'étendre à tous les pays présentant des investisseurs potentiels. Il est suggéré que les pays de l'ITF abordent cette question en trois étapes : i) conclusion d'accords réciproques de double imposition entre tous les pays de l'ITF, de préférence sous une forme normalisée; ii) conclusion d'accords avec l'ensemble des partenaires commerciaux traditionnels (lorsque ces accords n'existent pas actuellement ou sont inadaptés); iii) négociation en vue d'accords avec de nouveaux pays susceptibles de générer des flux d'investissement.

Un système de prix comme méthode de sensibilisation et d'émulation

89. Comme expliqué dans la section D, la disponibilité et la qualité de certains services d'appui ont une incidence sur l'investissement. Les priorités sont : i) l'amélioration de l'information à l'intention des investisseurs; ii) l'amélioration des normes et pratiques professionnelles; iii) l'amélioration des services financiers et non financiers. Certaines questions se posent alors : comment les pays de l'ITF peuvent-ils faire comprendre la nécessité de ces améliorations et quelles mesures incitatives peuvent être mises en place pour susciter une réaction rapide du secteur privé? L'encadré 3 esquisse une proposition de système de prix qui soutiendrait les efforts de sensibilisation et aurait une fonction d'émulation.

F. Conditions institutionnelles et autres à respecter pour la mise en vigueur

90. Pour mettre en vigueur les mesures proposées dans le cadre du présent schéma directeur pour la promotion de l'investissement, les autorités des pays participants devront prendre une décision sur : i) l'ampleur et l'échelonnement des actions; ii) les étapes préparatoires; iii) les institutions internes et régionales qui seront responsables de ces actions. Pour porter fruit, ces actions devront également bénéficier d'efforts et d'un soutien constants qui devront se prolonger au-delà de la période de la prise des décisions politiques. Il faudra pour cela pouvoir compter sur une planification solide et des accords institutionnels efficaces fondés sur les principes suivants :

- uniformité dans l'application des conditions générales pour l'investissement;
- reconnaissance du principe de l'élargissement du marché (nécessité d'établir un marché régional et de poursuivre l'intégration dans l'économie mondiale) et nécessité, de ce fait, pour les pays de l'ITF, de collaborer et de mettre leurs ressources en commun de manière à maximiser la quête d'investissements;

Encadré 3 : Encouragement au développement — Proposition d'un système de prix d'excellence en Afrique

Il est aujourd'hui communément admis que le secteur privé doit être le moteur de la croissance économique. Cependant, une question subsiste : que faire pour inciter le secteur privé à améliorer comme il faut la qualité des services et des résultats? Et y a-t-il un moyen d'améliorer rapidement et sensiblement la situation sans que l'État n'ait à intervenir ? Parce que ce serait un moyen de fournir des incitations financières et publicitaires aux entreprises du secteur privé présentes dans des secteurs clés, l'instauration d'un système de prix d'excellence en Afrique (PEA) qui seraient décernés chaque année pourrait être une méthode envisageable.

Il est par exemple nécessaire d'enrichir la gamme des services et d'exploiter la technologie moderne afin d'améliorer l'efficacité et la convivialité des services directs à la clientèle. On pourrait imaginer de créer un prix pour la banque commerciale ayant réalisé les progrès les plus tangibles grâce au lancement de nouveaux produits et à l'amélioration de la qualité de ses services à la clientèle.

Un autre pourrait récompenser la hausse de la croissance des exportations due à des efforts d'amélioration de la qualité et de promotion. Ce prix serait ouvert aux sociétés de toutes tailles puisqu'il serait possible de mesurer la croissance en termes relatifs et non absolus. D'autres prix pourraient récompenser une hausse de la production (ventes sur le marché intérieur ou à l'exportation) ou une plus grande diversification des produits.

Si le concept est reçu favorablement puis adopté par l'ITF et si les organismes privés et publics de parrainage s'engagent à fournir l'appui financier nécessaire, les entreprises implantées dans les pays participants pourront concourir pour les prix annuels, par exemple, dans les domaines suivants :

Meilleurs services financiers	Technologie de l'information
Publicité financière	Innovation
Amélioration de l'efficience	Nouvelle entreprise
Protection de l'environnement	Hausse ou diversification de la production
Croissance des exportations	Formation du personnel

Avec l'appui financier des organismes de parrainage de l'ITF et des bailleurs privés, les PEA pourraient offrir des récompenses pécuniaires (prix annuels dotés d'environ 50.000 à 250.000 dollars). Les entreprises récompensées acquerraient un surcroît de publicité et de prestige considérable monnayable sur le marché. Le processus d'évaluation et de sélection des lauréats contribuerait par ailleurs au partage des informations entre les pays participants, et donc à leur plus large diffusion en même temps qu'à leur meilleure compréhension.

- participation du secteur privé dans toute la mesure du possible;
- reconnaissance générale et prise en compte de la nécessité de maintenir la crédibilité sur le marché;
- aptitude des pays de l'ITF à communiquer et à coordonner leurs actions;
- aptitude à susciter et à maintenir l'aide des bailleurs et des organismes de parrainage du secteur privé;
- qualités d'initiative et mise en œuvre des politiques inspirées du secteur privé (non bureaucratiques, rigoureuses et rapides).

91. Le tableau A présenté ci-dessous énumère chacune des actions proposées par le schéma directeur (section E), les institutions principales qui pourraient être mises à contribution et les principales options de mise en œuvre, afin d'aider les CEP et les GTT à élaborer des dispositifs institutionnels efficaces. L'annexe XXVIII fournit des détails supplémentaires afin d'aider les décideurs et les GTT à s'acquitter de cette tâche.

92. Quatre facteurs principaux influeront sur la réalisation des conditions nécessaires à la mise en œuvre :

a) la présence d'un «champion» capable de donner son impulsion au programme et à en maintenir le rythme par des contacts continuels avec les GTT et les autres organisations engagées dans diverses activités;

b) la conclusion d'un accord sur les dispositifs institutionnels régionaux;

c) l'autorité et la capacité des GTT. Les GTT doivent participer très étroitement à l'élaboration des politiques et au dialogue entre les secteurs privé et public; ils doivent être durables pour maintenir le rythme des réformes et les mener à bon terme. Dans certains pays, il faudra peut-être pour cela institutionnaliser le rôle des GTT (par exemple, les intégrer dans des institutions politiques privées ou semi-privées ou dans les ministères gouvernementaux pertinents). Les GTT auront presque certainement besoin de voir leurs capacités renforcées pour pouvoir s'acquitter de leur mandat;

d) l'appui des organismes de parrainage et des autres bailleurs de sorte que les ressources nécessaires aux étapes b) et c) soient disponibles en quantités suffisantes et en temps utile.

93. Le présent schéma directeur est un défi que les pays de l'ITF devront relever pour démontrer le sérieux de leur intention de mobiliser l'investissement. Les GTT auront un rôle important à jouer dans la surveillance du programme et la diffusion des résultats obtenus, mais les agences de promotion de l'investissement seront les principales responsables de la mise en vigueur de l'initiative. Il est par conséquent vital que ces agences reçoivent leurs instructions le plus tôt possible afin d'entreprendre la tâche de contact et de mobilisation des institutions qui devraient contribuer aux actions individuelles. Beaucoup d'institutions, principalement du secteur privé, seront appelées à participer (plus en fait que celles mentionnées dans les notes de l'annexe XXVIII) et la coordination risque d'être complexe. Le recours à des réunions virtuelles pourrait grandement faciliter cette coordination. Ceci montre bien la nécessité pour les agences d'examiner leurs ressources pour s'assurer qu'elles auront les moyens de s'acquitter de leur mandat.

94. Finalement, il convient de souligner les efforts constants que demandera l'application du schéma directeur pour la promotion de l'investissement : outre un travail de préparation détaillé, il faudra consacrer des efforts constants aux examens détaillés des politiques et à l'appui de ces politiques sur plusieurs années. Plusieurs années pourraient en fait s'écouler avant que ces mesures n'induisent, chez les investisseurs, des réactions mesurables, ce qui illustre bien la nécessité d'une intervention durable. Ainsi, les pouvoirs publics et leurs agences de mise en œuvre, les institutions régionales participantes et les organismes de parrainage devront s'engager à long terme afin de pouvoir un jour cueillir les fruits de cette initiative.

Tableau A : Options institutionnelles pour la mise en œuvre du schéma directeur pour la promotion de l'investissement

Action proposée	Principales institutions nationales *	Principales institutions régionales (plus les GTT)	Principales options de mise en oeuvre
Libéralisation des échanges commerciaux			
a) achèvement des réformes proposées dans le schéma directeur de l'ITF sur la réforme des régimes du commerce	Maintien de la situation actuelle	COMESA, EAC, COI, SADC	Maintien de la situation actuelle
b) intégration des réformes commerciales	Maintien de la situation actuelle	COMESA, EAC, COI, SADC	Maintien de la situation actuelle
c) dépassement des objectifs du schéma directeur de l'ITF pour la réforme des régimes du commerce	Maintien de la situation actuelle	COMESA, EAC, COI, SADC	Maintien de la situation actuelle
Efforts de promotion à l'échelle régionale :			
a) simplification des codes de l'investissement, des procédures d'approbation et des dispositions réglementaires	Agence de promotion de l'investissement (API), services juridiques du gouvernement	COMESA, EAC, COI, SADC	Les API retiennent la responsabilité principale et s'occupent de l'impartition des tâches diverses
b) promotion conjointe	API, associations de gens d'affaires, ministères gouvernementaux	COMESA, EAC, CEA, COI, SADC	Southern African Enterprise Network, réseaux d'entreprises et autres institutions transfrontalières privées, mais impartition des diverses tâches
c) site Internet d'information	API, associations de gens d'affaires, Banque centrale, ministères gouvernementaux	BAfD, CEA	La BAfD et les institutions sont responsables de la promotion conjointe
d) examen de la faisabilité de fonds d'investissement transfrontaliers	Agence de privatisation, trust de privatisation, bourse des valeurs, institutions financières, ministère des Finances	COMESA, EAC, CEA, COI, SADC	Organisme de parrainage ou agence ou trust de privatisation, avec impartition de l'étude
Efforts de promotion à l'échelle nationale:			
a) amélioration de l'information et facilitation des déplacements	API, associations de gens d'affaires, administrations aéroportuaires et portuaires, Douanes et Immigration		API ou chambres de commerce
b) amélioration de la sécurité	Associations de gens d'affaires, police, ministère de l'Intérieur, ministère du Commerce/Industrie		Ministère responsable de la sécurité intérieure

Action proposée	Principales institutions nationales *	Principales institutions régionales (plus les GTT)	Principales options de mise en oeuvre
c) aide aux entrepreneurs locaux	API, associations de gens d'affaires, banques		Projets particuliers
d) promotion de l'interaction des investisseurs locaux et étrangers	API, associations de gens d'affaires, ministère du Commerce et de l'Industrie		API ou chambre de commerce si elle est très active
Réformes juridiques et judiciaires sélectives :			
a) création d'une forme juridique régionale des entreprises	Services juridiques du gouvernement, professions comptable et juridique, associations de gens d'affaires	COMESA, EAC, COI, SADC	COMESA et services juridiques du gouvernement
b) adoption de procédures communes d'enregistrement	Registre des entreprises, services juridiques du gouvernement, autorités fiscales, professions comptable et juridique, API	COMESA, EAC, COI, SADC	Bureaux d'enregistrement sous la gouverne de la Cour commerciale du COMESA
c) mise en place de cours commerciales distinctes	Ministère de la Justice, profession juridique, appareil judiciaire	COMESA	Ministères de la Justice, sous la gouverne de la Cour commerciale du COMESA
Réformes fiscales sélectives :			
a) réduction des droits d'importation conformément au schéma directeur de l'ITF	Maintien de la situation actuelle	Maintien de la situation actuelle	Maintien de la situation actuelle
b) simplification de la structure de l'impôt sur le revenu et réduction des taux	Ministère des Finances, autorités fiscales, profession comptable, associations de gens d'affaires, API	COMESA, EAC, CEA, COI, SADC	Ministères des Finances
c) amélioration de la gestion fiscale	Ministère des Finances, autorités fiscales, profession comptable		Ministères des Finances
d) conclusion d'accords de double imposition	Ministère des Finances, autorités fiscales, profession comptable	COMESA, SADC	Ministères des Finances
Prix d'excellence en Afrique	Associations de gens d'affaires, instituts professionnels, ministères gouvernementaux	COMESA, EAC, CEA, COI, SADC	Réseaux d'entreprises, Southern African Enterprise Network, entreprises privées

Note : *Les organismes de parrainage participeront également à ces actions et les appuieront, sous réserve des politiques de chacune des institutions et des programmes d'assistance*

Annexe I

Taux de croissance du PIB dans les pays de l'ITF (%)
(taux négatifs en italique)

Pays ITF :	**1993**	**1994**	**1995**	**1996**	**1997**	**1998***
Burundi	*-5,7*	*-3,1*	*-7,0*	*-8,6*	0,4	4,5
Comores	3,0	*-5,3*	*-3,9*	*-0,4*	0,0	1,0
Kenya	0,4	2,6	4,4	4,1	2,1	1,5
Madagascar	2,1	0,0	1,7	2,1	3,6	3,6
Malawi	9,7	*-10,2*	14,7	10,7	5,1	4,0
Maurice	5,4	4,1	4,7	5,4	5,0	5,3
Namibie	*-2,0*	6,7	3,4	2,9	1,8	1,5
Rwanda	*-8,1*	*-19,3*	36,6	12,0	10,9	10,0
Seychelles	6,2	*-0,8*	*-0,6*	4,7	4,3	4,1
Swaziland	3,3	3,5	2,7	3,9	3,7	2,0
Tanzanie	12,2	1,4	2,6	4,1	4,0	3,4
Ouganda	8,3	6,4	11,4	9,3	5,4	5,7
Zambie	6,8	*-3,4*	*-2,3*	6,5	3,4	*-2,0*
Zimbabwe	1,3	6,8	*-0,7*	7,3	3,2	2,4
Total des pays ITF :	**3,3**	**0,9**	**4,8**	**5,9**	**3,8**	**3,4**
Sélection de pays non ITF :						
Angola	*-23,8*	1,4	11,2	11,6	7,6	*-1,1*
Botswana	*-0,1*	4,1	3,1	7,0	6,9	6,0
Lesotho	4,0	12,9	9,1	12,7	8,0	1,5
Mozambique	8,6	7,5	4,3	7,1	12,4	9,1
Nigéria	2,2	*-0,6*	2,6	6,4	3,9	*-3,2*
Afrique du Sud	1,3	2,7	3,4	3,2	1,7	*-0,5*
Ensemble de l'Afrique sub-saharienne	**0,9**	**2,0**	**5,9**	**4,9**	**3,6**	**1,4**
Ensemble de l'Afrique sub-saharienne, moins l'Afrique du Sud et le Nigéria	**0,5**	**2,1**	**8,1**	**5,6**	**4,5**	**3,7**

* Les données de 1998 sont des estimations sujettes à révision.

Taux calculés en chiffres constants de 1987.

Source : *World Bank Africa Region Live Database (12 mai 1999)*

Annexe II

Investissement intérieur brut dans les pays de l'ITF, en pourcentage du PIB

Pays ITF:	1993	1994	1995	1996	1997	1998*
Burundi	15,7	8,6	7,2	9,9	6,8	6,7
Comores	20,6	21,0	19,9	18,9	21,3	19,8
Kenya	17,6	19,3	21,8	20,4	19,1	18,4
Madagascar	11,4	10,9	10,9	11,6	11,8	13,3
Malawi	15,2	29,3	16,6	12,4	12,3	18,2
Maurice	30,7	32,3	25,7	25,1	27,6	26,1
Namibie	16,1	23,1	20,7	22,5	19,8	19,0
Rwanda	15,2	4,3	8,6	10,3	10,0	9,8
Seychelles	28,7	26,2	30,3	50,9	36,0	30,6
Swaziland	26,6	32,1	34,1	30,1	33,9	33,4
Tanzanie	26,1	24,9	21,9	18,0	16,3	16,0
Ouganda	15,2	14,6	16,2	16,0	15,3	15,4
Zambie	15,0	13,5	13,9	14,9	14,5	16,2
Zimbabwe	22,8	23,5	19,4	23,2	18,7	23,
Total des pays ITF :	**19,6**	**20,7**	**19,2**	**19,3**	**17,8**	**18,3**
Sélection de pas non ITF :						
Angola	26,4	23,2	25,0	22,7	24,7	20,1
Botswana	27,9	25,5	28,2	25,8	25,9	26,0
Lesotho	75,0	80,3	83,2	89,2	85,5	80,0
Mozambique	26,5	31,3	36,1	30,1	29,5	35,2
Nigéria	23,3	19,6	16,1	12,8	15,3	21,4
Afrique du Sud	14,5	17,0	18,9	17,4	15,9	17,0
Ensemble de l'Afrique sub-saharienne	**17,5**	**19,3**	**19,9**	**19,1**	**18,4**	**20,2**
Ensemble de l'Afrique sub-saharienne, moins l'Afrique du Sud et le Nigéria	**19,0**	**21,2**	**21,2**	**22,0**	**21,3**	**22,0**

* Les données de 1998 sont des estimations sujettes à révision..

Taux calculés à partir des séries actuelles de monnaies.

Source : *World Bank Africa Region Live Database (12 mai 1999)*

Annexe IIIa

Investissement privé brut dans les pays de l'ITF, en pourcentage du PIB

Pays ITF:	1993	1994	1995	1996	1997	1998*
Burundi	2,9	1,4	1,1	1,4	1,7	2,1
Comores	9,8	9,5	11,5	12,5	14,6	13,8
Kenya	9,6	9,9	13,5	12,3	11,3	13,4
Madagascar	3,7	4,7	5,2	5,0	5,5	6,1
Malawi	2,6	11,6	5,0	5,8	5,2	4,3
Maurice	20,6	21,7	16,3	16,8	20,0	22,9
Namibie	13,6	12,9	14,7	13,5	11,5	12,0
Rwanda	7,6	1,6	0,7	1,1	1,8	3,4
Seychelles	14,9	14,6	15,2	40,6	25,8	23,2
Swaziland	15,5	21,9	27,0	24,4	21,1	27,8
Tanzanie	21,6	20,9	18,5	14,3	13,5	12,1
Ouganda	8,5	9,1	10,0	10,1	10,4	9,9
Zambie	7,0	5,6	4,5	8,8	9,5	8,8
Zimbabwe	19,9	18,6	21,3	22,4	21,5	21,3
Total des pays ITF :	**12,8**	**13,1**	**13,6**	**13,0**	**12,1**	**13,0**
Sélection de pays non ITF :						
Angola	19,8	28,4	14,1	4,7	20,5	17,0
Botswana	,,	,,	,,	,,	,,	,,
Lesotho	28,1	26,0	,,	,,	70,0	64,4
Mozambique	15,1	18,4	25,1	20,8	19,5	26,0
Nigéria	12,5	10,7	9,1	6,1	6,7	15,4
Afrique du Sud	10,8	11,7	12,6	12,6	12,7	14,6
Ensemble de l'Afrique sub-saharienne	**11,7**	**12,6**	**12,8**	**12,5**	**12,7**	**15,8**
Ensemble de l'Afrique sub-saharienne, moins l'Afrique du Sud et le Nigéria	**11,1**	**12,8**	**12,9**	**13,7**	**14,2**	**14,9**

* Les données de 1998 sont des estimations sujettes à révision.

Taux calculés à partir des séries actuelles de monnaies.

Source : *World Bank Africa Region Live Database (12 mai 1999)*

Annexe IIIb

Investissement privé brut dans les pays de l'ITF en pourcentage de l'investissement intérieur brut

Pays ITF:	**1993**	**1994**	**1995**	**1996**	**1997**	**1998***
Burundi	18,4	18,3	19,1	18,0	32,9	31,8
Comores	47,6	45,1	57,7	66,2	63,8	69,4
Kenya	54,7	51,1	61,9	60,3	58,9	72,8
Madagascar	32,2	43,2	45,2	42,7	46,5	45,6
Malawi	30,3	40,0	29,7	26,1	22,3	23,4
Maurice	67,1	67,3	63,4	66,7	72,5	87,7
Namibie	83,3	54,9	67,8	68,9	65,2	63,2
Rwanda	50,0	”	8,1	10,7	18,0	34,7
Seychelles	54,5	68,5	77,7	79,7	71,8	76,0
Swaziland	58,1	68,4	79,1	78,4	83,0	83,2
Tanzanie	83,0	84,2	84,5	79,0	83,0	76,0
Ouganda	55,7	62,6	62,0	64,4	64,6	64,5
Zambie	46,5	46,8	47,5	58,0	54,0	54,4
Zimbabwe	87,6	76,8	110,4	86,4	88,5	90,2
Total des pays ITF :	**65,2**	**63,2**	**70,5**	**67,5**	**67,8**	**71,2**
Sélection de pays non ITF :						
Angola	74,7	122,6	56,3	20,7	82,7	84,6
Botswana	”	”	”	”	”	”
Lesotho	37,5	32,4	”	”	81,8	80,5
Mozambique	56,7	58,8	69,6	69,0	66,1	74,0
Nigéria	53,7	54,8	56,2	47,6	43,9	71,9
Afrique du Sud	74,4	69,0	66,6	72,6	79,8	85,9
Ensemble de l'Afrique sub-saharienne	**67,3**	**65,4**	**64,5**	**65,5**	**68,8**	**74,6**
Ensemble de l'Afrique sub-saharienne, moins l'Afrique du Sud et le Nigéria	**64,5**	**63,7**	**63,4**	**62,7**	**66,2**	**67,9**

* Les données de 1998 sont des estimations sujettes à révision.

Les ratios supérieurs à 100 % correspondent aux situations où l'investissement intérieur brut était inférieur à la composante privée, par suite d'un changement négatif des actifs du secteur public.

Taux calculés à partir des séries actuelles de monnaies.

Source : *World Bank Africa Region Live Database (12 mai 1999)*

Annexe IVa

Investissement direct étranger net des pays de l'ITF (millions de dollars courants) (sorties nettes en italiques)

Pays ITF:	**1993**	**1994**	**1995**	**1996**	**1997**	**1998***
Burundi	0,3	*-0,1*	1,4			
Comores	0,2	0,4	0,9	0,9	0,2	
Kenya	1,5	4,0	12,9	36,0	37,1	19,0
Madagascar	15,4	5,7	9,7	10,2	13,8	
Malawi	0,0	0,0	0,0	30,0	25,0	39,6
Maurice	*-18,4*	10,2	26,6	18,2	30,3	25,0
Namibie	49,0	60,0	118,3	151,0	125,0	
Rwanda	5,8	0,0	2,0	2,2	2,6	
Seychelles	6,4	16,6	26,6	16,7	44,5	28,0
Swaziland	44,1	*-1,4*	10,4	23,0	34,1	32,0
Tanzanie	61,7	63,0	104,1	134,1	150,0	165,0
Ouganda	4,0	5,0	2,0	110,0	160,0	190,0
Zambie	0,0	40,0	97,0	117,0	125,4	163,5
Zimbabwe	26,7	80,0	162,0	32,0	146,0	108,3
Total des pays ITF :	**196,7**	**283,4**	**573,9**	**681,3**	**894,0**	
Sélection de pays non ITF :						
Angola	302,0	171,0	472,4	181,0	184,6	
Botswana	*-296,4*	*-23,8*	29,5	90,6	0,0	
Lesotho	15,0	18,7	31,8	26,0	18,0	
Mozambique	32,0	35,0	45,0	72,5	64,4	
Nigéria	581,0	588,0	677,0	761,0	1.141,0	1.151,0
Afrique du Sud	*-312,0*	184,0	*-225,0*	144,0	684,0	400,0
Ensemble de l'Afrique sub-saharienne	**662,8**	**1.519,2**	**2.114,5**	**2.656,3**	**3.894,8**	
Ensemble de l'Afrique sub-saharienne, moins l'Afrique du Sud et le Nigéria	**393,8**	**747,2**	**1.662,5**	**1.751,3**	**2.069,8**	

* Les données de 1998 sont des estimations sujettes à révision.

Source : *World Bank Africa Region Live Database (12 mai 1999)*

Annexe IVb

Investissement direct étranger net des pays de l'ITF en pourcentage du PIB (sorties nettes en italiques)

Pays ITF:	1993	1994	1995	1996	1997	1998*
Burundi	0,0	0,0	0,0	0,1	0,0	
Comores	0,1	0,2	0,4	0,4	0,5	
Kenya	0,0	0,1	0,1	0,4	0,1	0,18
Madagascar	0,5	0,2	0,3	0,3	0,4	
Malawi	0,0	0,0	0,0	1,3	1,0	2,20
Maurice	*-0,6*	0,3	0,7	0,4	0,7	0,59
Namibie	1,7	3,0	3,5	4,7	3,8	
Rwanda	0,3	0,0	0,2	0,2	0,2	
Seychelles	7,0	6,6	4,6	4,3	4,7	5,12
Swaziland	4,1	*-0,6*	*-1,9*	*2,6*	3,2	2,76
Tanzanie	1,4	1,5	2,2	2,3		2,21
Ouganda	0,1	0,1	0,0	1,8	2,4	2,86
Zambie	0,0	1,3	2,8	3,5	5,1	4,93
Zimbabwe	0,4	1,2	2,2	0,4	1,6	1,92
Total des pays ITF :	**0,6**	**0,8**	**1,2**	**1,4**	**1,2**	
Sélection de pays non ITF :						
Angola	5,7	4,2	9,3	2,4	2,4	
Botswana	-7,2	-0,6	0,6			
Lesotho	2,1	2,5	3,7	3,0		
Mozambique	1,9	1,9	2,3	3,1	2,3	
Nigéria	1,8	1,8	2,1	1,6	2,2	2,26
Afrique du Sud	-0,3	0,2	-0,2	0,1	0,5	0,36
Ensemble de l'Afrique sub-saharienne	**0,1**	**0,4**	**0,6**	**0,8**	**1,1**	
Ensemble de l'Afrique sub-saharienne, moins l'Afrique du Sud et le Nigéria	**0,1**	**0,4**	**1,0**	**1,1**	**1,1**	

* Les données de 1998 sont des estimations sujettes à révision.

Ratios calculés à partir des séries courantes de dollars des États-Unis.

Source : *World Bank Africa Region Live Database (12 mai 1999)*

Annexe V

Épargne intérieure brute dans les pays de l'ITF, en pourcentage du PIB (épargne négative en italiques)

Pays ITF:	1993	1994	1995	1996	1997	1998*
Burundi	*-4,5*	*-9,6*	*-7,2*	0,2	2,6	*-2,0*
Comores	2,9	*-5,9*	*-6,9*	*-6,1*	*-2,6*	*-5,0*
Kenya	22,4	22,4	15,9	16,3	11,4	13,4
Madagascar	2,5	3,4	3,6	5,8	4,7	5,8
Malawi	*-0,9*	8,3	8,1	0,8	2,1	5,3
Maurice	24,5	23,4	23,2	23,9	24,1	24,2
Namibie	9,6	16,9	12,8	13,5	14,2	
Rwanda	*-0,1*	*-54,5*	*-13,7*	*-9,7*	*-7,8*	*-7,7*
Seychelles	18,4	22,1	23,5	39,6	22,3	20,3
Swaziland	26,3	26,0	29,0	18,8	19,5	18,0
Tanzanie	*-2,4*	*-1,0*	2,0	3,6	5,4	6,0
Ouganda	1,1	4,3	7,1	4,7	7,5	5,8
Zambie	9,0	9,3	8,1	8,7	9,3	6,5
Zimbabwe	21,0	21,6	16,7	23,4	11,9	19,4
Total des pays ITF :	**10,9**	**12,4**	**11,2**	**12,4**	**9,8**	**9,8**
Sélection de pays non ITF :						
Angola	25,2	32,7	15,7	20,2	27,3	20,3
Botswana	32,9	38,7	39,1	41,9	44,7	41,9
Lesotho	*-33,2*	*-14,6*	*-16,9*	*-1,8*	*-9,8*	*-16,8*
Mozambique	*-11,4*	*-4,8*	10,6	9,4	13,6	16,0
Nigéria	20,2	20,6	18,2	33,5	21,9	16,3
Afrique du Sud	18,5	18,8	19,1	18,7	17,0	18,0
Ensemble de l'Afrique sub-saharienne	**9,3**	**11,7**	**10,7**	**13,1**	**11,3**	
Ensemble de l'Afrique sub-saharienne, moins l'Afrique du Sud et le Nigéria	**1,6**	**6,6**	**4,4**	**6,1**	**6,8**	

* Les données de 1998 sont des estimations sujettes à révision.

Taux calculés à partir des séries actuelles de monnaies.

Source : *World Bank Africa Region Live Database (12 mai 1999)*

Annexe VI

Épargne nationale brute dans les pays de l'ITF, en pourcentage du PIB (épargne négative en italiques)

Pays ITF:	1993	1994	1995	1996	1997
Burundi	7,6	4,6	4,3	3,3	6,5
Comores	24,2	9,3	8,8	9,6	9,1
Kenya	17,7	19,0	16,4	18,2	14,2
Madagascar	3,6	1,4	1,2	5,4	6,2
Malawi	s.o.	s.o.	s.o.	*-0,5*	1,1
Maurice	27,7	25,6	25,5	25,7	26,1
Namibie	20,7	26,2	25,3	25,6	25,6
Rwanda	8,7	s.o.	5,4	5,6	2,3
Seychelles	s.o.	s.o.	s.o.	s.o.	s.o.
Swaziland	47,0	39,2	46,3	39,1	41,1
Tanzanie	5,4	6,8	*-0,6*	1,5	3,7
Ouganda	3,6	9,5	12,1	11,1	12,3
Zambie	s.o.	s.o.	s.o.	s.o.	s.o.
Zimbabwe	s.o.	s.o.	s.o.	s.o.	s.o.
Total des pays ITF :	**12,4**	**14,3**	**12,5**	**14,0**	**11,4**
Sélection de pays non ITF :					
Angola	*-11,9*	*-17,1*	*-35,7*	*-22,6*	*-14,4*
Botswana	42,7	35,1	37,7	41,8	s.o.
Lesotho	21,1	55,4	59,8	72,9	47,2
Mozambique	s.o.	s.o.	s.o.	s.o.	s.o.
Nigéria	11,2	11,6	11,1	27,8	17,3
Afrique du Sud	16,1	16,7	16,9	16,0	14,4
Ensemble de l'Afrique sub-saharienne	**6,2**	**8,6**	**7,4**	**9,7**	**8,3**
Ensemble de l'Afrique sub-saharienne, moins l'Afrique du Sud et le Nigéria	***-1,6***	**3,5**	**0,5**	**2,1**	**3,1**

* Les données de 1998 sont des estimations sujettes à révision.

Taux calculés à partir des séries actuelles de monnaies.

Source : *World Bank Africa Region Live Database (12 mai 1999)*

Annexe VII

Épargne extérieure dans les pays de l'ITF, en pourcentage du PIB (épargne négative en italiques)

Pays ITF:	**1993**	**1994**	**1995**	**1996**	**1997**	**1998***
Burundi	*-8,1*	*-4,0*	*-2,9*	*-6,6*	*-0,3*	*-4,6*
Comores	*-2,5*	*-11,7*	*-11,1*	*-9,2*	*-12,1*	*-13,0*
Kenya	1,2	*-0,2*	*-5,4*	*-2,4*	*-3,7*	*-3,1*
Madagascar	*-7,8*	*-9,4*	*-9,7*	*-6,2*	*-5,6*	*-6,7*
Malawi	*-16,5*	*-23,1*	*-12,1*	*-12,0*	*-12,6*	*-16,6*
Maurice	*-3,2*	*-6,5*	*-0,4*	0,9	*-1,1*	*-1,4*
Namibie	4,8	4,3	4,6	3,1	5,9	
Rwanda	*-6,4*	*-6,2*	*-1,1*	*-5,1*	*-7,9*	*-8,7*
Seychelles	*-9,0*	*-4,4*	*-8,7*	*-10,8*	*-12,7*	*-11,5*
Swaziland	*-6,4*	3,2	2,4	*-2,5*	*-3,7*	*-5,1*
Tanzanie	*-24,5*	*-25,5*	*-21,1*	*-16,1*	*-11,9*	*-15,0*
Ouganda	*-11,8*	*-6,6*	*-7,7*	*-8,2*	*-7,9*	*-10,4*
Zambie	*-14,4*	*-11,9*	*-13,3*	*-12,9*	*-11,3*	*-16,0*
Zimbabwe	*-4,7*	*-4,6*	*-5,2*	*-2,1*	*-9,3*	*-8,6*
Total des pays ITF :	***-7,9***	***-7,1***	***-7,0***	***-5,7***	**-6,6**	***-8,5***
Sélection de pays non ITF :						
Angola	*-16,0*	*-13,9*	*-19,6*	*-4,5*	*-9,2*	*-13,2*
Botswana	12,3	5,5	7,4	12,3	11,4	3,9
Lesotho	*-53,0*	*-27,9*	*-33,3*	*-32,1*	-38,3	*-50,0*
Mozambique	*-48,4*	*-47,1*	*-34,9*	*-27,9*	*-22,4*	*-26,1*
Nigéria	*-10,1*	*-6,8*	*-3,2*	11,2	4,7	*-6,8*
Afrique du Sud	1,6	*-0,3*	*-2,1*	*-1,6*	*-1,5*	*-1,4*
Ensemble de l'Afrique sub-saharienne	***-4,8***	***-4,3***	***-4,9***	***-3,0***	***-3,6***	***-5,5***
Ensemble de l'Afrique sub-saharienne, moins l'Afrique du Sud et le Nigéria	***-9,5***	**-7,9**	**-8,0**	**-7,5**	**-7,5**	***-8,2***

* Les données de 1998 sont des estimations sujettes à révision.

Taux calculés à partir des séries actuelles de monnaies.

Source : *World Bank Africa Region Live Database (12 mai 1999)*

Annexe VIII

Comparaison de la cote de crédit des pays de l'ITF déterminée par *The Institutional Investor*, 1993-98*

Pays ITF:	1993	1995	1997	1998
Burundi				
Comores				
Kenya	24,7	24,9	28,6	25,9
Madagascar				
Malawi	16,2	18,8	21,0	19,8
Maurice	38,4	45,4	51,9	53,0
Namibie				
Rwanda				
Seychelles	20,7	23,7	29,5	28,9
Swaziland	22,2	28,5	33,3	32,0
Tanzanie	12,9	15,5	18,7	19,9
Ouganda	7,3	12,8	20,1	19,9
Zambie	11,7	14,6	16,0	17,2
Zimbabwe	27,7	30,7	33,8	29,8
Total des pays ITF :	**20,2**	**23,9**	**28,1**	**27,4**
Sélection de pays non ITF :				
Angola	13,7	10,9	13,6	12,3
Botswana	41,1	48,5	51,2	51,9
Mozambique	8,4	12,6	14,6	17,9
Nigéria	20,3	17,5	15,3	16,4
Afrique du Sud	39,6	42,5	46,4	46,6
Ensemble de l'Afrique sub-saharienne	**24,6**	**26,4**	**28,2**	**29,0**
Ensemble de l'Afrique sub-saharienne, moins l'Afrique du Sud et le Nigéria	**18,7**	**19,9**	**21,9**	**23,3**

Source : « The Institutional Investor », *1993-novembre 1998*

* Données fondées sur les informations fournies par les principales banques internationales priées d'accorder à chaque pays une note variant de zéro à 100, 100 représentant le moindre risque de défaut de paiement.

Annexe IX

Comparaison des indices de corruption des pays de l'ITF déterminés par *Transparency International* en 1998

	Classement* (1 = premier rang et corruption minimale) (1 = corruption maximale	Indice de perception de la corruption
Pays ITF:		
Burundi	n.c.	n.c.
Comores	n.c.	n.c.
Kenya	74	2,5
Madagascar	n.c.	n.c.
Malawi	45	4,1
Maurice	33	5,0
Namibie	29	5,3
Rwanda	n.c.	n.c.
Seychelles	n.c.	n.c.
Swaziland	n.c.	n.c.
Tanzanie	81	1,9
Ouganda	73	2,6
Zambie	52	3,5
Zimbabwe	43	4,2
Sélection de pays non ITF :		
Angola	n.c.	n.c.
Botswana	23	6,1
Lesotho	n.c.	n.c.
Mozambique	n.c.	n.c.
Nigéria	n.c.	n.c.
Afrique du Sud	32	5,2

Source : *Transparency International*

* Sur une liste de 85 pays

n.c. = non classé

Annexe X

L'Initiative PPTE

L'Initiative en faveur des **Pays Pauvres Très Endettés (PPTE)** a été conçue à l'intention des pays qui ont obtenu des résultats satisfaisants en matière de politique économique, afin de ramener le fardeau de leur dette à un niveau supportable. L'objectif principal de l'Initiative PPTE est de faire en sorte que la charge continue de la dette et du service de la dette ne sape pas les efforts de réforme et d'ajustement. Du fait qu'elle demande la participation de tous les créanciers intéressés, l'Initiative PPTE vise à trouver une solution globale au problème de la dette. Cette initiative, qui a été avalisée par le Comité du développement en septembre 1996 pour une période initiale de deux ans (jusqu'en septembre 1998), a été prorogée jusqu'à la fin de l'an 2000 et est en cours d'exécution. D'autres démarches sont actuellement examinées, notamment dans le cadre du G7, qui permettraient de renforcer l'Initiative PPTE.

Caractéristiques principales

•*Admissibilité:* pour pouvoir bénéficier de l'Initiative, un pays doit être admis exclusivement aux concours de l'IDA, être confronté à un endettement insupportable malgré le recours aux mécanismes d'allégement de la dette disponibles, et établir des antécédents positifs dans la mise en oeuvre de programmes d'ajustement et de réformes économiques.

•Des *objectifs de viabilité de la dette* sont établis au cas par cas dans une fourchette de 200 à 250 % de la valeur actuelle nette (VAN) du ratio dette/exportations et de 20 à 25 % du ratio service de la dette/exportations, la dette étant déterminée à la lumière des facteurs de vulnérabilité propres au pays tels que la concentration et la variabilité des exportations, et compte tenu d'indicateurs du poids budgétaire du service de la dette. Pour les économies très ouvertes, (où l'utilisation des seuls indicateurs extérieurs ne rend pas fidèlement compte de la charge de la dette extérieure sur le budget), le ratio-objectif VAN de la dette/exportations peut être fixé à moins de 200 % à la fin du processus, à condition que le pays concerné remplisse deux critères à la date de prise de décision : un ratio exportations/PIB d'au moins 40 % et un ratio recettes budgétaires/PIB minimum de 20 %.

•*Antécédents positifs.* Au bout d'une première période de trois ans de bonne application des programmes appuyés par la Banque et le FMI, la communauté internationale octroierait un allégement de la dette, si nécessaire, pour assurer la viabilité de la dette au cours des trois années suivantes à condition que les bons résultats soient maintenus. Le délai total de six ans serait appliqué avec souplesse, au cas par cas; les programmes déjà entamés seraient pris en compte pour la première étape (avant la date de prise de décision), et la deuxième étape de trois ans pourrait être raccourcie à titre exceptionnel si le pays avait établi de bons antécédents sur une période prolongée.

• *Mesures à la fin du processus.* L'assistance fournie correspond au montant promis à la date de décision si l'allégement de la dette ainsi engagé permet de ramener les ratios effectifs dette/exportations ou service de la dette/exportations aux niveaux de viabilité déterminés, à la fin du processus. Si les objectifs ne sont pas atteints, il sera demandé aux créanciers d'apporter un complément d'assistance pour assurer la viabilité de la dette.

Bilan à la fin février 1999

Sur les 12 PPTE dont les dossiers ont été examinés, dix ont été déclarés admissibles à un allégement de la dette, ce qui pourrait représenter un montant d'environ 4,3 milliards de dollars en valeur actuelle nette (VAN) et, au total, un allégement du service de la dette d'environ 8,5 milliards de dollars en valeur nominale.

La Bolivie, le Burkina Faso, la Côte d'Ivoire, la Guyane, le Mali, le Mozambique et l'Ouganda ont bénéficié d'allégements de la dette (VAN) totalisant environ 3,1 milliards de dollars, ce qui représente au total, en valeur nominale, un allégement du service de la dette de 6,1 milliards de dollars.

Les examens préliminaires de l'admissibilité ont été achevés pour l'Éthiopie, la Guinée-Bissau et la Mauritanie. L'allégement de la dette pour ces pays (VAN) pourrait totaliser 1,2 milliard de dollars à la fin du processus, soit au total, en valeur nominale, un allégement de la dette d'environ 2,5 milliards de dollars. La prise de décision pourrait survenir pendant le deuxième trimestre de 1999 dans le cas de la Mauritanie, mais l'étude des programmes d'allégement de la dette de l'Éthiopie et de la Guinée-Bissau a été suspendue à cause des conflits armés qui sévissent dans ces pays.

La viabilité de la dette du Bénin et du Sénégal est assurée par le biais de mécanismes traditionnels et ne nécessite pas le recours à un allégement supplémentaire au titre de l'Initiative.

Deux pays, la Bolivie et l'Ouganda, ont atteint la date de fin du processus et bénéficient d'allégements de la dette (VAN) totalisant près de 800 millions de dollars E.U. et de plus de 1,4 milliard en allégement du service de la dette. Pour la Bolivie, qui a atteint la date de fin du processus en septembre 1998, l'allégement accordé totalise 448 millions de dollars (VAN), ou 760 millions de dollars d'allégement du service de la dette, ce qui porte le ratio-objectif VAN de la dette/exportations à 218 %, comparativement à environ 350 % au début des années 90. Grâce à une APD supplémentaire de l'ordre de

300 millions de dollars accordée par le Japon, le ratio VAN de la dette/exportations sera réduit à environ 202 %. La Guyane et le Mozambique devraient atteindre la date de fin du processus en 1999.

À l'heure actuelle, on travaille activement à la préparation des documents de l'Initiative PPTE pour la Guinée, le Honduras, le Nicaragua et le Niger.

Financement

La Banque mondiale a transféré 850 millions de dollars au Fonds fiduciaire en faveur des PPTE jusqu'à maintenant. Lors des réunions annuelles de 1998, le Conseil des gouverneurs de la Banque a approuvé un nouveau transfert de 100 millions de dollars, tirés du revenu net de la BIRD pour l'exercice 1998-99. La Banque compte toujours s'acquitter de la totalité de la part des coûts qui lui revient.

Le FMI a versé 520 millions de dollars à son Fonds fiduciaire FASR/PPTE afin de financer les opérations spéciales de la FASR en vertu de l'Initiative.

La Banque africaine de développement s'est engagée à verser environ 206 millions de dollars de ses ressources propres en faveur de l'Initiative PPTE au cours de la période 1998-2000.

Le Fonds fiduciaire en faveur des PPTE a obtenu environ 450 millions de dollars de contributions bilatérales ainsi que la promesse, de 19 pays, de l'aider à défrayer les coûts de la BAfD et des autres banques multilatérales de développement autres que la Banque mondiale.

Source : *BAfD, FMI et Banque mondiale*

Annexe XI

Résumé des régimes tarifaires en vigueur dans les pays de l'ITF, comparés aux objectifs du schéma directeur, fin décembre 1998

Objectif du schéma directeur :	Taux minimal/ maximal (doit varier entre 20 et 25 %) *(a)*	Droits extérieurs harmonisés en limitant à trois le nombre de taux autres que zéro *(a)*	Incorporation des autres droits et taxes dans le tarif *(a)*	Suppression des droits sur le commerce intra-ITF *(a)* (marge de préférences – pourcentage) *(j)*	Réduction du tarif moyen pondéré par les échanges à au plus 15 % *(a)* *(k)*
Burundi	10/100	5	Non	60	35,4
Comores	0/40	**3**	Non	70	30,0
Kenya	**0/25**	**3**	Non	80	**12,3 *(h)***
Madagascar	10/30	**3**	Non	80 *(b)*	18,0 *(m)*
Malawi *(i)*	10/30	4	Non	70	22,0
Maurice	0/80	8	Non	80 *(n)*	s.o.
Namibie	0/75	Multiples	Non	Aucune	
Rwanda	10/40	**3**	Non	Aucune	17,5
Seychelles	0/200 *(e)*	9 *(e)*	**Oui**	Aucune *(c)*	s.o.
Swaziland	0/75	Multiples	Non	Aucune	
Tanzanie	0/30	4	**Oui**	80 *(d)*	16,3
Ouganda	**0/15**	**2**	Non	80 *(f)*	**10,7 *(h)***
Zambie	**0/25**	**3**	**Oui**	60	**11,4 *(h)***
Zimbabwe	0/100	5 *(l)*	Non	80 *(g)*	26,6 *(h)*

Source : *Données préparées par les organismes de parrainage*

* Les chiffres en caractères gras indiquent les objectifs du schéma directeur qui ont été atteints ou dépassés.

(a) Avant octobre 1998.
(b) Décision prise en principe, mais pas encore mise en vigueur (sauf pour les importations en provenance de Maurice).
(c) Autre qu'une préférence de 5 % des États membres de la COI.
(d) Mise en vigueur en juillet 1998.
(e) Sous forme d'impôt commercial. Le nombre de taux a récemment été porté à plus de neuf.
(f) L'Ouganda appliquait une surtaxe de 10 % à certains produits importés particuliers.
(g) Exception faite d'un accord de libre-échange conclu entre Maurice et le Zimbabwe.
(h) Tarif moyen pondéré par les échanges (pour 1997, en ce qui concerne le Kenya et le Zimbabwe).
(i) Le Malawi applique une surtaxe uniforme aux importations et à la production intérieure.
Les fabricants sont admissibles à un remboursement des impôts payés sur les facteurs de production.
(j) La marge de préférences devait être de 90 % en octobre 1997, et supprimée au plus tard en octobre 1998.
(k) Non pondéré, sauf mention du contraire, et excluant les « autres droits et taxes ».
(l) Nombre de bandes de fluctuation; le nombre de taux est de 30.
(m) En 1997.
(n) Portée à 90 % en juin 1999

Annexe XII

État des exemptions tarifaires dans les pays de l'ITF en fin décembre 1998

Pays	Catégorie d'exemptions					
	Secteur public	Secteur parapublic	Code d'investissement ou convention générale	ONG reconnues	Biens destinés aux projets financés de l'extérieur	Autres *(a)*
Burundi	Oui	Oui	Oui	Oui	Oui	Oui
Comores	Oui	Non	Oui	Oui	Oui	Oui
Kenya	Non	Non	Oui	Oui	Oui	Oui
Madagascar	Oui	Non	Oui	Oui	Non	Oui
Malawi	Non	Non	Non	Oui	Oui	Oui
Maurice	Non	Non	Oui	Oui	Oui	Oui
Namibie	Oui	Non	Oui	Oui	Oui	Oui
Rwanda	Oui	Oui	Oui	Oui	Oui	Oui
Seychelles	Oui	Oui	Oui	Oui	Oui	Oui
Swaziland	Non	Non	Non	Oui	Non	Non
Tanzanie	Oui	Oui	Oui	Oui	Oui	Non
Ouganda	Non	Non	Non	Non	Non	Non
Zambie	Non	Non	Oui	Oui	Oui	Oui
Zimbabwe	Oui	Non	Oui	Oui	Oui	Oui

Source : *Rapports de la Banque mondiale et des services du FMI, et données fournies par les autorités*

(a) Y compris les exemptions discrétionnaires et les dérogations.

Annexe XIII

Sommaire des obstacles non tarifaires à l'importation dans les pays de l'ITF, en fin décembre 1998

Pays	Restrictions quantitatives (importations)		Délivrance de licences d'importation		Monopoles commerciaux d'État	Taux discriminatoires de la taxe d'accise/TVA (etc.) sur certaines importations	Autres *(a)*
	Interdictions	Contingents	Tous les produits	Certains produits			
Burundi	Non	Non	Non	Non	Non	Oui	Oui
Comores	Non	Non	Non	Non	Oui	Non	Non
Kenya	Non	Non	Non	Non	Non	Oui	Non
Madagascar	Non	Non	Non	Non	Non	Non	Non
Malawi	Non	Non	Non	Non	Non	Non	Non
Maurice	Non	Non	Non	Non	Oui	Oui	Non
Namibie	Non	Oui	Non	Oui	Oui	Non	Non
Rwanda	Non	Non	Non	Non	Non	Non	Non
Seychelles	Non	Oui	Oui	—	Oui	Oui	Non
Swaziland	Non	Non	Non	Non	Oui	Non	Non
Tanzanie	Non	Non	Non	Non	Oui	Oui	Non
Ouganda	Oui	Non	Non	Non	Non	Oui	Non
Zambie	Non	Non	Non	Non	Non	Oui	Non
Zimbabwe	Non	Non	Non	Oui	Non	Non	Non

Source : *Rapports de la Banque mondiale et des services du FMI, et données fournies par les autorités*

Note : Aucun des pays de l'ITF n'applique de restrictions fondées sur les normes de qualité, mais tous appliquent des restrictions fondées sur des motifs de santé, de sécurité, d'environnement et de patrimoine national.

(a) Incluant les droits compensateurs, anti-dumping, etc.

Annexe XIV

État des régimes d'exportation des pays de l'ITF en fin septembre 1998

Pays	Restrictions quantitatives		Licences *(a)*	Droits	Monopoles commerciaux
	Interdictions	Contingents			
Burundi	Non	Non	Non	Oui	Oui
Comores	Non	Non	Non	Oui	Non
Kenya	Non	Non	Oui	Non	Non
Madagascar	Non	Non	Non	Non	Non
Malawi	Non	Non	Non	Non	Non
Maurice	Non	Non	Non	Non	Non
Namibie	Non	Non *(b)*	Oui *(c)*	Non	Oui
Rwanda	Non	Non	Non	Oui	Non
Seychelles	Non	Non	Non	Non	Non
Swaziland	Non	Non	Non	Oui	Oui
Tanzanie	Non	Non	Non	Oui	Non
Ouganda	VIII	Non	None	Non	Non
Zambie	Oui	Non	Non	Non	Non
Zimbabwe	Non	Oui	Oui	Oui	Oui

Source : *Rapports de la Banque mondiale et des services du FMI, et données fournies par les autorités*

(a) Uniquement à des fins de restriction (et non statistiques).
(b) À l'exclusion des contingents d'exportation de diamants.
(c) Toutes les exportations, exception faite de celles à destination des pays membres de la SACU, nécessitent la délivrance d'une licence. À l'intérieur de la SACU, les exportations de textiles, de produits carnés et de matériel d'occasion exigent une licence.

Annexe XV

Suppression des restrictions sur les paiements et transferts afférents aux transactions internationales courantes par les pays de l'ITF en fin septembre 1998

Pays		Acceptation des articles VIII et XIV des Statuts du FMI				
	Article	Date d'acceptation	Restrictions à l'application de l'article VIII	Arriérés extérieurs	Restrictions à l'application de l'article XIV	Projet d'acceptation de l'article VIII
1. Burundi	XIV *(a)*	s.o.	s.o.	oui	oui *(a)*	oui; en temps et lieu
2. Comores *(b)*	VIII	1er juin 1996	aucune	oui	s.o.	s.o.
3. Kenya *(c)*	VIII	30 juin 1994	oui *(d)*	oui	s.o.	s.o.
4. Madagascar *(b)*	VIII	18 août 1996	aucune	oui	s.o.	s.o.
5. Malawi	VIII	7 déc. 1995	aucune	oui	s.o.	s.o.
6. Maurice *(b)*	VIII	29 août 1993	aucune	aucun	s.o.	s.o.
7. Namibie	VIII	20 août 1996	aucune *(e)*	aucun	s.o.	s.o.
8. Rwanda	XIV *(a)*	s.o.	s.o.	oui	aucune *(a)*	oui; dans les 10 prochains mois
9. Seychelles *(b)*	VIII	3 janv. 1978	oui *(f)*	oui	s.o.	s.o.
10. Swaziland	VIII	11 déc. 1989	aucune *(e)*	aucun	s.o.	s.o.
11. Tanzanie *(c)*	VIII	15 juil. 1996	aucune	oui *(i)*	s.o.	s.o.
12. Ouganda *(c)*	VIII	5 juin 1994	aucune	oui *(j)*	s.o.	s.o.
13. Zambie	XIV	s.o.	aucune	oui	oui *(g)*	oui; en temps et lieu
14. Zimbabwe	VIII	5 févr. 1995	oui *(h)*	aucun	s.o.	s.o.

Source : Rapports des services de FMI et données fournies par les autorités

(a) Le Burundi et le Rwanda continuent de se prévaloir des dispositions transitoires au titre de l'article XIV, section 2. Le Rwanda ne maintient aucune restriction sur les paiements et transferts réalisés dans le cadre des transactions internationales courantes. En novembre 1997, le Burundi a rétabli des restrictions aux transactions courantes qui avaient été supprimées à la fin de 1995. Toutefois, il existe des arriérés sur les paiements extérieurs.

(b) Membre de la Commission de l'Océan Indien.

(c) Membre de la EAC.

(d) Pratique de taux de change multiples pour les opérations en cours en vertu d'une caisse de garantie du risque de change.

(e) La Namibie et le Swaziland font partie d'une zone monétaire commune (CMA) comprenant le Lesotho, la Namibie, l'Afrique du Sud et le Swaziland qui constitue une zone unique de contrôle des changes.

(f) Sur paiements courants (pipeline), y compris les restrictions sur les transferts de dividendes et les frais de gestion.

(g) Sur les paiements du service de la dette privée (principal) détenue avant janvier 1991, avant la libéralisation du régime de change survenue en 1994.

(h) Découlant de régimes bloqués de dividendes des sociétés et de paiements d'intérêts (suppression prévue au milieu de 1999) et d'une pratique de devises multiples pour contrats conclus en vertu d'un régime discontinué de réserve de change à terme (suppression prévue avant la fin de l'an 2000).

(i) Auprès de pays non membres de Club de Paris.

(j) Sur paiements rééchelonnables avec les créanciers bilatéraux non membres du Club de Paris.

Annexe XVI

Caractéristiques des marchés des devises dans les pays de l'ITF à la fin décembre 1998

Pays	Marché interbancaire unifié	Marché à terme pour protéger contre le risque de change	Comptes en devises (restrictions)	Opérateurs agréés *(a)*	Restrictions prudentielles (limites d'exposition)	Restrictions sur les flux de capitaux
Burundi	Non	Non	Limités	b.c.	Oui	Oui
Comores	Non	Oui	Francs français (limités)	b.c.	Non	Oui *(b)*
Kenya	Oui (1993)	Oui	Libéraux	b.c. et bu	Oui	Assouplissement *(c)*
Madagascar	Oui (1994)	Non	Libéraux	b.c.	Oui	Oui
Malawi	Oui (1994)	Oui	Libéraux	b.c. et bu	Oui	Assouplissement *(g)*
Maurice	Oui (1994)	Oui	Libéraux	b.c. et bu	Oui	Assouplissement
Namibie	Non	Oui	Limités *(i)* (membre de la CMA)	b.c. et bu	Non	Oui *(d)*
Rwanda	Oui (1995)	Non	Libéraux	b.c. et bu	Oui	Oui
Seychelles	Non	Non	Limités	b.c.	Non	Oui
Swaziland	Non	Oui	Limités (membre de la CMA)	b.c.	Non	Oui *(d)*
Tanzanie	Oui (1994)	Oui	Libéraux	b.c. et bu	Oui	Oui
Ouganda	Oui (1993)	Oui *(h)*	Aucun	b.c. et bu	Oui	Non *(e)*
Zambie	Oui (1996)	Oui	Libéraux	b.c. et bu	Oui	Assouplisssement
Zimbabwe	Oui (1995)	Non	Limités	b.c. et bu	Oui	Oui *(f)*

Source : *Rapports des services du FMI et données fournies par les autorités*

(a) Banques commerciales (b.c.) ou bureaux de change étrangers (bu).
(b) Uniquement à l'extérieur de la zone franc (compte d'opérations).
(c) Sauf pour l'achat d'actions et de titres par des non-résidents (jusqu'à 40 %) et par des particuliers (jusqu'à 5 %).
(d) Uniquement à l'extérieur de la CMA. Toutefois, en ce qui a trait à la Namibie, il existe une restriction même à l'intérieur de la CMA : les caisses de retraite et les compagnies d'assurance-vie doivent investir 35 % de leurs actifs à l'intérieur du pays.
(e) À partir du 1[er] juillet 1997.
(f) En 1996, le taux maximal de propriété étrangère des compagnies inscrites à la Bourse du Zimbabwe a été porté à 40 %.
(g) Le Malawi a supprimé les restrictions à l'entrée et au rapatriement des profits de l'investissement direct étranger et a adopté une attitude libérale à l'égard de l'investissement de portefeuille par les non-résidents.
(h) Même s'il n'existe pas de marché officiel à terme de devises, les banques agréées peuvent intervenir sur ce marché si elles le font en vertu d'un contrat approuvé d'importation ou d'exportation.
(i) Peuvent être gérés par des compagnies de la zone franche et par des particuliers pour des montants atteignant jusqu'à 350 000 $ namibiens.

Annexe XVII

Obligations de rapatriement et de rétrocession des devises dans les pays de l'ITF en fin décembre 1998

Pays	1992 (fin décembre)	1995 (fin décembre)	1997 (fin décembre)	1998 (fin décembre)
1. Burundi	Rapatriement complet; rétrocession complète, à l'exclusion de 30 % des exportations non traditionnelles.	Entreprises de la zone franche exemptées de la rétrocession. Aucun autre changement.	Aucun changement.	Aucun changement.
2. Comores	Rapatriement et rétrocession complets aux banques agréées.	Pas de changement.	Aucun changement.	Aucun changement.
3. Kenya	Rapatriement et rétrocession complets, à l'exclusion de 50 % des exportations non traditionnelles.	Rapatriement sans obligation de rétrocession.	Aucune restriction.	Aucune restriction.
4. Madagascar	Rapatriement complet; rétrocession à 60 %; rétrocession à 40 % aux banques agréées.	Rapatriement et vente des recettes de l'exportation des marchandises dans les 90 jours de la date d'expédition; rétrocession dans les 30 jours de la prestation des services.	Rapatriement à 100 % dans les 4 mois.	Aucun changement.
5. Malawi	Rapatriement et rétrocession complets.	Rapatriement complet et rétrocession à 60 %.	Aucun changement.	Aucun changement.
6. Maurice	Rapatriement; rétrocession aux opérateurs agréés des bénéfices non utilisés en deçà de six mois.	Ouvert depuis juillet 1994. *(a)*	Aucune restriction. *(b)*	Aucune restriction.
7. Namibie	Rapatriement et rétrocession complets.	Rapatriement complet dans les six mois de l'expédition; rétrocession dans les 30 jours du rapatriement.	Aucun changement.	Aucun changement.
8. Rwanda	Rapatriement et rétrocession complets aux banques agréées.	Rapatriement; rétrocession de 90 % des recettes du café et du thé.	Rapatriement de toutes les recettes en devises par le canal des banques commerciales. *(f)*	Aucun changement.
9. Seychelles	Régime entièrement ouvert.	Obligation de rétrocession de 19 % des entrées en devises des banques commerciales à la Banque centrale. *(c)*	Obligation de rapatriement et de rétrocession de tous les gains en devises par le canal des banques commerciales nationales. *(e)*	Aucun changement.
10. Swaziland	Rapatriement et rétrocession.	Rapatriement et rétrocession.	Aucun changement.	Aucun changement.
11. Tanzanie	Rapatriement complet : rétrocession de 10 % des exportations traditionnelles et de 50 % pour les autres marchandises. Rétrocession des recettes sur invisibles.	Rapatriement dans les 180 jours. Aucune obligation de rétrocession.	Rapatriement dans les 60 jours.	Aucun changement.
12. Ouganda	Rapatriement : 100 % des recettes du café; autrement, rétrocession aux opérateurs agréés.	Rapatriement aux banques agréées.	Aucune restriction. *(d)*	Aucune restriction.
13. Zambie	Rétrocession à 100 % des exportations de métaux de la ZCCM; rétrocession à 10 % dans les autres cas.	Rétrocession réduite à 45 % pour la ZCCM; aucune restriction dans les autres cas.	Aucune restriction.	Aucune restriction.
14. Zimbabwe	Rapatriement et rétrocession.	Rapatriement.	Aucun changement.	Aucun changement.

Source : *Rapports des services du FMI et données fournies par les autorités*

(a) Soixante-quinze pour cent des recettes de l'exportation du sucre par le Syndicat du sucre de Maurice doivent être rétrocédées à la Banque de Maurice.
(b) Obligation de rétrocession par le Syndicat du sucre de Maurice supprimée à partir du 1er juillet 1997.
(c) Aucune réglementation concernant le rapatriement des recettes d'exportation.
(d) Aucune restriction à partir du 1er juillet 1997, avec la libéralisation des mouvements de capitaux.
(e) À compter du 1er janvier 1997.
(f) Après une première réduction à 50 % opérée en décembre 1996, l'obligation de rétrocession des recettes du thé et du café a été supprimée en décembre 1997.

Annexe XVIII:

Déréglementation des investissements et mesures touchant le marché du travail dans les pays de l'ITFen fin décembre 1998

Pays	Déréglementation des investissements						Marché du travail		
	Libéralisation des procédures d'approbation *(a)*	Publication du code d'investis-sement	Traitement des demandes dans un délai de 45 à 60 jours	Ratification/ mise en œuvre de la charte MIE	Accords sur la double imposition	Cotations croisées	Application du protocole de la COMESA sur les visas	Traitement amélioré des permis de séjour et de travail	Permis de séjour à court terme pour résidents des zones frontalières
Burundi	Complète	Complète	Partielle	En instance	En instance	En instance	Partielle	Partielle	En instance
Comores	En instance *(b)*	Complète	Complète	Complète	En instance	—	En instance	En instance	Complète
Kenya	Complète	En instance	Complète	En instance	Partielle	Partielle	Partielle	Partielle	Complète
Madagascar	Complète	Complète *(c)*	Partielle	En instance	Partielle	—	En instance	Partielle	s.o.
Malawi	Complète	Complète	Partielle	En instance	Partielle	Partielle	Complète	En instance	Complète
Maurice	Complète	Complète *(d)*	En instance	En instance	Partielle	En instance	En instance	En instance	s.o.
Namibie	Complète	Complète	Complète	s.o.	Partielle	Partielle	Partielle	Complète	Complète
Rwanda	s.o.	s.o.	s.o.	s.o.	s.o.	s.o.	s.o.	s.o.	s.o.
Seychelles	Complète	Complète	Complète	En instance	Partielle	En instance	Complète	Partielle	s.o.
Swaziland	Complète	Complète	Complète	En instance	Partielle	Partielle	En instance	En instance	Complète
Tanzanie	Complète	Complète	Complète	Partielle	Partielle	En instance	Complète	Complète	Complète
Ouganda	Complète	Complète	Complète	Partielle	Partielle	En instance	Complète	Complète	Complète
Zambie	Partielle	Complète	En instance	Partielle	Partielle	Partielle	Complète	En instance	Complète
Zimbabwe	Complète	Partielle	Partielle	En instance	Partielle	Partielle	Partielle	Partielle	Partielle

Source : *Informations à jour fournies par les groupes de travail techniques*

Nota : La catégorie « En instance » englobe une vaste gamme de situations, de celles où les dispositions administratives/législatives sont en voie de préparation à celles où aucune donnée n'est disponible.

(a) Y compris la création d'un guichet unique pour l'approbation.
(b) Adoptée par le Parlement, mais pas encore en vigueur.
(c) Intégrées dans la loi générale sur l'impôt.
(d) Loi de 1993 sur l'expansion de l'industrie.

Annexe XIX

Accords de double imposition répertoriés au milieu de 1998 dans les pays de l'ITF *(a)*

Pays		
	Stade d'exécution	**Accords conclu avec :**
Burundi	Non déclaré	
Comores	Partiel	Maurice
Kenya	Partiel	Tanzanie, Ouganda, Zambie
Madagascar	Partiel	Maurice
Malawi	Partiel	Kenya, Afrique du Sud
Maurice	Partiel	Botswana, Namibie, Madagascar, Afrique du Sud, Swaziland, Zimbabwe
Namibie	Partiel	Afrique du Sud, Maurice
Rwanda	Non déclaré	
Seychelles	Partiel	Afrique du Sud
Swaziland	Partiel	Botswana, Afrique du Sud
Tanzanie	Partiel	Kenya, Malawi, Ouganda, Zambie
Ouganda	Partiel	Afrique du Sud, Zambie
Zambie	Partiel	Botswana, Kenya, Tanzanie, Ouganda
Zimbabwe	Partiel	Botswana, Maurice, Namibie, Afrique du Sud

Source : *Imani Development International 1998 Mid-Year Report : Status of the CBI Initiative*

(a) Avec les pays membres du COMESA ou de la SADC

Annexe XX

Taux normaux de l'impôt sur le revenu des particuliers et sur les bénéfices des sociétés dans les pays de l'ITF en fin décembre 1998

Pays	Sur le revenu des particuliers *(a)* (pourcentage)	Sur les bénéfices des sociétés (pourcentage)	
		Résidentes	Non résidentes
Burundi	60 *(b)*; 20 *(c)*	40	40
Comores	30 *(d)*; 15 *(e)*	40	40
Kenya	30 *(f)*	30 *(g)*	40 *(g)*
Madagascar	35 *(h)*; 25 *(i)*; 15 *(j)*	35	35
Malawi	35 *(l)*	38	43 *(k)*
Maurice	30 *(n)*	35 *(m)*	35 *(m)*
Namibie	22.500 $N + 40 % *(p)*, 10 *(q)*	40	40 *(o)*
Rwanda	40 *(r)*	40	40
Seychelles	40 *(s)*	40	
Swaziland	39 *(u)*, *(v)*	37,5 *(t)*	37,5 *(t)*
Tanzanie	35 *(w)*	30	30
Ouganda	U Sh 546.000 et 30 *(x)*	35	35
Zambie	30 *(y)*	35 *(z)*	35 *(z)*
Zimbabwe	40 *(bb)*	37.5	46,0 *(aa)*

Source : *Données fournies par les organismes de parrainage*

(a) Taux maximum.
(b) Sur les revenus salariaux de plus de 4,0 millions de FB, et les revenus locatifs de plus de 1,5 million de FB.
(c) Revenu du capital (dividendes, intérêt, etc.). Revenus distribués des compagnies étrangères établis à 48 %.
(d) Sur les revenus supérieurs à 3,5 millions de FC.
(e) Sur le revenu du capital, les dividendes distribuées et les intérêts versés.
(f) Sur les revenus supérieurs à 0,45 million de K Sh.
(g) Pour les entreprises de la zone franche, 25 % après dix ans; pour les dividendes des entreprises résidentes, 5 % et pour les entreprises non résidentes, 15 % (impôt définitif).
(h) Sur les revenus salariaux supérieurs à 1,0 million de FMG et sur les revenus non salariaux supérieurs à 45 %.
(i) Revenu du capital.
(j) Transferts à l'étranger à des entreprises ou à des particuliers non résidents.
(k) Dérogation dans les cas où le taux d'imposition des pays étrangers est inférieur à 40 %.
(l) Sur les revenus supérieurs à 42.000 MK (excluant un droit de 3 % pour l'assurance-sécheresse).
(m) Taux de 15 % dans la zone franche; 25 % pour les entreprises inscrites à la Bourse; 15 % pour les sociétés d'investissement à capital variable; 0-35 % pour les compagnies off-shore.
(n) Sur les revenus supérieurs à 55.000 roupies.
(o) Sociétés autres que minières. Cinquante-cinq pour cent pour les sociétés productrices de diamants.
(p) Sur les revenus salariaux supérieurs à 100.000 $ N.
(q) Sur les actionnaires non résidents.
(r) Sur les revenus supérieurs à 1,0 million de FR.
(s) Sur les revenus supérieurs à 96.000 FR.
(t) Vingt-sept pour cent des bénéfices des entreprises minières, jusqu'à concurrence de 20.000 E.
(u) Sur les revenus supérieurs à 40.000 E. Les dividendes au-delà d'un seuil de 20.000 E sont imposés à 10 % pour les entreprises inscrites à la Bourse du Swaziland; taux de 20 % pour les autres revenus.
(v) En plus, les revenus d'intérêts des non-résidents sont imposés à 10 %, les dividendes à 15 % (12,5 % pour les entreprises incorporées au Botswana, au Lesotho ou en Afrique du Sud).
(w) Sur les revenus supérieurs à 700.000 T Sh.
(x) Sur les revenus supérieurs à 4,8 millions de U Sh. Il existe une retenue d'impôt de 15 % sur les revenus du capital des non-résidents (par exemple, intérêts, dividendes).
(y) Sur les revenus supérieurs à 1,8 million de K. Il existe une retenue d'impôt de 15 % sur le revenu du capital (intérêts, dividendes, plus-values, etc.).
(z) Les entreprises inscrites à la Bourse de Lusaka sont imposées à 30 %.
(aa) Incluant 8,5 % sur les revenus imposables gagnés par les filiales locales de compagnies étrangères à partir de sources locales.
(bb) Sur les revenus supérieurs à 60.000 $ Z. Non-résidents : impôt des actionnaires de 15 % (compagnies inscrites); 10 % sur les intérêts; 20 % sur les envois de fonds et les redevances. Résidents : 15 % pour les actionnaires, et 30 % sur les intérêts.

Annexe XXI

Le parcours d'un investisseur dans un pays africain

Un investisseur étranger (conglomérat international) fort de son expérience dans le secteur des produits chimiques, doté de capitaux à investir et pouvant obtenir du crédit à long terme, apprend que les opportunités commerciales se multiplient en Afrique. Une équipe visite alors plusieurs pays africains dans lesquels le groupe n'a encore jamais investi. Dans le pays X, l'équipe détecte un besoin en produits pharmaceutiques, et s'assure de la présence des ressources humaines et matérielles nécessaires ainsi que de partenaires locaux potentiels. Cette combinaison laisse entrevoir des possibilités intéressante de faire des affaires.

L'investisseur se rend alors au guichet unique pour l'approbation des investissements où sont disponibles les informations sur le code de l'investissement. La documentation décrit en détail la marche à suivre pour l'enregistrement d'une société, et en ce qui concerne le nom de la société et les brevets, l'obtention d'une licence de commerce, le code du travail, les procédures et barèmes de l'impôt sur les sociétés et des cotisations patronales. Grâce aux différents incitatifs (fiscaux et autres), l'idée devient de plus en plus séduisante. Le choix d'un emplacement est arrêté, les plans de construction de l'usine sont élaborés et le moment est venu d'établir la présence juridique de l'entreprise dans le pays.

Malgré les informations et l'assistance obtenues auprès du guichet pour l'approbation des investissements, l'investisseur sait bien que les nouvelles entreprises en général et celles du secteur pharmaceutique en particulier nécessitent des autorisations et licences supplémentaires. À présent commencent les tracasseries administratives.

Tout d'abord surgit la question du titre de propriété et de l'usufruit du terrain, qui bien que non utilisé est détenu par un important organe parapublic. La législation actuelle ne permet pas à un investisseur étranger de détenir un titre de pleine propriété. Une société enregistrée localement peut-elle détenir un titre de pleine propriété, en particulier lorsque certains de ses actionnaires sont des ressortissants du pays ? Le conseil de l'agence de promotion des investissements, qui consiste à laisser les investisseurs locaux acquérir la pleine propriété du terrain, que la nouvelle société louerait — n'est pas très convaincant. Il faut s'adresser à un spécialiste du droit commercial. Deux problèmes apparaissent aussitôt : i) on ne sait pas avec certitude quelle forme doit prendre l'entité juridique — société enregistrée ou succursale et ii) l'usufruit requiert une autorisation à trois niveaux : celui du district (qui examine la procédure d'objection), de la région (qui examine les implications régionales et détermine les autorisations nécessaires avant soumission au Ministère) et de l'État (par exemple, le Ministère). L'avocat spécialisé accepte ce dossier et engage une recherche sur le titre de propriété concernant la propriété immobilière en question. Il découvre qu'il n'existe pas de titre de propriété au cadastre. Personne ne semble savoir que faire en pareil cas, même si de l'avis général, cette propriété est la possession de la société Y. En outre, un titre de bail ne peut évidemment pas être rédigé sans la preuve du titre de propriété principal. L'affaire se complique lorsqu'on apprend que la propriété a été confisquée par un gouvernement antérieur quelques années plus tôt : si le gouvernement (par l'intermédiaire de l'actuel propriétaire parapublic) essaye aujourd'hui de vendre la propriété, il est très probable que le propriétaire initial formule une revendication. L'investisseur demande alors au cadastre, au guichet des investissements et à l'avocat d'étudier l'ensemble du dossier et de proposer une série de recommandations définitives afin de résoudre ces problèmes.

Entre-temps, l'avocat a également prévenu l'investisseur que bien que le guichet des investissements puisse faciliter l'enregistrement de la société et la délivrance d'une licence de commerce, <u>d'autres licences et autorisations sont exigées</u>. Premièrement, il est nécessaire d'obtenir pour l'usine une autorisation émanant du Ministère des ressources naturelles et de l'environnement. Ce Ministère s'inquiétera des niveaux éventuels de pollution de l'air et des effluents. Des négociations concernant les niveaux acceptables ainsi que l'enregistrement et le contrôle de ces niveaux devront être menées. Ensuite, un permis de construire est nécessaire. Il faut donc soumettre les plans de l'usine au Ministère du logement et de la construction pour accord. Troisièmement, parce que l'usine fabriquera des médicaments, il faut obtenir auprès du Ministère de la santé des licences individuelles pour chaque produit. Cela prendra probablement un certain temps car le Ministère n'a pas d'expérience en matière de fabrication de certains des futurs produits, ni de laboratoires de recherche susceptibles d'effectuer les analyses.

Entre-temps, les représentants de l'investisseur étranger se rendent à une banque locale pour retirer une somme d'argent liquide équivalant à ce qu'ils ont dépensé depuis leur arrivée. Nouveau problème : l'argent a été transféré deux semaines auparavant mais, à ce moment-là, aucun compte n'avait été ouvert car en réalité il n'est pas possible d'ouvrir un compte avant l'enregistrement de la société ou de la succursale ni si le client ne réside pas dans le pays. <u>Les ennuis ne font que commencer</u>.

L'investisseur aura-t-il le temps et la patience d'affronter ces difficultés au cours des prochaines années afin de faire démarrer l'entreprise, acceptera-t-il des coûts de transaction extrêmement élevés et aura-t-il toujours dans trois ans des capitaux d'investissement voulus?

Annexe XXII

Évolution des opérations monétaires et du marché financier dans les pays de l'ITF en fin décembre 1998

		Instruments monétaires		Évolution du marché financier			
	Directs *(d)*	Indirects *(a)*	Détermination du taux d'intérêt	Prim.	Sec.	Interb.	Boursier
Burundi	s.o.	oom/r.o./l.o./g.p.r.	s.o.	s.o.	s.o.	s.o.	s.o.
Comores	Oui	Aucun	Oui	Non	Non	Non	Non
Kenya	Non	oom/r.o./l.o./g.p.r.	Non	Actif	Actif	Oui	Actif
Madagascar	Non	oom/r.o./g.p.r.	Non	Actif	Actif *(b)*	Oui *(e)*	Non
Malawi	Non	oom/r.o./g.p.r./d.r.	Non	Actif	Actif	Oui	Oui
Maurice	Non	oom/r.o./l.o./g.p.r.	Non	Actif	Actif *(b)*	Oui	Oui
Namibie *(g)*	Non	oom/r.o./g.p.r.	Déterminé par le marché *(f)*	Actif	Non	Oui	Actif
Rwanda	Non	r.o./g.p.r./d.r.	Non	Non	Non	Oui *(c)*	Non
Seychelles	Non	r.o./l.o.	Oui *(h)*	Actif	Non	Non	Non
Swaziland *(g)*	Non	oom/r.o./l.o./g.p.r.	Déterminé par le marché *(f)*	Actif	Actif *(b)*	Oui *(c)*	Oui
Tanzanie	Non	oom/r.o./l.o./g.p.r.	Non	Actif	Non	Oui *(c)*	Oui *(c)*
Ouganda	Non	oom/r.o./l.o./g.p.r.	Non	Actif	Actif *(c)*	Oui *(c)*	Oui *(c)*
Zambie	Non	oom/r.o./l.o./g.p.r.	Non	Actif	Actif	Oui	Actif
Zimbabwe	Non	oom/r.o./l.o./g.p.r.	Non	Actif	Actif	Oui	Actif

Source : *Rapports des services du FMI et données fournies par les autorités*

(a) oom = opérations d'open market
r.o. = réserves obligatoires
l.o. = liquidités obligatoires
g.p.r. = guichets permanents de réescompte
d.r. = dispositifs de refinancement
(b) Pas très évolué.
(c) Limité.
(d) Plafonds de crédit et contrôles sélectifs de crédit.
(e) Existe, mais inactif.
(f) Sous forte influence de l'Afrique du Sud.
(g) Membre de la CMA.
(h) Taux d'intérêt maximal et minimal.

Annexe XXIII

Structure du système bancaire des pays de l'ITF en fin décembre 1998

Pays	Surveillance Nombre de banques *(a)*	Loi sur les banques	Révisions prévues	Infrastructure *(b)* Autonomie de la Banque Centrale	Programme complet de réforme du secteur financier	Instruments de commerce extérieur	Efficacité du système de paiement	Règles prudentielles Adéquation capital *(e)*	Limites à l'emprunt *(d)*	Réserves obligatoires	Liquidités obligatoires minimales	Exposition au risque de change
Burundi	s.o.	s.o.	s.o.	s.o.			s.o.	s.o.	s.o.	s.o.	s.o.	s.o.
Comores	1 (-)	Oui (-)	Non	Partielle	4	2	Moyenne	Oui	Oui	Non	Non	Oui
Kenya	67 (8)*(g)*	Oui 1991)	Oui	Partielle	1	1 *(c)*	Moyenne	Oui	Oui	Oui	Oui	Oui
Madagascar	5 (3)	Oui (1995)	Non	Complète	2	2	Moyenne	Oui	Oui	s.o.	Oui	Oui
Malawi	4 (-)	Oui (1989)	Non	Partielle	1	2	Moyenne	Oui	Oui	Oui	Oui	Oui
Maurice	10 (5)	Oui (1988)	Oui	Complète	1	1	Bonne	Oui	Oui	Oui	Non	Oui
Namibie	5 (4)	Oui (1998)	Non	Complète	4	4	Bonne	Oui	Non	Oui	Oui	Oui
Rwanda	5 (1)	En instance	Oui	Complète	s.o.	s.o.	Faible	Oui	Oui	Oui	s.o.	Oui
Seychelles	5 (4)	Oui (1997)	Non	Complète	1	1	s.o.	s.o.	s.o.	Oui	Oui	s.o.
Swaziland	5 (4)	En instance	Oui	Complète	3	1	Bonne	Oui	Oui	Oui	Oui	Non
Tanzanie	18 (10)	Oui (1991)	Non	Partielle	2	2	Faible	Oui	Oui	Oui	s.o.	Oui
Ouganda	20 (11)	Oui (1993)	Oui	Complète	2	1	Moyenne	Oui	Oui	Oui	Oui	Oui
Zambie	21 (6)	Oui (1994)	Oui	Partielle	1	2	Moyenne	Oui	Oui	Oui	Oui	Oui
Zimbabwe	7 (3)	Oui (1965)	Oui	Complète *(f)*	2	2	Moyenne	Oui	Oui	Oui	Oui	Oui

Source : *Rapports des services du FMI, et données fournies par les autorités*

(a) Succursales et filiales de banques étrangères entre parenthèses.
(b) 1 = Mise en œuvre complète; 2. = Mise en œuvre partielle ou substantielle; 3. = Dispositions prises pour la mise en oeuvre; 4 = Aucune disposition pour la mise en oeuvre.
(c) Projet kenyan de développement des exportations.
(d) Prêts de faveurs et transactions individuelles.
(e) Selon le traité de Bâle.
(f) Toutefois, le ministère des Finances se réserve le pouvoir de délivrer des licences aux banques.
(g) Incluant 53 banques commerciales et 14 institutions financières non bancaires

Annexe XXIV

Projet de promotion des échanges régionaux

Raison d'être

Même s'il existe des banques commerciales, des firmes d'assurance spécialisées et des agences nationales de crédit à l'exportation prêtes à assumer le risque politique des transactions transfrontalières auxquelles participent des pays africains, le marché souffre malgré tout d'importantes lacunes qui nuisent à l'investissement et à la croissance de l'activité productive en Afrique. Dans certains pays africains, aucune entreprise commerciale ni aucune agence de crédit d'exportation ne couvre le risque politique, et lorsqu'une telle couverture existe, elle est habituellement très coûteuse et assortie de termes défavorables. Par ailleurs, la couverture disponible est soit très partielle, soit inexistante pour les transactions à moyen terme, ce qui limite l'importation de biens d'investissement essentiels.

Comme les banques commerciales, les agences de crédit à l'exportation et les sociétés commerciales d'assurance du risque de crédit observent des limites strictes de risque politique, la situation des pays africains en cette matière pose un problème de taille. Ces limites sont nécessaires pour respecter les politiques prudentielles d'étalement du risque et respecter les exigences des organismes de réglementation. Toutefois, de temps à autres, lorsqu'elles imposées de l'intérieur, elles ont pour effet de réduire la disponibilité des financements de projets pour des raisons qui n'ont rien à voir avec la viabilité de ces projets ni avec le risque que présente la conduite des affaires dans des pays où ces limites seraient dépassées.

L'absence de couverture du risque politique pour les exportations africaines nuit sensiblement à la disponibilité des financements pour les exportations en provenance de la région et les échanges intra-régionaux, notamment pour le développement de l'assurance-crédit à l'exportation.

Un projet qui portait à l'origine le nom de Mécanisme de garantie pour l'Afrique et qui sera désormais appelé Projet de promotion des échanges régionaux (PPER) a été conçu pour régler ces problèmes et combler les lacunes susmentionnées.

Aperçu général

Le PPER utiliserait les crédits de l'Association internationale de développement (IDA) et les fonds provenant d'autres bailleurs afin d'offrir une garantie ou de mettre en place une agence d'assurance (l'Agence régionale de services à l'exportation ou ARSE) qui lui permettrait de couvrir les risques politiques qui pèsent sur les transactions liées à l'activité productive dans les pays africains.

Voici quels seraient les principaux éléments du PPER :

a) chaque pays acceptant de participer au PPER conclurait une entente de crédit avec l'IDA en vertu de laquelle cette dernière lui prêterait des fonds assortis de ses conditions de remboursement habituelles pour les fins du PPER;

b) les crédits de l'IDA et toute contribution provenant d'autres bailleurs représenteraient la contribution du pays au PPER;

c) en vertu du PPER, les polices d'assurance seraient fournies par le biais d'une garantie ou d'une ARSE au nom des pays participants;

d) les crédits de l'IDA donneraient une certaine crédibilité aux opérations de l'ARSE et fourniraient à cette dernière les moyens de régler les demandes d'indemnité valides;

e) les polices d'assurance émises par l'ARSE couvriraient les pertes des parties engagées dans une activité productrice ou à l'appui d'une telle activité, découlant des risques politiques survenant ou engendrés dans un pays participant;

f) la notion de risque politique couvrirait des événements tels que les guerres ou les troubles civils, ou certaines actions des gouvernements connues sous le nom de risques de « performance du gouvernement » comme l'expropriation ou l'imposition de contrôles des changes;

g) les polices d'assurance ou les garanties seraient émises par une agence donnée au nom de l'ensemble des pays participants, mais chacun d'eux disposerait au départ de son propre programme et ne serait pas tenu responsable des obligations assumées par l'ARSE au nom des autres pays;

h) les obligations de l'ARSE contractées en vertu des polices d'assurance seraient totalement appuyées par les crédits de l'IDA et des autres bailleurs détenus par l'ARSE dans des comptes de garantie bloqués.

Le PPER portera pleinement ses fruits pour l'ensemble des participants lorsqu'il deviendra un véritable programme régional auquel auront adhéré suffisamment de pays de la région. Ce n'est qu'à ce moment qu'il pourra lutter efficacement contre la perception selon laquelle la conduite des affaires en Afrique est une opération risquée.

Source : *Mécanisme de garantie pour l'Afrique : Document de travail à l'intention des groupes de travail techniques, 14 octobre 1998*

Annexe XXV

Taux de prévalence du VIH/SIDA chez les adultes des pays de l'ITF à la fin de 1997

	Taux de VIH/SIDA (%) chez les adultes (15 à 49 ans)
Burundi	8,30
Comores	0,14
Kenya	11,64
Madagascar	0,12
Malawi	14,92
Maurice	0,08
Mozambique	14,17
Namibie	19,94
Rwanda	12,75
Seychelles	Inconnu
Swaziland	18,50
Tanzanie	9,42
Ouganda	9,51
Zambia	19,07
Zimbabwe	25,84
Ensemble des pays d'Afrique sub-saharienne	8,00
Moyenne mondiale	1,10

Source : *UNAIDS, Report on the Global HIV/AIDS Epidemic, juin 1998*

Annexe XXVI

Un exemple des difficultés d'une approche unifiée

Pour les agences de promotion des investissements (API) de la SADC, la mauvaise image de la région est imputable au manque de soutien du gouvernement

En juin 1998 s'est tenue à Pretoria (Afrique du Sud) la première réunion du sous-comité pour l'investissement de la SADC, au cours de laquelle ont été examinés les résultats d'une étude financée par l'UE concernant le climat de l'investissement dans la région de la SADC. L'étude a été critiquée principalement parce que qu'elle affirmait que les campagnes de promotion animées par les API de la SADC n'étaient pas efficaces. La plupart des API estimaient pâtir du manque de soutien véritable de leurs gouvernements respectifs. La concurrence entre les API dans la région a également été ressentie comme un problème car elle menait à des politiques du chacun pour soi. La compétition ouverte n'est pas perçue comme la meilleure réponse. En effet, puisqu'elles desservent un marché commun, les API devraient, au contraire, développer leurs relations de travail mutuelles.

À la même réunion, il a également été convenu que toutes les API de la région devront apporter leur contribution au Protocole d'investissement et de financement de la SADC. Un groupe de travail composé de six pays a été constitué à cette fin.

Annexe XXVII

Résumé des bonnes pratiques en matière de systèmes fiscaux et tarifaires

Des études théoriques et pratiques ont conduit à l'élaboration d'un ensemble de pratiques jugées propices au bon fonctionnement des systèmes fiscaux et tarifaires dans les pays en développement. Les bons systèmes fiscaux sont ceux qui causent une distorsion minimale de la répartition des ressources, qui sont équitables et faciles à gérer.

- Les taxes sur le commerce international devraient jouer un rôle minimal. Les droits à l'importation devraient utiliser un taux moyen faible et un nombre minimal de taux afin de réduire les possibilités d'exonérations arbitraires ou excessives. Les exportateurs devraient bénéficier de remboursements des droits payés sur les facteurs de production des produits exportés. Les droits à l'exportation devraient être évités.

- Il conviendrait de mettre en place ou de renforcer une taxe à la consommation à large base (couvrant les secteurs de la fabrication, de l'importation et de la distribution), en particulier une TVA assortie de préférence d'un taux unique et d'exemptions minimales ainsi que d'un seuil visant à exhonérer les petites entreprises. Les droits d'accise devraient être limités à un ensemble circonscrit de produits. La TVA et les droits d'accise devraient s'appliquer également aux importations et aux produits locaux.

- L'impôt sur les sociétés devrait être levé avec un seul taux modéré. L'amortissement devrait être uniforme dans tous les secteurs. L'utilisation d'incitatifs fiscaux devrait être limitée. L'impôt sur le revenu des particuliers ne devrait utiliser qu'un nombre réduit de tranches d'imposition et un taux marginal supérieur modéré; les exemptions et les déductions personnelles devraient être limitées; une exemption standard devrait exclure les particuliers à faible revenu; la retenue d'impôt finale devrait être largement utilisée.

- Les réformes énumérées ci-dessus pourraient être utilement complétées par la mise en place d'un régime simplifié d'impôt pour les petites entreprises et le secteur informel.

- Les réformes de la fiscalité et de l'administration des douanes devraient moderniser les systèmes et les méthodes. La simplification des systèmes fiscaux et tarifaires est une condition préalable aux réformes administratives. Les réformes mettront typiquement l'accent sur la réorganisation de l'administration de l'impôt et des douanes pour en faire une organisation fonctionnelle, l'adoption de procédures efficaces pour la mise en place d'un système national d'identification unique des contribuables, le renforcement des audits et l'amélioration des services aux contribuables. L'informatisation constitue en général une des composantes centrales des réformes, avec le perfectionnement des agents de l'impôt et des douanes et l'adoption, pour ces derniers, de l'autonomie de gestion et d'incitatifs financiers.

Source : *Rapports du FMI SM/98/254, supplément 1, 17 novembre 1998*

Annexe XXVIII

Notes sur les conditions institutionnelles et autres à réaliser aux fins de la mise en œuvre de l'Initiative

1. Les présentes notes complètent la description des options institutionnelles présentées au tableau A (section F) et énumèrent certaines des étapes préparatoires requises en vue de la mise en œuvre des actions préconisées dans le schéma directeur pour la promotion de l'investissement. L'ordre de présentation des diverses rubriques est celui utilisé dans la section E et dans le tableau A.

Libéralisation des échanges commerciaux

2. Les dispositions institutionnelles prévues pour la mise en œuvre des actions proposées devraient être celles qui ont été appliquées pour les réformes commerciales réalisées dans le cadre du schéma directeur pour la réforme des régimes du commerce. Une seule réserve pourrait être envisagée : compte tenu de l'objectif qui consiste à redorer l'image de l'Afrique, il pourrait être souhaitable, le cas échéant, de chercher à obtenir une plus grande participation du secteur privé.

Efforts de promotion à l'échelle régionale

Simplification des codes de l'investissement, des procédures d'approbation et des dispositions réglementaires

3. La simplification des codes de l'investissement et des dispositions réglementaires (un processus déjà engagé au niveau national et qui est bien avancé dans certains pays) conduira, à terme, à l'adoption d'un code et d'un régime réglementaire communs. Les décisions et la mise en œuvre des réformes relèveront des instances nationales, mais le travail préparatoire devra être entrepris au niveau régional afin de comparer les codes et les pratiques en cours dans les divers pays de l'ITF et de proposer des codes et des dispositions communes qui pourraient être adoptés à l'intérieur d'un échéancier accepté par tous.

4. Dans chaque pays, les institutions clés qui seront chargées de ce travail seront l'agence de promotion de l'investissement (API) et les services juridiques du gouvernement. La première étape consistera pour les Comités d'exécution des politiques (CEP) et les GTT à renseigner ces institutions sur l'ITF et à convenir d'un plan d'action,

du partage des responsabilités et des méthodes de diffusion des résultats. Les GTT pourraient jouer le rôle temporaire de surveillance des progrès accomplis et faciliter la prestation de services d'assistance technique, le cas échéant. À la fin de 1999, chaque pays participant devrait avoir publié un document unique décrivant ses codes de l'investissement, les procédures d'approbation et l'ensemble de sa réglementation. À ce moment, des accords devraient avoir été pris à long terme pour la coordination nationale et régionale du travail. Les agences publiques seront responsables de la mise en œuvre du programme, mais le secteur privé devrait participer étroitement, et les entreprises et les associations professionnelles pertinentes devraient être consultées sur les changements envisagés. Pour accélérer le processus et assurer une participation large du secteur privé, les travaux détaillés devraient être confiés, dans toute la mesure du possible, à des entreprises professionnelles, par voie de sous-traitance.

5. Au niveau régional, il conviendra à la fois de surveiller et de coordonner l'application des changements survenant dans les pays et de proposer des politiques et des procédures aux fins de l'adoption par les pays de l'ITF. Ce travail pourrait être confié à un comité de coordination mis en place dans ce but précis, ou par une ou plusieurs des institutions économiques régionales. Un comité de coordination risque de ne pas jouir d'un statut suffisant et d'être difficile à mettre en place et à gérer; cela équivaudrait par ailleurs à créer une institution supplémentaire. Le recours à une des institutions régionales existantes paraît donc plus pratique, et plus conforme à leurs responsabilités. Les pays participants auront à décider des institutions qu'ils souhaitent inviter à assumer cette responsabilité.

Promotion conjointe

6. Pour ce qui est de la promotion conjointe, la clé du succès résidera dans une campagne thématique, conçue et exécutée d'une façon professionnelle, et fondée sur l'application cohérente des conditions générales propres à attirer l'investissement. Pour réaliser ces conditions, il conviendra de confier au secteur public la plus grande partie du travail; une entreprise de relations publiques justifiant de l'expérience et des aptitudes voulues en matière de promotion internationale et de constitution d'une image de marque devrait être engagée à cette fin. Il faudra en outre choisir ou former une institution régionale du secteur privé qui sera chargée de l'organisation du travail. Une des solutions possibles serait d'utiliser une ou plusieurs chambres de commerce régionales, ou encore de faire appel à des institutions comme le *East African Enterprise Network*, le *Southern African Enterprise Network*, la *Africa Business Round Table* ou le ESABO, qui devraient de toute façon participer au processus. Idéalement, les GTT devront désigner des institutions appropriées du secteur privé dans leurs pays respectifs et songer au meilleur moyen d'encourager leur participation et aux institutions à mettre à contribution à cette fin.

7. La promotion conjointe peut – et doit – engager la participation de plusieurs ou de l'ensemble des pays participants. La cohérence des messages envoyés au marché est l'aspect le plus important. Certaines institutions du niveau national pour lesquelles le succès de ces activités de promotion présente une importance primordiale devront être appelées à fournir informations et ressources. Les principaux intervenants seront probablement les API, les associations de gens d'affaires (y compris, par exemple, les chambres de commerce, les associations de fabricants et les organismes professionnels) et les ministères gouvernementaux responsables des secteurs dans lesquels on souhaite attirer l'investissement privé. Lorsque les pays de l'ITF seront convenus des dispositions générales de l'effort de coordination, la première étape consistera pour chacun des GTT à désigner et à informer les intervenants sur l'Initiative et le schéma directeur pour la promotion de l'investissement, et à décider d'un mécanisme qui assurera leur participation aux efforts de promotion.

8. Les activités de promotion ne seront pas axées principalement sur les pays de l'ITF en tant que groupe particulier, mais plutôt sur l'investissement dans les pays d'Afrique de l'Est, d'Afrique australe et de l'Océan Indien ainsi que dans l'ensemble des pays africains. Les résultats de ces efforts présenteront un intérêt certain pour les institutions régionales susmentionnées (COMESA, EAC, COI et SADC) ainsi que pour les organisations panafricaines comme la CEA et l'OUA.

Établissement et maintien d'un site Internet d'information sur l'ITF

9. Lors de la réunion des GTT tenue à Maurice en novembre 1998, il a été décidé de créer un site Internet sur l'ITF afin de faciliter l'échange d'informations et d'expériences entre les pays participants. Ce site Internet, qui sera accueilli et entretenu par la Banque africaine de développement, pourrait également servir à la promotion de l'investissement. Comme pour tous les sites Internet, son utilisation et sa pertinence dépendront de la portée et de la qualité des informations diffusées. Pour contribuer à en assurer la qualité, le Comité directeur des organismes de parrainage en surveillera l'élaboration et l'entretien. Le site Internet de l'ITF ne sera qu'un des nombreux véhicules de diffusion des informations et de publicité utilisés par les institutions choisies pour servir de fer de lance aux efforts de promotion; les GTT, les API, les associations de gens d'affaires, les banques centrales et les ministères gouvernementaux en constitueront les principales sources de données. Une question reste à résoudre : les données en provenance des pays devraient-elles être approuvées avant d'être transmises à la BAfD et diffusées sur l'Internet, et dans l'affirmative, d'où cette approbation devrait-elle venir? Entre-temps, les GTT devraient participer à l'élaboration de ce site et à sa mise en place le plus tôt possible en fournissant toutes les données disponibles. On pourra, dans un deuxième temps, améliorer le contenu et la présentation du site.

Examen de la faisabilité de fonds d'investissement interfrontaliers

10. Cette proposition présente un intérêt particulier pour les agences de privatisation et celles qui oeuvrent sur les marchés des capitaux, y compris les banques commerciales et les bourses de valeurs; comme ces dernières ont un rôle essentiel à jouer et qu'elles s'intéressent directement aux résultats de l'étude, elles devraient y participer étroitement. Les organismes régionaux s'intéresseraient eux aussi à l'étude, mais étant donné la nature particulière des marchés de capitaux, la recherche et le travail préparatoires devraient être confiés à des personnes justifiant d'une expérience considérable en gestion financière. Au stade actuel, compte tenu de leur participation au développement des marchés de capitaux dans beaucoup de pays africains et de leurs contacts fréquents avec des entreprises professionnelles pertinentes, il serait probablement plus pratique d'inviter un des organismes de parrainage à assumer la responsabilité de l'étude, ce qui inclurait l'examen des options de mise en œuvre.

Efforts de promotion à l'échelle nationale

Amélioration de l'information et des conditions de déplacements

11. Cette question intéressera les institutions qui représentent les intérêts du monde des affaires (par exemple, les associations de gens d'affaires) et celles qui, outre l'intérêt commercial qu'elles portent au projet, auront un rôle important à jouer dans sa mise en œuvre (par exemple, les API, les autorités aéroportuaires et portuaires, les responsables de l'immigration et des douanes et les administrations fiscales). Ces institutions ont certainement intérêt à participer, mais cette participation servira d'abord et avant tout à modifier les attitudes et les perspectives de leur personnel afin d'attirer les investisseurs et d'établir des rapports productifs entre les secteurs public et privé.

Amélioration de la sécurité

12. L'amélioration de la sécurité est une exigence plutôt générale qui sort du mandat des agences mentionnées jusqu'à maintenant. Toutefois, les problèmes de sécurité réels ou perçus peuvent nuire sérieusement à l'investissement et tout programme visant à promouvoir l'investissement serait incomplet s'il passait cette question sous silence. Les associations de gens d'affaires et les ministères sectoriels désireux de mobiliser l'investissement peuvent conseiller sur les mesures qu'ils jugent appropriées pour améliorer la sécurité, mais les agences de sécurité et les ministères dont elles relèvent seront les premiers responsables des mesures concrètes à prendre en cette matière.

Assistance aux entrepreneurs locaux

13. Les entrepreneurs et les investisseurs locaux auront peut-être besoin d'assistance dans les pays qui, pendant un certain nombre d'années, ont été caractérisés par une économie dirigée. L'absence ou l'insuffisance de connaissances sur les véhicules d'investissement et les moyens de mobiliser les capitaux limitent le potentiel de ces pays. Dans une telle situation, les efforts de promotion de l'investissement peuvent s'appuyer sur des programmes d'information destinés aux investisseurs locaux et de formation des entrepreneurs. Les API ont un rôle particulier à jouer en informant les investisseurs potentiels des opportunités d'investissement qui se présentent; plusieurs de ces agences bénéficient à cette fin de l'aide des bailleurs de fonds. En général, toutefois, on met l'accent sur la promotion de l'investissement provenant des économies développées ou émergentes. Dans le cadre du schéma directeur pour la promotion de l'investissement, on accorderait une importance égale à la promotion de l'investissement local et de l'investissement interfrontalier.

14. La formation portant sur des sujets aussi variés que la bonne gestion des entreprises, la préparation des plans d'affaire, la mobilisation des capitaux, la commercialisation, le contrôle de la qualité et la gestion des affaires doit être accessible et abordable. Il existe déjà du matériel didactique portant sur ces questions qui peut être adapté et traduit pour répondre aux besoins locaux. Les institutions qui auront le plus vraisemblablement besoin de formation sont les API, les associations de gens d'affaires (notamment les firmes professionnelles) et les banques. Les projets de formation financés par les bailleurs peuvent souvent répondre aux besoins clairement circonscrits et les dispositions institutionnelles seraient définies pendant la conception du projet.

Promotion des interactions entre les investisseurs locaux et étrangers

15. Les investisseurs étrangers nouveaux et les investisseurs locaux à la recherche de partenaires techniques étrangers ont tous besoin de collaborateurs appropriés. L'Internet offre un moyen facile d'obtenir l'information et d'établir des contacts, mais il n'est toujours pas facilement accessible à la plupart des petits entrepreneurs africains et la qualité de la présentation, la fiabilité des données et les coûts posent des difficultés. En conséquence, les associations de gens d'affaires, les API et les ministères sectoriels (notamment ceux chargés du commerce et de l'industrie) ont un rôle important à jouer dans la promotion des contacts entre les investisseurs locaux et étrangers. Il est clair que l'API doit être généralement responsable de la promotion d'une bonne interaction entre ces deux groupes d'investisseurs. Là où ce travail reste à faire, deux étapes devraient être envisagées au départ : i) création et entretien de bases de données sur les investisseurs étrangers et locaux; ii) collecte d'informations sur les marchés conclus antérieurement, auprès des investisseurs actuels

et des associations de gens d'affaires afin de mieux définir les besoins, faciliter les prises de contact et assurer une meilleure interaction entre les deux groupes.

Réformes juridiques et judiciaires sélectives

16. M. Winston P. Nagan, professeur de droit à la *University of Florida*, et M. Dean Visser, doyen et professeur de droit à la *University of Cape Town* ont préparé un document décrivant un projet d'harmonisation des lois commerciales des pays d'Afrique australe (SADC). Leur projet englobe le droit des sociétés et des faillites, la reconnaissance et l'application des jugements rendus à l'étranger, les conflits de juridiction, les droits de propriété industrielle, le droit des banques, les contrats, la protection des consommateurs, le droit du travail, le droit des transports, le droit environnemental et la fiscalité. Ils envisagent une application en trois phases dont la première prendrait trois ans et la deuxième de cinq à dix ans. Si les réformes juridiques et judiciaires sélectives énumérées dans le présent schéma directeur correspondent uniquement à la première phase de ce projet, les pays de l'ITF souhaiteront néanmoins peut-être envisager les perspectives à plus long terme de l'harmonisation des lois commerciales et la possibilité d'utiliser un dispositif de gestion des projets semblable à celui proposé par les professeurs Nagan et Visser.

Création d'une forme juridique d'entreprise régionale

17. À mesure que les pays de l'ITF progressent vers une intégration plus poussée et qu'ils partagent les mêmes besoins et le même désir d'accroître l'investissement, notamment l'investissement transfrontalier, ils ont des motifs supplémentaires de supprimer les obstacles à l'investissement. Un de ces obstacles est la nécessité pour les entreprises installées en permanence dans ces pays d'être enregistrées comme entreprises distinctes ou filiales d'une entreprise étrangère. Les coûts d'administration seraient sensiblement réduits pour les investisseurs s'il était possible pour une entreprise enregistrée dans un des pays de l'ITF d'être reconnue par l'ensemble des pays participants et d'être en mesure d'entreprendre des activités commerciales dans n'importe quel de ces pays sans avoir à s'enregistrer à nouveau comme entité juridique séparée. Pour y parvenir, les pays participants devraient adopter des exigences et des procédures communes d'enregistrement des entreprises.

18. À l'échelle nationale, compte tenu de la nécessité de modifier la législation existante, le service juridique du gouvernement se verrait accorder la principale responsabilité de ce dossier. Il devrait entrer en contact avec l'agent d'enregistrement des entreprises, les professions comptable et juridique et les associations de gens d'affaires pour s'enquérir de leurs expériences et de leurs idées et obtenir leur appui.

Comme, dans certains pays, l'incorporation entraîne un enregistrement fiscal et qu'il peut exister des différences entre les dispositions fiscales prévues pour différents types d'entreprises, il sera essentiel d'obtenir la collaboration des autorités fiscales; il sera aussi peut-être nécessaire d'établir un mécanisme d'enregistrement fiscal de rechange. Toutefois, le point essentiel à retenir est que ces changements doivent être conçus pour être conviviaux, et non se limiter à un ensemble uniforme mais complexe de dispositions et d'exigences.

19. La création d'une « entreprise régionale » n'entraîne pas nécessairement la création d'une catégorie nouvelle et supplémentaire d'entreprise incorporée; il pourrait simplement s'agir d'une reconnaissance, par un pays, de l'enregistrement d'une entreprise dans un autre pays participant (habituellement une entreprise à responsabilité limitée, la responsabilité correspondant au montant du capital appelé). La coordination régionale d'ensemble devrait permettre d'assurer l'uniformité juridique entre les pays participants. Comme tous les pays de l'ITF sont membres du COMESA, de la SADC ou des deux organisations à la fois, ces institutions seraient toutes désignées pour s'acquitter de cette responsabilité.

Adoption de procédures communes d'enregistrement

20. Au niveau national, ce dossier devrait relever du registre des sociétés (ou l'équivalent dans les pays non anglophones), sous la supervision générale du service juridique du gouvernement qui serait chargé d'ébaucher tout changement législatif nécessaire et d'en assurer la gestion. Les autorités fiscales seraient également appelées à collaborer, tout comme les professions comptable et juridique (qui s'occupent typiquement des procédures d'enregistrement au nom de leurs clients). Les API devraient également être consultées puisqu'elles seront appelées à conseiller les investisseurs sur les changements à venir.

21. Au niveau régional, il serait logique que cette mesure soit coordonnée par le COMESA ou la SADC. Toutefois, les services d'enregistrement des entreprises des pays de l'ITF devront être étroitement associés au processus pour pouvoir s'entendre sur les procédures communes et les caractéristiques du système qui permettront l'accès et le transfert des donnés d'enregistrement de part et d'autre des frontières nationales. Cette dernière étape est une condition préalable à l'adoption du concept d'entreprise régionale.

Création de cours commerciales distinctes

22. Dans beaucoup de pays africains, les difficultés éprouvées par les créanciers qui souhaitent passer par les cours de justice pour recouvrer leurs créances – que ce soit par suite de retards importants dans la négociation d'un accord final ou à cause de résultats incertains en dépit de la clarté des textes législatifs – constituent un obstacle majeur à l'investissement. Les investisseurs existants témoignent de ces difficultés; les institutions prêteuses n'échappent pas non plus à ce problème (qui explique, en partie, la pénurie aiguë du crédit à terme dans la plupart des pays de l'ITF). La création de cours commerciales distinctes, responsables spécifiquement de se pencher et de statuer sur ces cas et qui justifient de l'expérience nécessaire présenterait un progrès majeur pour la promotion de l'investissement.

23. Le ministère de la Justice est l'organe qui, à l'échelle nationale, assumerait la responsabilité générale de ce dossier, tandis que la profession juridique apporterait une contribution importante à la conception de procédures modernes d'application, de soumission des cas et d'audiences. Les ministères de la Justice devraient coordonner leurs efforts pour assurer l'uniformité, processus qui pourrait être facilité par le COMESA, qui a récemment établi sa propre cour commerciale régionale à Lusaka.

Réformes fiscales sélectives

Réduction des droits d'importation conformément au schéma directeur de l'ITF pour la réforme des régimes du commerce

24. La première étape des réformes fiscales sélectives proposées, la réduction des droits d'importation conformément au schéma directeur de l'ITF sur l'harmonisation des tarifs, constituerait la suite logique de l'initiative actuellement en cours. Les dispositions institutionnelles existantes suffiront à cette fin.

Simplification de la structure de l'impôt sur le revenu et adoption de taux d'imposition plus bas

25. À l'échelle nationale, le ministère des Finances est responsable de la simplification de la structure de l'impôt sur le revenu et de la réduction des taux d'imposition. Toutefois, dans le contexte général d'un dialogue entre les secteurs privé et public et compte tenu de l'objectif conjoint de promotion de l'investissement, le Ministère et l'autorité fiscale devraient organiser des consultations détaillées avec la profession comptable, les associations de gens d'affaires et l'API.

26. Les institutions régionales ne participeront pas directement à cette réforme, mais elles constitueront une source importante d'informations comparatives sur l'expérience des pays de l'ITF et des autres pays.

Amélioration de la gestion fiscale

27. Cette mesure fera appel aux institutions nommées au point précédent. Toutefois, l'objectif sera différent. La simplification de la structure et la réduction des taux seraient conçues pour rendre l'investissement plus attrayant sans nuire au budget de l'État; l'amélioration de l'administration fiscale viserait à moderniser les méthodes de calcul et de recouvrement de l'impôt. Il s'agirait essentiellement de moderniser les procédures utilisées, l'autorité fiscale devenant ainsi en mesure de fournir un service rapide et cordial, et de prendre des mesures pour lutter contre les comportements non professionnels. Ici encore, les progrès réalisés dépendront du processus de consultation et de l'accueil fait par les autorités fiscales aux propositions avancées.

Conclusion d'ententes sur la double imposition

28. La conclusion d'ententes sur la double imposition, une question relevant de toute évidence des ministères des Finances respectifs et de leurs autorités fiscales, devrait passer par les trois étapes proposées dans le schéma directeur. La première, c'est-à-dire la conclusion d'ententes entre les pays de l'ITF, serait grandement facilitée si on pouvait adopter une présentation et un contenu standards. Les ministères des Finances devraient consulter les professions comptables (qui travaillent sur les détails de leur application pratique) et les institutions économiques régionales pour élaborer un accord standard.

Prix d'excellence en Afrique

29. Cette proposition permettrait non seulement de fournir les incitatifs souhaités dans le schéma directeur, mais également de relever les succès remportés pour les utiliser aux fins de la promotion de l'investissement. Toutefois, le lancement et la gestion d'un tel système doivent être faits d'une façon professionnelle. Dans le cas contraire, ils pourraient causer des embarras et avoir une incidence négative sur l'image de l'Afrique. Par ailleurs, pour attirer l'intérêt des organismes de parrainage et des participants, il conviendra de faire appel à une institution d'encadrement crédible jouissant d'une bonne réputation auprès du secteur privé. Pour cette raison, il serait préférable que le système de prix soit administré par une organisation privée. On devrait songer à utiliser les réseaux d'entreprises nouvellement créés puisque ces derniers attirent les nouvelles entreprises, qu'ils sont libres de toute affiliation politique et qu'ils font preuve de l'enthousiasme et de la compréhension nécessaires. Pour élargir l'admissibilité aux pays de l'extérieur de l'ITF et aux réseaux d'entreprises, on pourrait inviter des organisations comme la *Africa Business Round Table* à participer au projet. La première étape consisterait à consulter ces organisations et d'autres organisations semblables pour obtenir leur point de vue, préciser la portée du projet, discuter de l'administration et du coût et identifier des organismes de parrainage possibles. Les organisations choisies prépareraient ensuite un document présentant les résultats des consultations qui pourrait être adapté pour mobiliser la participation des bailleurs et qui formerait plus tard la base d'une brochure explicative à diffuser aux entreprises de l'ensemble des pays de l'ITF.

Evaluation Programme of the European Commission Aid in the Fields of Institutional Capacity-Building and Economic Infrastructure

EVALUATION OF THE CROSS-BORDER INITIATIVE

Summary

March 2000

Report prepared for the European Commission
Eva - EU Association

DRN • ECO • IDD • SYNERGIE • NCG

1. The special nature of CBI and its history of partnership with co-sponsors explains why no logical framework ("logframe") has been found for the overall initiative. The consultants have, however, constructed an ex-post logical framework which is presented in Table 8 according to the standard format that is used by the European Commission for project formulation. In brief, this framework tries to confront the activities undertaken with the results achieved, the programme objectives and the overall goals set or implicit during the development – and evolution – of the CBI.

2. The logframe shows the coherence between the goals, the objectives the activities and the results; and secondly, the assumptions made at each step. In general, the programme does seem to achieve a good degree of coherence. The assumptions made may have been somewhat optimistic in some cases. For example, improved revenue collection or willingness to implement what was agreed were not always up to expectations. This is perhaps inevitable with a programme of this magnitude and scope.

3. In addition, an overview of the strengths and weaknesses of the CBI process has been made in order to summarise and highlight several aspects of CBI's operations for further consideration, in Table 9.

4. Taking into account the above findings, the major findings from country reports as explained in volume 2 and the findings from the research as documented in volume 3, the following conclusions and recommendations are presented.

Conclusions

5. At the beginning of the 1990s, many countries in the Southern and Eastern African region had begun to undertake economic reforms but were still characterised by inward-looking industrialisation policies, high foreign trade barriers, foreign exchange controls and other restrictive business laws and practices. In addition, progress to regional integration was modest and slow.

6. The CBI was conceived as a framework for regionally harmonised policies to facilitate a market-driven concept of economic integration in Eastern and Southern Africa. This framework was intended to be complementary with continuing national structural adjustment processes, while adding the elements of the regional dimension, greater national and regional ownership and public/private partnership.

7. The major result of the CBI is found in its ability to develop support from within the countries to maintain and deepen the policy changes in the face of a difficult economic climate. Various elements of its policy reform proposals became the generally accepted norms. What was originally proposed through the CBI process as an innovative course of action and as new policy priorities, is now widely accepted as an integral part of necessary policy reforms.

8. In promoting new open regionalism, the Initiative made a flexible and pragmatic contribution to African structural reforms and economic integration and helped countries in moving towards a more open and dynamic economic environment. The CBI became an instrument for realising outward-oriented reforms, notably in the areas of trade liberalisation and facilitation, liberalisation of exchange and payments systems, and investment deregulation both within the regional and the global context.

9. Macro-economic performances through global and outward-looking liberalisation in the goods and factor markets have indeed improved. The aggregate trade restrictiveness ratings have reduced drastically and some participating countries have reached open trade regimes in the late nineties.

10. There has been generally good progress in lowering and simplifying tariffs and considerable progress in freeing export trade restrictions. Considerable progress has been made in the area of facilitation of international payments and moving toward market-based exchange rates and there has been near full compliance in setting up one stop investment centres. Other progress in related business environment areas has been impressive, although uneven. In the area of free movement of persons, for example, progress has been rather limited.

11. There have been a number of constraints on the operations of the CBI. Rwanda, Burundi and Comoros were hindered by conflict. The SACU members Namibia and Swaziland were limited in some policy areas by their membership of CMA and SACU. In some countries, a discrepancy between declared policies and effective implementation has been noted.

12. Although external tariffs have been lowered and simplified by many participants, the removal of intra-regional tariffs has been more difficult. This is considered to be due to a combination of factors, including concerns over trade deflection, revenue loss, the absence of competition policies and lobbying by specific sectors.

13. Peer pressure has had a positive impact through positive demonstration effects of results achieved in some countries, and through the insistence by other participating countries on the need for all countries to respect their voluntary undertakings as elaborated in the Letters of CBI Policy. Yet policy setbacks or even reversals have been noted in several countries.

14. Capacity has been built through the TWG and an innovative form of collaboration between private and public sector has been established. The CBI has contributed to raising awareness within the private sector on the importance of regional integration, of reducing impediments to trade and of realising less restrictive trade regimes. The participation of the private sector in the TWG has made the private sector more outward-looking. Bilateral and regional contacts between TWGs proved to be useful vehicles for better understanding and faster implementation of trade and investment issues. The commitment and quality of the chair and the various members are important issues.

15. Donor co-ordination of support and their involvement in regional and individual country policy reforms has been enhanced through the CBI. The constructive dialogue between co-sponsors in terms of combining unilateral liberalisation (advocated by Bretton Woods Institutions) with a regional focus as a step towards globalisation (advocated by the EU) has been remarkable. Co-ordination of approaches towards regionalism and outward reforms as expressed in the Road Map for Tariff Reforms is one of the Initiative's achievements.

16. Financial contributions, linked to the transitional cost of implementing tariff reductions, were promised, and acted as an incentive for governments that were sometimes in deep trouble to finance the budget. Unfortunately, participants and co-sponsors have different understandings and perceptions of what has been promised. The countries understood that the financing of special envelopes was promised; the co-sponsors thought that an indication was given of financing needs in order to cover transitional costs as they would arise. Disbursements have indeed taken place and have been specifically linked by the EU to CBI activities (Annex 1 - Table 2), while the World Bank and ADB chose to integrate such contributions in their over-all country reform support; the IMF having said always that it would not go beyond the financing of technical assistance.

17. Regional organisations were supported through the CBI. As a "virtual organisation", the CBI has avoided competing with existing regional organisations and assisted them in realising their objectives instead. The collaboration with COMESA and EAC is especially effective, with the CBI acting as a fast track. There has been less active participation by SADC and the overlap between COMESA and SADC poses a problem of policy harmonisation.

18. Some events such as different perceptions in terms of financial contributions, the hesitations to implement measures in some countries, the fears concerning possible closure of non competitive factories, may have contributed to a certain degree of fatigue and diminished enthusiasm for the Initiative. On the other hand, political decision-making in general has become more open and a free(r) press in particular has become stronger in the participating countries during the nineties,

which explains the need for civil society to better understand and to some extent be involved in the decision processes towards freer trade and factor liberalisation.

19. Since the CBI is a voluntary process, the limited role of RSA as an observer in CBI is understandable in an historical perspective. However, South Africa being clearly the leading economy of the region in terms of trade and investment, many CBI stakeholders and observers see the need for some kind of closer relationship.

20. The overall conclusion is that CBI has been a timely and useful initiative in introducing and spreading the paradigm of new open regionalism. Although of course this process is not a panacea for economic development, it has been a necessary condition for it, because the CBI has helped inward-looking countries to change their policies and was part of their transformation into more open and dynamic economies. This will increase the likelihood that additional investment will be mobilised. Both the participants and the co-sponsors have recognised that the CBI agenda remains unfinished and have recently adopted The Investment Road Map.

Recommendations

21. Taking into account the achievements on the one hand and the challenges ahead on the other, it is desirable that the CBI should be continued in some way as was agreed in the Ministerial Meeting of 1998, and confirmed during many interviews. The CBI paradigm of new open regionalism and the basic approach of a flexible partnership, variable speed and geometry, self-selection of participating countries and public/private partnership are useful contributions to the process of economic integration in this part of Africa.

22. Careful attention needs to be paid to sequencing the rationalisation of and reduction in the external tariff, the progressive elimination of intra-regional tariffs, reforms to national revenue collection and implementation of effective rules of origin and competition rules.

23. In order to counter fears of de-industrialisation and improve the investment climate, reform measures for investment facilitation under the Initiative as foreseen in the Road Map for Investment Facilitation are timely, necessary and urgent for augmenting private sector growth in participating countries.

24. The issue of misunderstandings or different perceptions regarding financial contributions should be settled by the co-sponsors' formulation of a transparent system for financial interventions. A clear understanding concerning

financial contributions under the CBI should, after clarification between co-sponsors, be discussed with participating countries.

25. TWGs are a useful forum for continuing dialogue on policy reforms. TWG being one of the strong features of CBI, it is recommended they continue to work further along the lines they are organised now, with attention being paid to the quality of the chair, the local consultant, as well as the breadth of representation of its members. As national independent bodies they should not be responsible to a Regional Organisation.

26. Enhanced networking among economic operators in the participating countries through chambers of commerce, producer associations and involvement in regional TWG meetings and other fora of a regional and global nature is recommended. Joint cross-border business activities or trade exhibitions sponsored by CBI may improve bilateral and regional trade development.

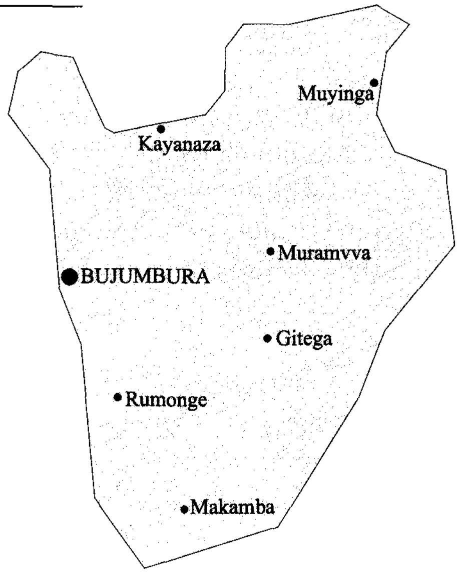
27. The CBI web-site should be further developed as an instrument to specifically improve the awareness and the dissemination of opportunities in trade and investment in the region. It is an excellent forum for accelerating the distribution of information on changing laws and regulations.

28. Civil society organisations such as trade unions, NGOs, or consumer organisations should be better involved in the CBI process through a balanced participation in TWGs, allowing policy-makers to listen to the voice of civil society while sending messages that open markets matter, and discussing with them short term impact and long term benefits of measures taken.

29. A more active involvement of South Africa would benefit the process of CBI and regional co-operation. Given the importance of South Africa within the region, many observers consider the CBI process would benefit, should they choose to take a more active role.

30. In summary the CBI should continue as a flexible instrument and a "virtual organisation" for new open regionalism in the region along current lines, and further help participating countries to implement and broaden their agenda.

Burundi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Rumonge
Makamba

1. BREF APERÇU SUR L'INITIATIVE TRANSFRONTALIÈRE D'INTÉGRATION RÉGIONALE

Depuis 1992, des pays membres du COMESA, de la Commission de l'Océan Indien et de la SADC ont entrepris une initiative d'intégration régionale visant l'accélération des investissements, des échanges commerciaux et des paiements transfrontaliers, sous les auspices de la Banque Mondiale, de l'Union Européenne, de la Banque Africaine de Développement et du Fonds Monétaire International.

Le Burundi a répondu positivement à l'invitation lui adressée en vue de participer à l'initiative transfrontalière d'intégration régionale depuis 1992. Le Burundi a participé aux différentes réunions préparatoires jusqu'à la réunion décisive d'Août 1993 tenue à Kampala au cours de laquelle il a exprimé officiellement sa volonté d'adhérer à l'initiative.

La participation initiale du Burundi à cette initiative a été motivée par le fait que cette initiative s'inscrivait parfaitement dans les orientations économiques du pays. Elle s'intégrait également dans la stratégie économique qui visait à la fois une croissance accélérée et durable tout en contribuant à la réduction de la pauvreté.

Au moment de la naissance de l'initiative, les flux d'investissements intra – régionaux étaient inexistants tandis que les flux commerciaux étaient freinés par le non-respect des clauses relatives à la réduction des mesures tarifaires et non tarifaires par certains partenaires du Burundi.

Au niveau des échanges, bien que les importations du Burundi soient libéralisées, les exportations souffrent encore d'une certaine protection de la part des partenaires régionaux (non-respect des conventions de réduction tarifaire et non tarifaire COMESA). Le respect de ces dispositions par ses partenaires accroîtrait nécessairement les exportations burundaises des produits manufacturés dans la sous région.

Au niveau des investissements, les flux d'investissement devront nécessairement s'accroître une fois que toutes les mesures du PAC y relatives auront été instaurées. Mais il convient de souligner qu'à partir de ce moment, la fréquence des investissements dépendra principalement des critères comme l'étendue du marché et le coût de la main d'œuvre, du pouvoir d'achat, de la monétarisation de l'économie et dans une certaine mesure des infrastructures physiques existantes.

L'initiative transfrontalière d'intégration régionale a été bien reçue au Burundi aussi bien par le secteur public que privé. La principale motivation était qu'elle voulait prendre appui sur les progrès réalisés dans le cadre du programme d'ajustement structurel et renforcer le processus d'intégration régionale lancé par le COMESA, la SADC et la COI. Elle rentre également dans le cadre de la promotion et la déréglementation du secteur privé.

2. ACTIVITÉS DU GROUPE DE TRAVAIL TECHNIQUE (GTT)

2.1. Réunions du GTT depuis le début de l'initiative

Afin d'atteindre les objectifs de l'initiative, chaque pays participant a mis sur pied un groupe de travail technique composé des représentants des ministères intéressés et du secteur privé. La mission de ce groupe de travail est définie comme suit :

- Evaluer dans chaque pays la situation en matière d'échanges commerciaux, des paiements et des investissements intra – régionaux ;
- Identifier les contraintes majeures rencontrées ;
- Identifier les mesures qui pourraient être adoptées ;
- Formuler un plan d'actions ;
- Identifier les domaines dans lesquels l'assistance technique et financière des bailleurs de fonds serait requise.

En tant que pays participant, le Burundi a mis en place un groupe de travail technique et un comité de mise en œuvre. Le GTT est composé de fonctionnaires émanant des ministères en relation avec l'intégration régionale ainsi que du secteur privé. Les ministères représentés sont le Ministère du Commerce, de l'Industrie et du Tourisme, le Ministère des Finances, le Ministère des Transports, le Ministère du Plan et le Ministère de l'Intérieur et la Banque Centrale. S'agissant du secteur privé, il est représenté par cinq chefs d'entreprises, la Chambre de Commerce et d'Industrie, deux représentants des banques.

Les membres du groupe de travail ont :

- évalué la situation en matières d'échanges commerciaux, des paiements et des investissements intra – régionaux ;
- identifié les contraintes majeures rencontrées ;
- identifié les mesures à adopter pour éliminer ces contraintes ;
- formulé un plan d'action ;
- identifié les domaines dans lesquels l'assistance technique et financière des bailleurs de fonds est nécessaire.

Cette évaluation, comme celles des autres pays participants, a servi à l'élaboration d'un plan d'actions commun approuvé en août 1993 par la réunion ministérielle de Kampala.

En mars 1995, une autre réunion ministérielle s'est tenue à l'Ile Maurice et c'est à cette occasion que les premières discussions avec les bailleurs de fonds ont eu lieu sur l'assistance financière à consentir au Burundi pour l'appui de sa balance de paiements en vue de compenser les coûts compensatoires entraînés par la libéralisation. Même si le Burundi n'a pas encore bénéficié de ces financements à cause de la crise socio-politique qu'il traverse depuis octobre 1993, il a réalisé quelques progrès dans la mise en œuvre de l'initiative d'intégration régionale.

En juin 1996, le groupe technique a été actualisé et organisé en quatre sous – groupes d'au moins quatre membres. Cette organisation devait permettre aux membres de se répartir les thèmes à analyser par spécialisation et d'avancer ensuite plus rapidement. Les quatre sous groupes sont :

1er sous – groupe : Commerce

2ème sous – groupe : Paiement et régime de change

3ème sous – groupe : Investissement

4ème sous – groupe : Développement institutionnel

Chaque sous – groupe a travaillé sur son thème et a ainsi participé à l'enrichissement de la lettre de politique.

Concernant le commerce, il a été constaté que le Burundi, dans ses échanges avec les pays membres de la ZEP, est déficitaire. Avec la crise, le déficit s'est creusé parce que les exportations ont fortement baissé de 1993 – 1998. A cause de la guerre, les productions ont fortement chuté.

2.2. Activités de sensibilisation

Dès la mise en place du GTT, il avait été jugé important d'associer les membres en provenance de la presse écrite et télévision nationale pour que toute la communication nécessaire soit facilitée. Il faut dire qu'il n'y a pas eu beaucoup de réalisations au niveau de la sensibilisation. Par manque de financement, les séminaires et ateliers prévus n'ont pas été organisés.

2.3. Etudes réalisées

En plus des études sectorielles sur la situation de l'intégration régionale au Burundi, l'élaboration du programme d'action commune, la préparation du rapport final sur l'évaluation des actions réalisées, des mesures en application et des perspectives d'avenir, deux autres études ont été réalisées.

Il s'agit de :

1) Evaluation des coûts / avantages de l'initiative transfrontalière pour l'économie burundaise, juillet 1996 par KADEDE Tharcisse.

Cette étude a procédé à une analyse « ex-ante » de l'impact sur l'économie burundaise des mesures de libéralisation contenues dans l'initiative transfrontalière durant la période transitoire.

Elle a évalué les pertes fiscales et douanières à subir par le Burundi en éliminant les diverses barrières tarifaires et non tarifaires dans le contexte du commerce intra – COMESA. L'étude note que le partenariat commercial fait intervenir la notion d'origine des produits qui n'est pas nécessairement bien comprise par l'ensemble des praticiens. C'est ainsi qu'une réserve a été émise sur l'exactitude des données sur certains produits. Une autre difficulté a été soulevée au niveau de la confusion entre l'origine des marchandises et leur provenance. Ces réserves impliquent qu'en l'absence des règles d'origine suffisamment strictes, il y a lieu de craindre que des produits non COMESA soient déversés sur le territoire burundais. Ceci aurait pour conséquence d'alourdir le manque à gagner avec la mise en application du tarif extérieur harmonisé.

Cette étude n'a pas évalué ni les pertes de recettes fiscales à compenser ni l'impact du tarif zéro sur la production des entreprises locales. Une étude complémentaire approfondie est nécessaire pour permettre de prendre des décisions argumentées et éviter des conséquences négatives sur l'outil de production local.

2) Etude réalisée par le consultant NIBITANGA Donatien.

Cette étude a fait le point sur l'état d'avancement de l'application au Burundi des mesures contenues dans le Plan d'Action Commun (PAC). Il a analysé la situation législative et réglementaire liée au commerce, à l'investissement, aux paiements et régime de change et a identifié par la même occasion les contraintes réelles au sein de ces instruments légaux pour déterminer les sections et provisions à amender pour les rendre conformes aux mesures du « Concept Paper ». Les recommandations importantes de cette étude se résument comme suit :

- Le règlement sur le droit d'administration de 1% de la valeur FOB par licence validée, perçue par la Banque Centrale, devrait être revu pour que cette commission soit perçue par les banques commerciales qui sont responsables de la gestion des importations ;

- Création des organismes de crédits à l'exportation pour promouvoir et financer les exportations ;

- Harmonisation et réglementations relatives au transport aérien en vue de libéraliser le droit de trafic aérien ;

- Elaboration d'un programme d'amélioration des infrastructures existantes pour les différents modes de transport ;

- Développement d'un système de traitement, d'analyse et de diffusion de l'information sur le commerce intra-régional à l'intention des opérateurs économiques ;

- Révision du code des investissements en ce qui concerne :

    - l'automaticité et la transparence des procédures d'approbation

    - les dispositions relatives aux avantages fiscaux devraient être rationalisées et incorporées dans le code fiscal

    - l'instauration d'un mécanisme institutionnel de type guichet unique afin de faciliter les procédures d'approbation et d'agrément.

La mise en œuvre de ces recommandations est plus qu'urgente si l'on considère leur importante.

3. ***RÉALISATIONS DE L'INITIATIVE D'INTÉGRATION RÉGIONALE EN MATIÈRE DES RÉFORMES***

3.1. Commerce Extérieur

Dans le cadre de la libéralisation du commerce extérieur préconisée par le Programme d'Ajustement Structurel (PAS) adopté en 1986, un vaste programme de libéralisation des importations et des exportations a été entrepris depuis 1988. Des mesures importantes ont été prises à cette fin et sont les suivantes :

- Décret – Loi n° 1/1 du 15 janvier 1979 relatifs aux sociétés commerciales ;
- Décret – Loi n° 1/28 du 30 septembre 1988 portant réglementation et de la profession d'importateur ;
- Décret – Loi n° 100/160 du 30 septembre 1988 portant réglementation de l'importation des produits pétroliers ;
- Décret – Loi n° 1/36 du 31 décembre 1988 portant instauration de la taxe de service à l'importation ;
- Décret – Loi n° 1/008 du 25 mars 1989 portant modification des articles 2 et 3 du Décret – Loi n° 1/36 du 31 décembre 1988 portant création de la taxe de service à l'importation et à la réexportation ;
- Décret – Loi n° 045 du 09 juillet 1993 portant dispositions générales du Code de Commerce.

3.1.1. Libéralisation des importations

Au cours de la 3ème phase du programme d'ajustement structurel (1991 – 1994), le Gouvernement du Burundi a entrepris des efforts de libéralisation du Commerce extérieur. C'est dans ce cadre que le nouveau règlement en matière d'importation autorise quiconque à importer sans devoir produire une licence d'importation. Le système des licences d'importation a été supprimé et remplacé par une simple « déclaration d'importation et de paiement. » Les banques commerciales sont délégués pour viser les dites déclarations d'importation et de paiement sans limitation de montant. Aucune restriction ne frappe les importations. La liste négative des produits prohibés à l'importation n'existe plus au Burundi. Cependant, à cause de la crise et de l'embargo qui a duré plus de deux ans, les mesures de libéralisation adoptées et mises en œuvre ont été suspendues. La suspension ne sera levée que dès que les conditions seront améliorées et que la coopération internationale aura repris.

Depuis l'entrée en vigueur du Règlement Général du Contrôle des changes en mai 1992, l'accès aux devises est devenu automatique pour toute personne physique ou morale ayant la qualité d'importateur ou d'exportateur. Comme évoqué précédemment, cette libéralisation a marqué le pas à cause de l'insuffisance des réserves en devises compte tenu du ralentissement de l'activité économique. Mais ceci n'est que provisoire.

3.1.2. Libéralisation des exportations

Dans le domaine des exportations, un certain nombre de mesures avait déjà été pris mais cela n'avait pas suffit pour promouvoir les exportations. Il s'agit entre autres de :

- Décret – Loi n° 1/012 du 15 avril 1988 portant mesures de promotion des exportations au Burundi ;
- Décret n° 100/161 du 30 décembre 1988 portant création du comité permanent de promotion des exportations ;
- Ordonnance Ministérielle n° 750/306 du 06 octobre 1988 portant mesures d'exécution du Décret – Loi n° 1/012 du 15 avril 1988 portant mesures de promotion des exportations au Burundi.

Comme pour les importations, tout le secteur des exportations a été libéralisé. Les principales modifications contenues dans le nouveau Règlement Général du Contrôle des Changes sont entre autres :

- la licence d'exportation a été supprimée et remplacée par la déclaration d'exportation qui donne droit à quiconque le veut, d'exporter sans autorisation préalable de la Banque Centrale ;
- l'obligation pour le vendeur de souscrire une licence d'exportation pour chaque expédition a été supprimée ;

- actuellement, l'exportateur indique le prix de vente de chaque contrat de sorte qu'une même déclaration d'exportation puisse être utilisée pour plusieurs expéditions.

Les exportateurs remplissent uniquement les déclarations d'exportations. Des incitations fiscales nouvelles ont été accordées. On pourrait citer à ce sujet le régime de la zone franche qui accorde aux investisseurs exportateurs toutes les facilités requises.

3.1.3. Libéralisation des échanges de services

Jusqu'aujourd'hui, la plupart des secteurs de service tels les assurances, les transports (de marchandises et de personnes) sont soumis à une certaine réglementation. Les frais de transport sur certains tronçons sont obligatoirement réglés en monnaie locale. Cette exigence écarte la concurrence des transporteurs étrangers.

S'agissant de l'assurance, elle doit également être obligatoirement souscrite auprès des compagnies d'assurance locales. Il est aussi souhaitable qu'il y ait une harmonisation des réglementation relatives au transport aérien en vue de libéraliser le droit de trafic. Les infrastructures au niveau régional restent faibles sur le plan du transport routier et ferroviaire. Les différents modes de transport devraient être améliorés avec l'aide du COMESA et des autres organisations régionales.

3.1.4. Réduction des tarifs douaniers régionaux et des barrières non tarifaires

S'agissant des tarifs douaniers, ils ont été réduits de 10 % en 1988, de 10% en 1989 et de 10% en 1992. En plus le Nouveau Tarif National a intégré les produits admis sur la liste commune du COMESA et les trois colonnes du tarif préférentiel COMESA établies en fonction de la part nationale du capital – action dans l'entreprise exportatrice ont été remplacées par une colonne unique, plus précise et favorable à l'importateur. Ce tarif comporte de substantielles réductions tarifaires. Le Burundi a adopté parfaitement le calendrier des réductions des tarifs douaniers convenu dans la ZEP. Le tarif zéro sera applicable à partir du 1er novembre 2000, date à laquelle prendra naissance la zone de Libre Echange dans les pays membres du COMESA. Néanmoins, le Burundi a subi des effets de l'embargo qui l'ont empêché d'avancer normalement dans cette voie et avait obtenu une dérogation. Une prolongation de cette dérogation sera demandée s'il ne parvenait pas à respecter ce calendrier.

Concernant la structure du tarif extérieur, le Burundi dispose d'un tarif ZEP préférentiel dont la réduction par rapport aux droits normalement en vigueur va de 5% à 90%.

On peut regrouper les tarifs ZEP en cinq tranches se présentant comme suit :

0% à 10%

10% à 40%

40% à 60%

60% à 80%

Il faut noter que rares sont les produits importés dans les tranches de 40% à 60% et 60% à 80%.

S'agissant de l'adhésion du Burundi au calendrier des réductions de tarifs douaniers convenus dans la ZEP, le Burundi est d'accord avec le calendrier mais les effets de l'embargo l'ont empêché d'avancer normalement dans cette voie. C'est pourquoi une dérogation lui avait été accordée jusqu'au 31 juillet 2000. Une prolongation de cette dérogation a été demandée parce que les effets de l'embargo pèse toujours lourdement sur l'économie du Burundi.

En ce qui concerne les barrières non tarifaires, le Burundi a le mérite de figurer parmi les pays à avoir libéralisé l'octroi des licences d'importation et d'affectation des devises pour les produits en provenance de la sous - région.

Avant la suspension des mesures de libéralisation des importations, tout importateur agréé pouvait obtenir des devises pour importer sur simple déclaration d'importation et de paiement sans limitation de montant pour les banques commerciales.

3.1.5. Facilitation des échanges intra régionaux

Au Burundi, la plupart des mesures envisagées dans ce domaine sont déjà en vigueur. Il s'agit notamment de :

- la mise en application du système ZEP de redevances harmonisées de transit routier ;
- la carte jaune d'assurance ;

- le RCTD (Déclaration de Transit Douanier par Route) de la ZEP ;
- l'ASYCUDA ;
- le SYDONIA.

3.2. Système de paiement et régime des changes

Dans le cadre du programme d'ajustement structurel entrepris en 1986, la libéralisation du régime des changes a constitué une mesure prioritaire et une réforme importante du régime des changes a été réalisée et est entrée en vigueur le 14 mai 1992.

Une nouvelle législation bancaire qui édicte des normes prudentielles renforcées a été adoptée par le Décret – Loi n° 1/068 du 07/07/1993 ainsi que les règlements d'application. Les normes étaient conçues pour garantir la lucidité, la solvabilité et l'équilibre de la structure financière des banques.

Auparavant, d'autres mesures avaient été prises à ce sujet, à savoir :

- Décret – Loi n° 1/024 du 16 septembre 1991 portant modification de certaines dispositions du Décret – Loi n° 1/37 du 27 novembre 1990 relatif à la réglementation de la profession d'importateur ;
- Ordonnance Ministérielle portant mesures d'exécution du Décret – Loi n° 1/037 du 27 novembre 1990 et du Décret – Loi n° 024 du 16 septembre 1991 relatif à la réglementation de la profession d'importateur.

En juin 1996, des modifications ont été apportées au Règlement Général du Contrôle des Changes. La Banque Centrale a accordé pleine délégation aux banques commerciales pour gérer les opérations de change relatives aux importations, toutes les Déclarations d'Importation et de paiements doivent être déposées auprès de ces banques. D'autres modifications importantes méritent d'être relevées. Il s'agit de la non exigence par ce système de certains documents justificatifs (facture de fabricant, coût estimatif des frais d'expédition, document de l'organe compétent de gestion, etc.) ; de la suppression de la disposition relative à l'importation d'un délai de validité aux déclarations d'importation ; de la suppression de l'obligation d'importation et de l'automaticité de l'accès aux devises pour importer.

Les paiements interviennent dans n'importe quelle devise. Toutefois concernant les importations en provenance des pays membres du COMESA, le paiement ne s'effectue plus dans la monnaie du pays du fournisseur ou dans l'unité du compte ZEP comme à l'époque de l'utilisation de la Chambre de compensation. Il s'effectue en dollars américains en ce qui concerne les importations du Burundi.

Concernant les transferts financiers, les modifications essentielles ont porté sur la hausse des quotités transférables, la suppression de l'obligation de déclarer les devises importées à l'entrée et à la sortie du pays, la délégation de pouvoirs d'autorisation de transfert aux banques commerciales agréées, laquelle délégation est limitée aux seuls dossiers concernant les transferts des revenus professionnels des expatriés. L'accès au secteur financier du Burundi ne rencontre pas d'obstacles bien qu'il n' y ait pas de concurrence réelle entre institutions financières actuellement. Les institutions financières spécialisées opérant dans la fourniture de capitaux et de facilités de crédit à l'exportation. Le dernier créneau reste ouvert d'autant plus qu'il n'existe pas encore au Burundi les facilités de crédit et autre comme l'assurance à l'exportation et les garanties à l'exportation.

Des études d'une réforme du secteur financier pour le rendre plus compétitif ont été initiées avec le concours de la Banque Mondiale. La composantes des financements destinés à ce volet ayant été annulée, il n'a pas été possible de terminer ces études.

D'après la modification du Règlement Général du Contrôle des Changes de 1996, les banques commerciales et les bureaux de change agréés peuvent gérer librement leurs avoirs en devises tant sur le marché intérieur qu'extérieur. Elles peuvent acheter et vendre des devises à leurs clients et / ou entre elles, effectuer des opérations d'arbitrage et de placement des monnaies étrangères. Les cours acheteur et vendeur utilisés dans ces opérations sont fixés librement à condition qu'elles restent à l'intérieur de la marge déterminée par la Banque Centrale. Cette dernière communique les cours applicables à ses propres transactions avec les banques commerciales et ses autres clients. Toutes ces dispositions reflètent une modification importante concernant la gestion des devises.

Au mois de novembre 1999, la Banque Centrale a pris la décision d'autoriser un deuxième marché des devises et d'étendre à des résidents la possibilité de détenir des comptes dans les banques commerciales. Cependant, on note que cette libéralisation a des obstacles dans la mise en œuvre à cause du manque de devises. Cette indisponibilité résulte de l'arrêt de la coopération internationale, de l'embargo qui a duré plus de deux ans, du ralentissement de l'activité économique comme pour les banques, les bureaux de change sont autorisés à fixer librement leur taux de change à l'intérieur des marges déterminées par la Banque Centrale.

3.3. Facilitation des investissements

En matière de promotion et de protection des investissements, il existait déjà au Burundi avant la naissance de l'initiative d'intégration régionale toute une série d'instruments dont les principaux sont :

- Loi n° 1/005 du 14 janvier 1987 portant code des investissements du Burundi ;
- Décret – Loi n° 100/121 su 12 juin 1988 portant statut du Fonds National de Garantie ;
- Décret – Loi n° 1/25 du 30 septembre 1991 portant modification de certaines dispositions du Code des Investissements du Burundi ;
- Décret – Loi n° 1/21 du 12 août 1991 relatif à la privatisation des entreprises publiques ;
- Décret – Loi n° 1/30 du 31 août 1992 portant création d'un régime de zone franche au Burundi ;
- Ordonnance Ministérielle n° 750/415 du 28 septembre 1992 portant mesures d'exécution du Décret – Loi n° 1/30 du 31 août 1992 portant régime de zone franche au Burundi.

Le Gouvernement a continué d'améliorer les instruments existants et / ou a créé d'autres instruments. Ceux créés après l'adhésion du Burundi à l'initiative d'intégration régionale sont :

- Décret – Loi n° 1/4 du 28 juin 1995 portant ratification du protocole relatif à la libéralisation et à l'élimination des formalités de demande et d'octroi des visa. ;
- Décret – Loi n° 045 du 09 juillet 1993 portant dispositions générales du Code de Commerce ;
- Décret – Loi n° 1/007 du 30 avril 1998 portant modification de certaines dispositions du Code des Investissements du Burundi ;
- Décret n° 100/034 du 27 juillet 1998 portant composition de la Commission Nationale des Investissements et fixation du plafond d'investissement dont l'octroi des avantages du code des investissements du Burundi relève de la compétence de cette commission ;

- Ordonnance Ministérielle n° 120/818/98 du 12 octobre 1998 portant fixation du délai d'agrément des entreprises prioritaires et composition de la commission technique chargée de l'analyse préalable des dossiers soumis à la Commission Nationale des Investissements.

3.3.1. Procédure d'approbation des investissements

Depuis la mise en œuvre d'une politique de réglementation effectuée en 1990, les procédures administratives et réglementaires ont été fortement simplifiées au Burundi. Les formalités à remplir pour créer une entreprise sont les suivantes :

- Présentation du projet des statuts chez le notaire du Gouvernement (en quatre exemplaires) en vue d'une passation d'un acte notarié. Les délais de passation d'un acte notarié vont certainement être réduits avec la privatisation des services du Notariat en vigueur actuellement. Des notaires privés peuvent s'établir partout dans le pays.

- Publication des statuts et de l'acte notarié du Bulletin Officiel du Burundi (BOB) auprès du Département des Affaires Juridiques et du Contentieux du Ministère de la Justice.

- Dépôts des statuts et de l'acte notarié au greffe du Tribunal de Commerce en vue d'un registre de commerce.

Les frais de publications et de dépôt des statues et de l'acte notarié au greffe du Tribunal de Commerce devraient être revus à la baisse car aujourd'hui jugés très élevés par les créateurs d'entreprise. Les procédures actuelles d'approbation de l'investissement et les incitations offertes par le code devraient être accessibles à tous de façon automatique et non discrétionnaire.

Les procédures actuelles d'approbation sont trop complexes tandis que la multitude d'exonérations de droits et taxes et de régimes divers dans le code le rendent confus et susceptible de décourager l'investisseur étranger. Les investisseurs recherchent normalement un régime sans équivoque où les conditions sont claires et ne nécessitent pas de négociations avec les autorités.

3.3.2. Le Code des Investissements

Les Code des Investissements est un outil de promotion des investissements mis en place depuis l'indépendance pour stimuler les investissements tant nationaux qu'étrangers.

Le premier code promulgué par la loi du 06 août 1963 visait les entreprises de transformation, de conditionnement et de transport des produits agricoles, industrielles, minières, les entreprises d'hôtelleries et de tourisme, les entreprises de production et de transformation d'énergie ainsi que les entreprises commerciales et de transport dont l'objet et la forme d'activités sont de nature à valoriser de façon déterminante des productions locales et à améliorer sensiblement le niveau des prix.

Ce Code a été revu en 1967 et les nouveaux secteurs prioritaires d'intervention reconnus étaient : l'agriculture, le commerce, l'artisanat et l'industrie.

La modification du Code des Investissements intervenue en 1979 a supprimé les entreprises commerciales parmi les décentralisation dans l'optique d'un équilibre régional et a accordé des garanties supplémentaires aux capitaux étrangers notamment pour le transfert des dividendes, des salaires et des capitaux à la fin de l'activité. Elle a introduit une Commission Technique des Investissements qui analyse les dossiers et donne ses avis à la Commission Nationale des Investissements.

Le Code de 1987 reconnaît les secteurs prioritaires suivants : Agriculture, industrie, artisanat, tourisme, transport et exportation. En plus, pour l'octroi des avantages aux entreprises, il est introduit le caractère régional, la maturité lente de plus de quatre ans et l'exportation.

La modification de 1987 fait suite aux recommandations du programme d'ajustement structurel qui était entrée en vigueur en 1986. Elle a permis de raccourcir les délais d'aboutissement des dossiers notamment en supprimant la Commission Technique des Investissements dont la composition et les attributions étaient identiques à la Commission Nationale des Investissements. Les secteurs touristique, de transport et d'exportation ont été introduits parmi les activités prioritaires.

Elle a introduit la périodicité de la tenue des réunions de la Commission (tous les deux mois au moins). L'exonération sur les matériaux de construction et sur le matériel roulant a été supprimée. Des avantages spécifiques ont été introduits pour les entreprises exportatrices, les entreprises à maturité lente de plus en plus de quatre ans et les entreprises à caractère régional.

Des avantages additionnels ont été accordés aux entreprises décentralisées notamment les terrains gratuits, la bonification des crédits et l'imposition sur les bénéfices à 35 % après la période d'exonération.

La modification de 1990 avait trait à la composition des membres de la Commission pour tenir compte des attributions des Ministères, à la possibilité d'exonérer la taxe de transaction sur les équipements dont la perception se fait à la douane depuis la réforme de la taxe de transaction intervenue en 1989.

La modification de 1991 a introduit les services parmi les secteurs prioritaires, a supprimé l'obligation des entreprises naissantes ou en extension de déposer une étude de pré – investissements, a introduit des avantages automatiques pour l'Artisanat et les PME après la décision de la Commission sans délibération du Conseil des Ministres.

La modification de 1997 a relevé le niveau des investissements qui ne requiert pars l'accord préalable du Conseil des Ministres de 20 à 60 millions de FBU.

La modification de 1998 a revu ce plafond à 100 millions de FBU, a rehaussé le niveau de représentativité à la Commission Nationale des Investissements, a réintroduit la Commission Technique chargée de l'analyse préalable des dossiers et a fixé un délai d'agrément de 45 jours pour les projets dont le plafond ne dépasse pas 100 millions.

Depuis la mise en place du Code des Investissements, on remarque que l'approche de ce code reste orienté vers le contrôle plutôt que vers la promotion de l'investissement et il manque de transparence malgré les diverses améliorations y apportées. Certains aspects tels que l'automaticité et la transparence des procédures d'approbation devraient être introduits dans le code pour le rendre plus attrayant.

3.3.3. Harmonisation du régime

La promotion des investissements est réalisé à travers un ensemble d'instruments tels qu'indiqués ci – haut. Pour mieux les rentabiliser, il est indispensable qu'il y ait une harmonisation du régime des investissements. C'est ainsi que les dispositions relatives aux avantages fiscaux devraient être rationalisées et incorporées dans le code fiscal pour éviter toute contradiction entre dispositions et gaspillages de ces avantages.

Des mécanismes institutionnels de type guichet unique doivent être mis en place afin de faciliter les procédures d'approbation et d'agrément. Il faut toutefois reconnaître que d'importants progrès ont été réalisés au niveau de la réduction des procédures administratives.

3.3.4. Immigration et permis de travail

Les conditions de délivrance de visa d'établissement et de permis de travail pour les étrangers ont été entièrement assouplies.

Pour obtenir un visa d'établissement, il faut présenter :

- une lettre de demande adressée à l'Administrateur Général des Migrations ;
- une copie du curriculum vitae ;
- une note sur la nature des activités à entreprendre ou une copie des statuts de société agréées ;
- une attestation de non poursuite délivrée par le pays du demandeur ;
- verser une caution de $1.250 si le visa sollicité est individuel ou $ 3.000 si le visa est pour une famille.

Lorsqu'une demande d'un permis de travail est introduite, les pièces suivantes sont exigées :

- une lettre de demande adressée au directeur de l'Inspection du Travail ;
- une copie de la carte d'installation ;
- une attestation de services rendus ;
- une copie de curriculum vitae.

Les permis de séjour pour une brève durée sont délivrés aux personnes en provenance des pays membres de la ZEP.

3.3.5. L'adhésion à des agences de protection des investissements

i) Adhésion à la MIGA

En mars 1998, le Burundi a rempli toutes les conditions requises pour devenir membre à part entière de la MIGA. L'étape suivante sur laquelle le Burundi focalise toute son attention porte sur l'assistance technique en faveur des investisseurs et l'octroi des assurances contre les risques politiques aux investisseurs.

S'agissant de l'assistance technique, le Burundi compte bénéficier de la MIGA des services conseils et assistance en ce qui concerne les politiques et programmes susceptibles d'attirer de nouveaux investissements et de renforcer les institutions intervenant dans la promotion.

Quant à l'octroi des assurances contre les risques politiques, il est souhaitable que la MIGA présente, à la communauté des hommes d'affaires du Burundi, ses activités et l'assistance qu'elle est capable de pourvoir.

ii) Double imposition

Le Burundi ne pratique pas de double imposition à l'égard de ses ressortissants basés à l'étranger. Par ailleurs, il n'existe pas de convention de double imposition entre les pays membres de la ZEP et le Burundi.

iii) Le projet Régional de Facilitation du Commerce Extérieur

Ce projet régional propose de couvrir les risques politiques sur les transactions commerciales à court et moyen terme par des polices d'assurance appropriées. Le Burundi participe à la préparation de ce projet et soutient fortement sa mise en œuvre pour la relance du secteur privé et l'abaissement du coût des facteurs de production. Le Burundi a déjà signé l'Accord portant création de l'Agence pour l'assurance du commerce en Afrique.

3.4. P osition actuelle du CBI

* Lettre de politique de l'Initiative d'Intégration Régionale

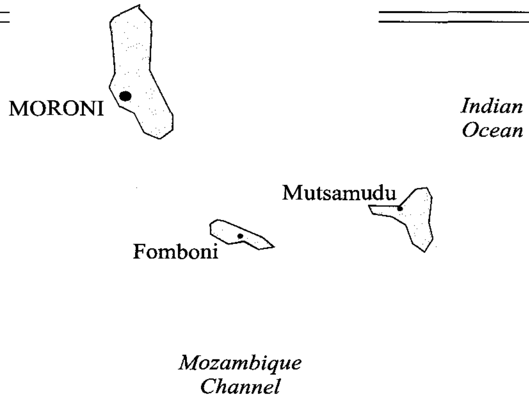
Le Gouvernement du Burundi a transmis depuis juillet 1996 aux co-sponsors de l'initiative une lettre de politique qui n'a jamais eu de suite. Aujourd'hui il s'agit de l'actualiser et de la transmettre à nouveau aux co-sponsors.

4. AUTRES COMMENTAIRES

Le groupe de travail technique est à relancer pour qu'il s'acquitte effectivement de sa mission. Pour ce faire, il est important que les co-sponsors s'expriment sur la lettre de politique leur transmise et mettent à la disposition du GTT les ressources nécessaires.

En tant qu'initiative d'intégration, les résultats du programme d'actions atteints sur une période de 7 ans sont insuffisants. Il faudrait que l'initiative soit poursuivie afin de préserver les acquis et achever le programme d'actions. La poursuite de l'initiative permettra au GTT du Burundi de mener la sensibilisation auprès du secteur privé sur le processus d'intégration par des ateliers et des séminaires. Les conséquences de l'intégration doivent être bien connues des opérateurs économiques qui doivent entrer en compétition avec leurs collègues de la région. Les unités de production doivent également être préparés à affronter la concurrence des produits importés qui vont inonder le marché dans le cadre d'une zone de libre échange.

Comoros


MORONI
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1. REVUE DE L'ITF DANS NOTRE PAYS :

La volonté des Comores à intégrer le pays dans l'ensemble économique régional est née depuis le début des années 80, lorsque notre pays a participé aux réunions constitutives avec treize autres pays de la sous région qui ont abouti en 1982 à la signature du traité instituant la Zone d'Echanges préférentiels des pays de l'Afrique de l'Est et de l'Australie (ZEP) devenu actuellement le Marché Commun de l'Afrique de l'Est et Australe (COMESA).

Les Comores ont signé le traité en novembre 1994. C'est également dans ce cadre que les autorités comoriennes ont souscrit pleinement à l'Initiative Transfrontalière ou CBI en Afrique de l'Est, de l'Australe et de l'Océan Indien.

Les Comores ont participé aux efforts préparatoires de cette initiative.

L'arrêté ministériel N° 94 – 64 en date du 12 juin 1994 a fixé la composition du Groupe Technique de Travail (GTT) chargé au niveau du pays de tous les problèmes d'intégration régionale. Ce groupe a élaboré la Lettre de Politique Nationale d'Intégration Régionale comportant tout engagement que le pays avait sur toutes les Initiatives d'Intégrations Régionales.

Cet arrêté a été revu à plusieurs reprises à chaque fois qu'on restructure le GTT qui est formé par des représentants du Ministère des Finances, de l'Economie et du Plan, des Affaires Etrangères et le secteur privé représenté par l'Organisation Patronale des Commerçants (OPACO), l'Union des Chambres de Commerce, de l'Industrie et de l'Artisanat (UCCIA), le Syndicat National des Commerçants (SYNACO), l'Association por la Promotion du Secteur Privé (APSP) et le Bureau des Entreprises (PRIDE).

Il convient de souligner que depuis le début de l'Initiative, notre pays a espéré profiter du Marché Régional pour accroître ses exportations.

Les autorités comoriennes ont précisé que cette situation est à tenir compte dans l'appréciation des efforts consentis, dans la détermination des abattements du tarif douanier et dans le financement du manque à gagner sur les recettes fiscales.

C'est pourquoi notre pays n'a cessé de demander une assistance technique pour aider la réforme de la fiscalité intérieure pour pallier les manques à gagner résultant de l'application de l'abaissement tarifaire.

Notre pays a également sollicité une assistance technique pour évaluer le manque à gagner effectif sur la mise en place du Tarif Extérieur Harmonisé, chose qui n'a pas été fait jusqu'à maintenant. C'est d'ailleurs parmi les raisons que les autorités avancent pour montrer pourquoi les échéances prévues pour l'abaissement tarifaire n'ont pas été respectées.

Il faut noter que les divers engagements pris par les autorités comoriennes dans le cadre de l'ITF sont poursuivis.

La Lettre de Politique Nationale d'Intégration Régionale élaborée en 1996 reste toujours en vigueur et elle est complétée par l'addendum qui met en évidence un ensemble de mesures visant à promouvoir l'investissement.

• **L'intérêt que porte le CBI pour le secteur privé et pour le secteur public :**

Grâce aux mesures imposées par le CBI, le secteur privé comorien a pu améliorer certaines conditions qui n'étaient pas favorables au développement des échanges, à savoir l'utilisation des autorisations d'importations, la consolidation des tarifs douaniers, grâce au CBI le secteur privé a pu bénéficier de l'abaissement tarifaire de 80% qui est déjà accordé et qui attend l'autorisation du secrétariat de la COI pour être appliqué.

Le secteur privé a également bénéficié des différentes reformes du secteur financier, à savoir la libéralisation des opérations en capital, la mise en place d'un système de surveillance pour les Banques qui est généralisée même aux Mutuelles d'Epargne Communautaires et aux SANDUK.

Au cour des réunions du GTT, le secteur privé comorien a pu négocier avec le Service de l'Immigration pour alléger la procédure d'obtention de visas de long séjour pour l'investisseur éventuel.

Le service de l'immigration a également accordé d'ouvrir un guichet spécial pour le passage des partenaires de la région (COI, COMESA et ITF).

Grâce au GTT, les décrets d'application du code des investissements ont pu être signés.

Le secteur privé a pu bénéficier du soutien du GTT à travers ses doléances sur le développement des échanges.

Toutes mesures prises par le gouvernement, si elles sont défavorables au développement des échanges, le secteur arrive à les négocier lors des réunions du GTT grâce à la présence du secteur public.

La stratégie pour le développement du pays est la même que les mesures prévues dans le cadre du CBI. La participation de la Direction de l'Economie au sein du GTT a permis au Ministère de l'Economie d'intégrer les mesures du CBI dans la stratégie de développement économique de notre pays.

Notre pays est admis comme membre observateur au sein de l'OMC, grâce aux travaux de GTT qui se sont basés sur le programme des reformes prévues dans le cadre du CBI.

Le CBI aux Comores a permis l'interférence du secteur privé et le secteur public, rôle qui devrait être joué par l'Union des Chambres de Commerce, mais comme le GTT se réunit régulièrement, cela a permis de rapprocher les deux secteurs pour réfléchir sur tous les problèmes de l'intégration régionale.

Grâce également au CBI, le secteur public dispose d'un organe qui est le GTT qui réfléchit sur les grands axes du développement économique du pays.

• **Les éléments bénéfiques du CBI :**

L'intégration régionale est une composante du programme global de rénovation économique (ou Programme d'Ajustement Structurel). Comme la plupart des mesures prévues dans le cadre du CBI sont réalisées, c'est un pas pour parvenir à l'objectif du PAS.

Les propositions des réformes préconisées dans le cadre du CBI, à savoir la stabilité politique, la stabilité macro-économique, la bonne gouvérnance, les réformes fiscales, les reformes tarifaires et toutes les propositions sur la Promotion de l'Investissement, telles que la création du guichet unique, la déréglementation de l'investissement, l'abaissement tarifaire sont tous des éléments bénéfiques pour le CBI dans notre pays.

Le CBI est un cadre auquel les autorités devraient se référer, qui montre les efforts que notre pays devait fournir pour attirer les investissements.

Son efficacité dépend de l'efficacité d'autres paramètres d'ordre politique, économique et social, et la stabilité politique de notre pays, etc.

• **<u>Coopération avec les organisations régionales :</u>**

Les Comores participent aux organisations régionales suivantes : le COMESA et la COI.

Les responsables des dossiers de COMESA et COI sont intégrés dans le GTT. Tout ceci pour permettre d'harmoniser les actions puisqu'elles rentrent dans le cadre de l'intégration régionale.

Nous pouvons dire que cette coopération est assez bonne, mais elle n'est pas très régulière pour cause de difficultés financières, ne permettant pas la participation régulière à toutes les rencontres, et les cotisations ne sont pas régulièrement à jour.

Nous avons posé ce problème lors d'une réunion du GTT, mais il n'a pas eu de résultats appréciables.

• **<u>Les conclusions et les commentaires du CBI et du GTT :</u>**

En dépit des difficultés rencontrées pour l'application des mesures CBI, certaines sont déjà appliquées au niveau national, en raison de l'appréciation de nos autorités pour celles-ci.

Quant au GTT, il joue le rôle primordial dans le dossier de l'Intégration Régionale.

Il a permis au Gouvernement d'être attentif aux propositions du secteur privé à travers ses représentants au sein de cette structure. Nous pouvons citer à titre d'exemple, la participation du secteur privé à la préparation du nouveau code des investissements et à l'élaboration des décrets d'application de ce code. Le secteur privé a également participé à l'élaboration du tarif des douanes d'août 1996. Il a été concerté lors de l'élaboration du nouveau tarif des douanes et la Direction des Douanes lui a promis de lui intégrer pour faire une étude sur l'harmonisation du tarif extérieur.

<u>2. ACTIVITES DU GTT :</u>

<u>2.1. Revue des réunions du GTT depuis sa création</u>

.Nous savons que le GTT a commencé avec le CBI dont le Ministère de Tutelles est le Ministère des Finances.

Après, les Comores ont participé aux Organisations Régionales telles que la Commission de l'Océan Indien (COI) dont le point d'attache est le Ministère des Affaires Etrangères et au Marché Commun de l'Afrique de l'Est et Australe (COMESA).

Durant cette période, c'est le Ministère des Finances qui réunissait le GTT ou le Ministère des Affaires Etrangères.

Depuis que le PAS a freiné, il y a eu des flottements sur certaines choses, durant cette période. Les services étaient paralysés.

Le dossier du CBI était alors gelé à cause de l'échec du PAS.

Il était difficile aux autorités de prendre ces mesures, faute de contre partie. Les seules mesures qui étaient appliquées sont celles qui rentrent dans le cadre du développement économique du pays en général.

Tout ce qui devait avoir une incidence budgétaire était gelé.

C'est pourquoi durant cette période qui a précédé la nomination du Secrétaire Permanent, il n'y avait pas beaucoup d'activités.

Les réunions, durant cette période, n'étaient pas régulières et n'ont laissé aucune trace des points essentiels auxquels on discutait durant cette période.

Egalement, durant la période allant de 1992 jusqu'à 1998, le GTT ne disposait pas de Secrétariat, donc les activités n'allaient pas comme on l'aurait souhaité.

Ce n'est qu'à partir de 1998 que les choses sont rentrées dans l'ordre.

Cette situation est à tenir compte pour évaluer l'impact de l'Initiative dans notre pays.

Vous avez déjà constaté à travers les procès verbaux et les comptes rendus que les réunions étaient régulières. Ces réunions étaient également complétées par des entretiens avec les départements concernés par l'initiative et qui ne sont pas représentés au sein du GTT, telles la Direction du Tourisme, des Transports Aériens et Maritimes, la Direction du Plan et la Direction de l'Environnement. Vous avez également remarqué que la majorité des membres du GTT assistaient à ces réunions et ils réfléchissaient sur tous les points qui aideraient à lever les obstacles au développement des échanges et à l'Intégration Régionale.

Cependant, dans certaines réunions dont on désignait une commission pour réfléchir à un sujet particulier, les membres étaient restreints.

Il convient de souligner que les hommes d'affaires sont très motivés par l'Intégration Régionale pour lever les obstacles aux développements des échanges dans notre pays.

Les lourdeurs sont dues au mauvais fonctionnement de l'appareil administratif. Le secteur privé est très motivé par le partenariat sur le commerce et au niveau de l'investissement. Cela est dû également au fait que le Comorien aime voyager, partout dans les pays voisins, il y a toujours des Comoriens (au Mozambique, en Afrique du Sud, au Kenya, à Madagascar, à l'Ile Maurice, à la Réunion, etc.).

La Direction des Douanes et le secteur privé sont très attentifs aux mesures préconisées dans le CBI. Cependant, toute réforme qui a une incidence budgétaire prend beaucoup de temps pour être accordée par le Gouvernement.

Par contre, les autres départements représentés au sein du GTT sont plus ou moins motivés.

• **Sommaire des discussions depuis 1992 :**

Juillet 1992 : - Le compte rendu du premier Atelier tenu à Maurice en juin 1992 des Groupes Techniques de Travail qui a réuni 16 pays membres du CBI ; -La possibilité de mise en œuvre des résultats de cet Atelier.

Janvier 1994 : - Une réunion a eu lieu suite au deuxième Atelier tenu à Harare en décembre 1992, dont on examinait le document comportant l'ensemble du Programme d'Action Commun (PAC) des pays participants.

Juin 1995 : - Détermination de l'orientation de la reforme tarifaire, c'est à dire la position du pays suite à la réunion ministérielle qui a eu lieu en mars 1995 à l'Île Maurice.

Le 27 août 1998 : - Nous avons examiné les points suivants :

- La revue des objectifs, à savoir les propositions visant à réduire les contraintes réglementaires et politiques et économiques transfrontalières ;
- L'état d'avancement des différents travaux ;
- La restructuration du GIT, suite à la mise en place du Secrétariat du GTT ;
- La mise en place d'un calendrier de travail.

Le 09 septembre 1998 : - Discussion des points qui n'ont pas été couverts à la précédente Réunion ;

Le 06 et 08 octobre 1998 : - proposition d'aménagements du code des investissements de 1995 ;

Le 21 octobre 1998 :

- la libération des investissements ;
- le remplacement de la licence par un autre document statistique

Le 26 décembre 1998 :

- rencontre avec le Ministre des Finances dont l'objectif est de nous aider à lever les contraintes qui sont liés à l'application des mesures CBI.

Le 27 décembre 1998 :

- compte rendu de la réunion des GTT qui a eu lieu le 16 et 17 novembre 1998.
- Exposition des différentes conclusions tirées de cette réunion.

Le 11 février 1999 :

- examen de la maquette de la fiche statistique ;
- l'état d'avancement des réformes tarifaires.

Le 23 février 1999 :

- les prévisions budgétaires pour les réformes tarifaires ;
- révision des conclusions de la réunion des GTT qui a eu lieu à l'Île Maurice, le 16 et 17 novembre 1998.

Le 20 mars 1999 :

- le projet de loi sur l'abaissement tarifaire ;
- la question relative à la libre circulation des biens et des marchandises.

Le 07 avril 1999 :

- le projet de loi sur l'abaissement tarifaire ;

Le 23 avril 1999 :

- les réformes fiscales préconisées dans la loi des Finances de 1999.

Le 13 mai 1999 :

- Rencontre du GTT avec le Ministre des Finances dont nous avons discuté de l'état d'avancement de l'Initiative Transfrontalière.

Le 20 mai 1999 :

- Préparation d'une réunion avec le Ministre des Finances et du Plan le 20 mai, relative à la planification économique.

Le 08 juillet 1999 :

- Projet de la mise en place du couloir COI, COMESA, ITF.

Le 02 août 1999 :

- Le projet de la mise en place du couloir COI, COMESA, ITF, au sein de l'aéroport international ;

- Multiplication et distribution de la première version du Schéma Directeur pour la Promotion de l'Investissement.

Le 25 septembre 1999 :
- Etude du Schéma Directeur pour la Promotion de l'Investissement ;
- Préparation d'une journée de sensibilisation sur l'ITF, et l'application de l'abaissement tarifaire ;
- La formation sur l'application des règles d'origine.

Le 12 octobre 1999 :
- Préparation de la position du pays par rapport au Schéma Directeur pour la Promotion de l'Investissement en vue de la 4ème réunion Ministérielle du CBI.

Le 16 novembre 1999 :
- Le compte rendu de la réunion Ministérielle qui a eu à Maurice, le 18 et le 19 octobre 1999.

Le 09 décembre 1999 :
- Etat d'avancement de l'Addendum à la Lettre de Politique Nationale de l'ITF ;
- Examen d'une requête demandée par le Bureau de la Commission Européenne à Moroni, relative à la préparation du Cycle du Millénaire des négociations commerciales.

Le 11 janvier 2000 :
- Préparation de l'Addendum à la Politique Nationale de l'ITF.

Le 13 janvier 2000 :
- Commentaire du Projet d'Addendum à la Lettre de Politique Nationale de l'ITF.

Le 05 février 2000 :
- Proposition des modifications à faire sur l'Addendum.

Le 08 février 2000 :
- L'état d'avancement de l'Addendum ;
- L'adoption de ce dernier au Conseil des Ministres.

Le 16 mars 2000 :
- Préparation d'un Atelier de Travail sur le Programme National de Promotion de l'Investissement.

Le 10 avril 2000 :
- Rencontre avec le Ministre de l'Economie, pour l'adoption de l'Addendum en Conseil des Ministres.

Le 18 avril 2000 :
- Proposition de la date de l'Atelier ;
- Détermination des thèmes à exposer ;
- Propositions des intervenants.

• **Les problèmes rencontrés :**

Le GTT est institutionnalisé depuis sa création. Selon l'arrêté instituant le GTT, le président du GTT doit être un haut fonctionnaire du Ministère des Finances. Il est alors le Secrétaire Général du Ministre des Finances du Budget et du Plan.

Ce dernier est trop chargé qu'il n'arrive pas à consacrer beaucoup de temps sur ce dossier, ce qui constitue un recul sur la réalisation des engagements.

Il y a aussi les freins liés à la lourdeur de l'appareil administratif.

Les changements fréquents du Gouvernement constitue aussi un obstacle majeur à la réussite de l'ITF.

Malgré les efforts fournis par le GTT, il y a quand même ces difficultés. Il y a un autre problème qui concerne la collecte des informations : le retard chronique qu'on accuse pour les obtenir.

• **Autres points ou commentaires :**

En dehors des réunions du GTT, mais il y avait aussi les rencontres que nous avons entretenus avec d'autres services qui ne sont pas représentés au sein du GTT.

Un premier entretien, je l'ai fait avec le Directeur du Tourisme, un autre avec le Directeur des Etudes pour voir la situation du système financier dans notre pays. Un autre entretien a eu lieu avec le Directeur du Transport Aérien, il nous a montré la situation des Transports Aériens dans notre pays.

2.2. Revue des activités de sensibilisation depuis le début :

• **Détail de séminaires et activités promotionnelles depuis 1992 :**

Durant la période allant de 1992 à 1998, il y a eu un séminaire organisé dans le cadre de l'Intégration Régionale et dans le cadre du COMESA. Pour la période allant de 1998, il y a eu tout d'abord une réunion de sensibilisation sur l'ITF, adressée à des universitaires à l'Ecole Nationale d'administration et Commerce. Après, il y a eu une Formation et Promotion sur l'Application de l'Abaissement Tarifaire qui a été financée par le Secrétariat du GTT.

Nous avons prévu faire un séminaire le 09 décembre 1999, mais il n'a pas eu lieu, à cause de la Conférence des Etats Membres de la COI. Nous l'avons reporté, mais il n'a toujours pas eu lieu, car il fallait avoir l'autorisation du Ministre des Finances.

Egalement, pour préparer le Programme National de Promotion de l'Investissement (le Road Map de notre pays), nous avons envisagé faire un atelier, nous avons même évalué les dépenses, fixé la date, mais il ne s'est pas tenu jusqu'alors, car il fallait encore avoir l'autorisation du Ministre des Finances selon l'opinion du GTT, car il devrait y assister pour l'ouverture et comme c'est une période où il est très pris par la Préparation du Budget 2000, cet atelier n'a pas pu avoir lieu.

Cependant, nous avons véhiculé le message à travers nos réunions, car nous avons sensibilisé tous les départements ministériels et le secteur privé sur l'Initiative. Nous avons écrit des lettres à tous ces départements pour qu'ils nous transmettent leurs propositions sur le Programme National de Promotions de l'Investissement et certains ont répondu favorablement.

2.3 : Revue des études réalisées depuis le début :

Depuis la période de 1998 jusqu'à maintenant, il y a eu une seule étude faite par la Direction des Douanes, sur l'impact de l'Application du Tarif Extérieur Harmonisé.

Les résultats de cette étude sont provisoires, car nous devrions bénéficier de l'assistance technique pour nous aider à mieux évaluer cet impact, mais ç nous fait toujours attendre.

3. RÉALISATIONS DES RÉFORMES RELATIVES AUX PAYS DE L'ITF :

Durant la période, de 1992 jusqu'à 1998, le dossier de l'Intégration Régionale n'a pas beaucoup évolué depuis l'arrêté du PAS. Ce n'est qu'à partir de 1998 qu'il a pris une évolution importante.

3.1. Libéralisation du Commerce Extérieur :

• Libéralisation des importations et des exportations :

En matière de Libéralisation du Commerce, tous les droits et taxes à l'exportation ont été supprimés à l'exception de ceux appliqués à la vanille.

Les importations sont libéralisées depuis forts longtemps, la licence est remplacée par fiche statistique. Et ceci grâce aux efforts du GTT.

Toutes les restrictions quantitatives, sauf pour les produits qui feront l'objet d'une liste négative sont éliminées, dans le domaine des importations comme pour les exportations.

C'est cette situation qui existe depuis 1992 jusqu'à maintenant.

• **Les barrières non tarifaires :**

Le monopole qui existait sur les produits pétroliers est entrain d'être cassé, situation qui n'était pas auparavent. Le Gouvernement s'est engagé au cours des premières négociations du Programme d'Ajustement Structurel conclu en 1991 avec les institutions de Brettons Wood de :

- Céder l'exploitation des services d'importation et de stockages des produits pétroliers assurés par SCH à un Concessionnaire Privé.

- Vendre les équipements de transport à des Opérateurs Privés. Le Ministre des Finances, du Budget et du Plan était d'accord pour la date du 20 juillet 1998 pour la tenue de la Conférence des Soumissions. Mais à ce jour les travaux n'ont toujours pas commencé faute de financement.

La date qui était prévue pour la finalisation est le 22 février 1999, mais échéance n'a pas été respectée.

Il y a eu une amélioration pour l'importation du riz ; actuellement, il n'y a que l'importation du riz populaire qui est sous monopole de l'Etat. Par contre, le riz de luxe est librement importé.

• **Tarifs intra-régionaux :**

La consolidation de la structure tarifaire à l'importation en un prélèvement unique comportant 3 taux a été fait depuis 1996.

La Préférence Tarifaire de 70% du taux normal pour les pays du COMESA prévue en 1996 n'a pas été faite, ainsi que celui de 80% prévue en octobre 1996 et l'élimination des barrières tarifaires entre les pays du COMESA prévue pour décembre 1998 est reportée à l'an 2000. La loi des Finances rectificatives de 1999 a adopté la Préférence Tarifaire de 80% pour les marchandises originaires des pays de la Commission de l'Océan Indien (COI), des pays membres du Marché Commun de l'Afrique de l'Est et Australe (COMESA) et des pays participants à l'ITF. Cependant, l'application commencera dans le cadre de la COI pour la généraliser, ensuite dans le reste de la région. Cette application, par l'Arrêté n° 001 du 13/ 01/ 2000, a été déjà notifiée au Secrétariat de la COI, les autorités attendent la réaction du Secrétariat de la COI.

• T.E.H. et Tarifs Externes :

L'étude globale de la réforme tarifaire ainsi que l'impact de la mise en application du Tarif Extérieur Harmonisé, n'a jamais été fait. Une étude provisoire a été faite par la Direction des Douanes, mais les autorités attendent toujours l'assistance technique prévue, pour faire une étude finale.

Donc les autorités n'arrivent pas à s'engager avant que l'impact de l'application du TEH ne soit pas connu.

Egalement, tant que la fiscalité intérieure n'est pas réformée, le problème TEH ne pourra pas évoluer.

• Facilitations du Commerce :

• Le service bancaire :

Ce service est libéralisé depuis longtemps, et, est régi par la loi bancaire n° 80 – 7 du 26/ 06/ 80, portant réglementation des Banques et Etablissements Financiers. Il y a aussi la loi cadre fédérale du 03 mai 1980 relative à la monnaie et à la Banque Centrale des Comores.

Ces deux lois réglementent les Banques (Banque Centrale et autres Banques) en tant qu'institutions publiques ou privées. Ce qui est nécessaire mais insuffisant.

En effet, le droit bancaire doit comporter une indispensable réglementation des rapports Banques - Clients.

Les lois des Etats modernes aménagent, en général :

- les conventions de crédit (nécessité d'une information des clients, formalités légales, taux d'intérêts, modalités de certains crédits documentaires, etc.)
- les grandes lignes des conventions de compte (ouverture du compte, caractère intuitus personae, compte joint, etc.)

Il est donc nécessaire que le droit bancaire comorien soit complété par une ou plusieurs lois aménageant les rapports Banques–Clients. Cela est souhaitable pour la sécurité des affaires et pour éviter que la puissance économique des Banques ne conduise à des abus par l'introduction dans les conventions privées des clauses léonines. Le contrat Banque – Client est un contrat d'adhésion. Les pouvoirs publics doivent, par conséquent, prévoir une réglementation minimale de protection des clients. La commission de réforme des textes législatifs et réglementaires a mis en œuvre dans le cadre du Projet d'Appui aux Petites Entreprises des Réformes du droit bancaire dans le but de permettre l'ouverture de ce secteur.

- **Le service des assurances :**

Le secteur des assurances est entièrement libéralisé. Seulement, il n'existe jusqu'alors un service d'assurance à l'importation comme à l'exportation. Il est importé dans notre pays. On ignore la raison.

Actuellement, le droit comorien est régi par des lois modernes en matière d'assurances. (Loi du 13 juillet 1930 sur les assurances, appliquées en France, et D. 19 mars 1937 ; ord. 28 mars 1944 relative au fonctionnement et au contrôle des Entreprises d'Assurance : D. 1084 du 27 novembre 1968 sur la constitution des Sociétés d'Assurance). Il n'y a donc pas lieu de modifier le droit en vigueur, sous réserve d'une adaptation ou d'une actualisation portant sur des points de détail peut être que cela peut inciter des investisseurs dans ce domaine.

- **Les transports maritimes :**

Il est important de signaler que ce domaine est privatisé depuis 1994.

Les activités de représentation et de consignation sont libéralisées et régies par la loi n° 95-008/ AF du 19 juin 1995, portant concession ou privatisation des sociétés à capitaux publics.

Dans l'article 1er de cette loi est autorisée, le transfert de la gestion du profit des personnes physiques ou morales de droit privé, de tout ou partie des participations financières détenues par l'Etat, dans les sociétés à capitaux publics suivants :

- Société Comorienne des Ports Maritimes (SOCOPOTRAM)
- Eau et Electricité des Comores (EEDC).

Un décret signé en 1996 a libéralisé les activités de Consignation et de Représentation. D'ici décembre 1998, la Concession de la manutention doit être faite. Les cahiers de charges pour la gestion portuaire, pour les infrastructures et pour l'assurance de l'ordre de la capitainerie sont prêts, la commission chargée de la privatisation attend l'autorisation du Conseil des Ministres pour lancer un appel d'offre.

• Les transports aériens :

Le monopole de la billetterie sur les transports aériens est supprimé. Toutes les Agences de Voyage sont autorisées à émettre des billets à condition qu'elles soient habillées. Pour ce qui est de la mise en place de la nouvelle Compagnie Nationale de Transport Aérien aux Moyens de Capitaux Privés et Publics, la Direction du Transport Aérien travaille en collaboration avec la Banque Mondiale. Ces derniers imposent leurs conditions qui doivent être en Harmonie avec les demandes étrangères, ce qui n'est pas toujours le cas d'où recul du processus. Un premier objet de la Commission de Privatisation est la vente des droits aériens bilatéraux des Comores, l'établissement (possible) et la désignation d'un transporteur aérien national.

La Compagnie Aérienne sera soumise aux conditions établies par la convention sur l'Aviation Civile Internationale (la Convention de Chicago) de 1944. La désignation d'un nouveau transporteur Aérien National pour les Comores peut requérir la création d'une Compagnie Aérienne totalement nouvelle.

En vertu de l'actuel code des investissements aux Comores, l'incorporation est une procédure assez simple qui n'empêche pas l'investissement étranger ou ne porte pas de restrictions sur le contrôle étranger de la gestion.

Une telle flexibilité va faciliter la création d'une nouvelle Compagnie Aérienne et va permettre une participation étrangère significative et libre.

C'est pour dire que la création d'une Compagnie Nationale est en cours de réalisation.

L'assistance au sol est actuellement occupée par une régie en attendant sa privatisation, donc sa gestion est autonome.

• Le tourisme :

La République Fédérale Islamique des Comores amorce son développement touristique.

En terme de fréquentation et de retombées économiques, elle est encore très en retard par rapport à des pays insulaires voisins (Maurice, Seychelles, Réunion), mais ce retard peut se transformer en avantage si les Comores développent un tourisme compatible avec la protection et la valorisation naturelle et culturelle et du patrimoine historique.

La forme de tourisme choisie aux Comores doit :

- s'intégrer dans le milieu social et culturel comorien
- favoriser l'épanouissement de la culture comorienne

- être également accessible aux entrepreneurs et encourager les initiatives locales
- valoriser la production et les services comoriens
- répondre à une demande touristique exprimée
- trouver un positionnement original pour se démarquer de l'offre régionale.

Ceci pour répondre à une clientèle qui recherche le naturel (voir l'originel), la spontanéité et la découverte.

Le tourisme est un secteur d'activité transversal, il a un impact sur toutes les activités économiques :

- Impact direct au niveau des hébergements professionnels et la restauration, mais aussi sur les locations de voitures, les agences respectives, les guides, les aéroports, les Compagnies Aériennes, etc.
- Impact indirect dans les commerces, les entreprises du bâtiment et les travaux publics, l'énergie, les télécommunications, l'agriculture, la pêche, l'artisanat, les marchés, etc.

3.2. Les payements :

Les réformes du secteur financier :

Les mesures pour faciliter l'introduction de la concurrence dans le système bancaire et financier, sont régies par la loi bancaire de 1980.

Les Comores ont souscrit aux dispositions de l'article VIII des statuts du FMI (1996 – 1998).

Les restrictions sur les transactions courantes de la Balance des Payements sont éliminées.

La mise en place des marchés de changes SPOT dans le respect des engagements pris au sein de la zone franc est conditionnée par le respect des engagements pris au sein de la «zone franche ».

Les règles prudentielles et les moyens de surveillance des Banques sont déjà mis en place. Un

Travail d'inspection est fait en octobre 1997 sur les deux Banques existant aux Comores.

La Banque Centrale des Comores a mis en évidence le suivi permanent des activités des Banques.

Pour les Instruments Monétaires Indirects, nous n'appliquons pas de plafond de crédit.

Nous avons un système de réserve obligatoire (30% des dépôts) depuis 1999.

Et également, nous avons un guichet permanent de réescompte.

Pour les liquidités obligatoires rien n'a été entrepris et aucune date n'a été retenue pour la mise en œuvre.

Quand la détermination du taux d'intérêt, il est fixé par l'arrêté du Ministre des Finances, car nous ne sommes pas encore dans un cadre de marché concurrentiel, nous n'avons qu'une seule Banque Commerciale.

La libéralisation des opérations en capital est déjà faite.

En tout cas, toutes les réformes préconisées par le programme CBI ont été réalisées en totalité.

Les instruments de financement du commerce extérieur :

- la lettre de crédit ;
- le crédit documentaire ;
- les avances en compte ;
- l'escompte documentaire (la traite), etc.

Le contrôle de change :

Le franc comorien est librement convertible, et il n'y a pas de restriction sur les transactions en devises au titre du compte courant ou du compte en capital.

Nous n'avons jamais connu un contrôle de change.

Cependant, il n'y a qu'une réglementation de change qui est assoupli par la Banque Centrale des Comores (BCC).

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 règlements des transactions courantes sont libres et les Comores ont souscrit à l'article VIII des statuts du FMI sur la libéralisation des opérations de change.

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

Le taux de change :

Le secteur privé est libéralisé. Le KMF est lié au FF avec une parité fixe de 1 FF = 75 KMF, avec l'avènement de l'EURO, 1 EUR = 491.96775 KMF.

3.3. Les investissements :

Les procédures d'approbation :

Aux Comores, les procédures simplifiées ont été déjà instaurées en vue de faciliter l'implantation des entreprises, pour le développement du secteur privé.

Le délai d'approbation des demandes d'investissements est de 45 jours au maximum.

L'Association pour la Promotion du Secteur Privé (APSP) a mis en place un guichet unique pour s'occuper de toutes les documentations requises de la part d'un investisseur avant l'implantation de son entreprise.

Cette démarche porte les fruits sur l'allégement du point de vue de l'entrepreneur.

Le code des investissements :

Le code des investissements de 1984 a été révisé dans le but d'éliminer les différents régimes pour compenser les effets d'un système de taxation lourde. Cela a permis de mettre en place des règles simples régissant les investissements et qui s'appliquent à tous les investisseurs sans discrimination.

La loi n° 95 – 015/ AF du 30 juin 1995 portant code des investissements a instauré la libéralisation des investissements, la sécurité des investissements.

En ce qui concerne la libéralisation des investissements, la loi de 1995 a fait qu'aucune entrave ne puisse être opposée par l'administration à la libre initiative privée sous réserve de respecter l'ordre public. Et pour éviter une discrimination, la loi assimile les entrepreneurs étrangers aux entrepreneurs nationaux. Elle assure la sécurité juridique des investisseurs en prévoyant des mesures spécifiques. Enfin, elle prévoit des incitations économiques aux investisseurs.

Des mesures facilitent les Echanges Commerciaux, les investissements et les payements transfrontaliers entre les Comores et l'étranger ce qui est parmi les objectifs principaux de l'IIR. La loi facilite la liberté de circulation des personnes physiques et morales.

La loi donne une définition très large des investissements conformément aux définitions données dans les différents traités bilatéraux ou multilatéraux. Cette imprécision résulte du caractère évolutif des techniques d'investissements.

Les décrets d'application du code des investissements sont signés par le décret n° 99 – 008/ PM pris en application de l'article 28 de la loi. Les décrets d'application du code des investissements prévoient une intervention minimale des autorités administratives et excluent tout agrément préalable de l'administration. Un examen préalable et général de la situation des entreprises bénéficiaires est prévu. La Direction des Affaires Economiques centralise les dossiers déposés par les investisseurs et se charge de collecter «toutes les déclarations et tous les documents nécessaires à l'application du nouveau code des investissements ». Ainsi cette Direction, après avoir examiné les déclarations et les pièces justificatives fournies, devrait informer l'investisseur dans un délai maximum de 45 jours, des droits et avantages que bénéficie l'investisseur. Le contrôle de l'administration se limite à un strict contrôle de légalité et non d'opportunité et d'en informer les services concernés.

Le code des investissements n'est qu'un cadre juridique qui fixe les conditions d'installation des investisseurs. Son efficacité dépend de l'efficacité d'autres paramètres d'ordre politique, économique et social, la stabilité politique du pays d'accueil, la sécurité juridique avec une bonne administration de la Justice, etc.

En résumé, l'investisseur est libre et cette liberté est réglementée. Les investisseurs étrangers sont libres d'investir aux Comores sans recourir à une autorisation. Cependant, cette liberté a des limites, car il faut que l'on respecte la sécurité nationale, l'argent «sale» par exemple doit être refusé à l'investissement ce qui nécessite la recherche de l'origine de fonds. Les avantages sont accordés aux étrangers au même titre que les nationaux, mais il faut un certain contrôle administratif pour le rapatriement des fonds, tout peut être transféré.

Mouvement des personnes, Permis de Séjour :

Nous l'avons précisé depuis qu'en ce qui concerne la circulation des personnes, il n'existe aucun obstacle, hormis le cas des ressortissants des rares pays où 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 qu'ils doivent procéder à la régularisation.

Le visa d'entrée est alors obtenu à l'entrée moyennant une taxe.

Actuellement, plusieurs propositions ont été retenues en ce qui concerne le problème d'entrée et de séjour des investisseurs des pays de la région et d'ailleurs, à savoir :

1) L'ouverture d'un guichet spécial à l'Aéroport International de Hahaya, chargé de faciliter les entrées et les sorties des ressortissants de la région (COI, COMESA et ITF) dans les trois mois qui suivent.

2) Le service central de Surveillance du Territoire (ST) s'engage à coordonner ses activités avec tous les différents services concernés ayant pour rôle de fournir ou d'élaborer des dossiers administratifs pour les investisseurs aux Comores, notamment le Guichet et l'UCCIA.

3) Des procédures permettant le traitement rapide des demandes de résidence et de travail (4 semaine au maximum) vont également être instituées tout en continuant d'œuvrer sur les mesures menant vers la libre circulation des personnes.

4) Le service central des visas touristiques exige de son coté que nos investisseurs se présentent au service de l'immigration dans les 72 heures après leur arrivée dans notre pays pour demander leur Visa touristique de 45 jours qui leur permettra d'en entamer les démarches en vue d'obtenir un Visa de Long Séjour.

5) Ce qui n'empêche pas la recherche d'informations complémentaires éventuelles par le service de la surveillance du territoire. L'Etat projette ainsi d'adhérer à INTERPOL pour permettre de respecter le délai de 4 semaines.

6) Lorsque l'investisseur aura obtenue sa carte de résidence, in devrait se rendre au Guichet Unique pour l'accomplissement des autres formalités.

a) Enregistrement au domaine du statut

b) Certificat d'immatriculation (enregistré au greffe)

c) L'agrément

d) Le certificat de conformité et autres, etc.

L'Etat comorien à travers sa Police Fédérale s'engage à mettre en place auprès des services de l'immigration, toutes les dispositions nécessaires pour faciliter l'entrée, la sortie, et l'obtention de tout titre de séjour demandé par les investisseurs et les ressortissants de la région (COI, COMESA, ITF, etc.)

Adhésion des agences de protection de l'investissement :

Il y a un fond de garantie pour les investisseurs disponibles à la Banque Centrale des Comores.

Cependant, les Comores n'ont pas adhéré à aucune Agence de Protection des Investisseurs. La sécurité des investisseurs est prévue par la loi.

A l'heure actuelle, notre pays a l'intention d'adhérer à la Facilité de Garantie pour l'Afrique (FGA), en vue de sécuriser davantage.

Aussi, nous demandons à la Banque Mondiale de nous fournir la documentation nécessaire, pour que nous puissions prendre connaissance des conditions nous permettant de participer à ces initiatives.

3.4. Statut de l'ITF :

Etat d'avancement de l'addendum de la LCBI :

Nous savons que le Schéma reflète la réalité de nos pays respectifs.

Cependant, les mesures qui sont proposées doivent être adaptées à notre cas pour ensuite les soumettre au Gouvernement pour adoption.

La première étape de ce travail a été déjà faite. La deuxième étape consiste à le faire adopter en Conseil des Ministres, chose qui n'a pas encore été fait jusqu'à maintenant. Cependant, nous avons revu l'Addendum avec le Ministre de l'Economie, du Commerce et de l'Investissement, et nous avons son accord. Il reste à être discuté par l'ensemble des Ministres au sein du Conseil pour le mettre en application.

Un effort doit être entrepris par le Ministre des Finances et du Plan pour le présenter en Conseil des Ministres dans les meilleurs délais.

Etat d'avancement de la préparation du Road Map National pour la facilitation des investissements :

S'agissant de la préparation du Road Map National pour la Facilitation de l'investissement, nous avons décidé de faire un Atelier ou Séminaire qui regroupera les différents départements suivants : Ministère de la Production, Ministère des Finances et du Plan, Ministère des Transports et Tourisme, Direction de l'Environnement, l'Union des Chambres de Commerce (UCCIA), l'Organisation Patronale des Commerçants (OPACO), l'Association pour la promotion du Secteur Privé (APSP), le Syndicat National des Commerçants (SYNACO), le CAPE, le Ministère de l'Economie, du Commerce et de l'Investissement et comportant une large auditoire.

L'objectif de cet Atelier est d'harmoniser les idées des différents départements et institutions pour faire le Programme National de Promotion de l'Investissement, car chaque département a ses propres projections pour l'avenir de l'investissement au niveau national.

Nous avons à cet effet adressé une lettre à tous ces départements pour leur demander de nous fournir leurs propositions pour ensuite les discuter le jour de l'Atelier. Certains ont répondu favorablement, par contre d'autres n'ont pas encore répondu, raison pour laquelle l'Atelier n'a pas encore eu lieu. Une autre raison est qu nous n'avons pas encore eu l'autorisation du Ministre des Finances qui est le Ministre Tutelle de cette initiative. Une fois que cet Atelier sera fait, nous allons rassembler toutes les idées pour faire le Programme National pour la facilitation de l'investissement. Nous savons que l'APSP a ses idées, l'UCCIA y réfléchisse pour la nouvelle vision de la Chambre de Commerce, l'OPACO a ses idées, etc. Nous voulons alors harmoniser toutes ces idées pour avoir un Programme National.

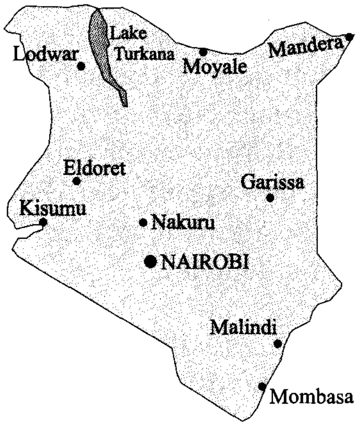
4. AUTRES OBJECTIFS :

Vision future du GTT et du CBI :

Selon l'expérience que j'ai vécue, j'aimerai bien tout d'abord que le Président soit un Représentant du Secteur Privé et qu'il y ait aussi un Vice- Président, car confier la Présidence au Secrétaire Général du Ministre des Finances ne fera pas avancer le dossier, alors cette initiative qui est pris positivement par tous les opérateurs économiques et qui intéressent tout le monde.

Ensuite, il faut créer des choses qui pourront motiver d'avantage le GTT, car des fois certains ne sont pas motivés.

Quant à l'avenir de l'ITF, il faudra que le Secrétariat du COMESA puisse suivre le fonctionnement du GTT comme IMANI le faisait de façon très régulière.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Malindi
Mombasa

Kenya

KENYA

1. OVERVIEW

1.1 First Involvement in CBI

Kenya's first involvement in the CBI program was in June 1992, during the first workshop held in Mauritius to determine the CBI work program. Kenya along with other CBI participating countries conducted National level research in the areas of CBI program focus, with the aim of providing the status at the commencement of the program. This research output was disseminated in the December 1992 workshop on facilitation of cross border trade and investment.

The CBI program has received high profile recognition in Kenya ever since its inception as evidenced by Kenya's active participation in subsequent regional TWG meetings and the four CBI Ministerial meetings. In all the ministerial meetings, a Minister headed Kenyan delegation. The Vice President, who at the time was the Chairman of the PIC, headed Kenyan delegation to the first CBI ministerial meeting held in Brussels in 1993.

Kenya submitted its letter of CBI policy to the Co-sponsors in September 1995, after national consultations on the Common Program Action (CPA) and the CBI Concept agreed by the CBI participating countries in the Mauritius Regional TWG meeting of December 1992.

1.2 Ongoing perception of the CBI process in Kenya

CBI program is perceived as a fast track of Regional Integration, to which Kenya subscribes to. Relevance of the CBI policy framework to Kenya's situation has rendered the program to be held with high esteem, not only by the Government but also by the private sector. This is evidenced by the vigorous participation in National Meetings and Regional meetings and most importantly, the implementation of the CBI policies.

1.3 Elements of the CBI that have been helpful to Kenya

The CBI Policy Matrix

This has been an important tool for monitoring implementation of the policies prescribed in the CBI policy framework and Kenya's LCBIP.

The TWG:

The TWG permits open dialogue on cross border issues between the private sector and the government. It has been instrumental in creating awareness among the private sector on regional integration programme.

Support for the TWG activities

Support for TWG Secretariat and activities, such as workshops, meetings and studies has been valuable in facilitating the progress in the CBI process in Kenya.

1.4 Kenya's relationship with COMESA and EAC: the Role of CBI programme.

The CBI policy framework co-opts COMESA and EAC policy frameworks. Therefore, the CBI programme has in essence facilitated implementation and monitoring of these policies, thereby complementing efforts of COMESA and EAC forums that look into monitoring implementation of the various agreed policy measures. The mechanisms applied under CBI include meetings and workshops to sensitize the stakeholders of the EAC and COMESA policy regimes and studies.

2. OVERVIEW OF TWG MEETINGS SINCE BEGINNING

2.1 Composition of the TWG and Regularity TWG meetings

Kenya TWG draws membership from the public and private sector. The institutions represented in the TWG are as follows:

Public Sector:

1) Ministry of Tourism, Trade and Industry
2) Ministry of Finance and Planning
3) Ministry of Information, Transport and Communications
4) Central Bank of Kenya
5) Kenya Revenue Authority
6) Capital Markets Authority
7) Export Promotion Council
8) Investment Promotion Centre

Private Sector:

1) Kenya Association of Manufacturers
2) Kenya National Chambers of Commerce and Industry
3) Kenya International Forwarding and Warehousing Association
4) Association of Kenya Insurers
5) Kenya Bankers Association

During the formative years (1993-1995), frequency of TWG meetings was at least one meeting every two months. The frequency of the meetings rose to at least one meeting per month since 1996 to the end of the project. Attendance of the meeting averaged 70% through out the period. Cases of absenteeism, with apologies, were more frequent among the private sector associations and one government agency.

2.2 Summary of main issues

The following are the key issues discussed in the TWG meetings:

a) In depth deliberation of the CBI concept paper and Action Programme, leading to the conclusion of Kenya's Letter of CBI Policy

b) Planning and facilitating seven high profile national workshops, namely: -

1) First Government-Private Sector Dialogue workshop on cross border trade and investment (1993).

2) Second Government-Private Sector Dialogue workshop on cross border trade and investment (1996).

3) Third Government-Private Sector Dialogue workshop on cross border trade and investment (1997).

4) Kenya Export Development Fund workshop (1998).

5) Trade Facilitation Workshop (1998).

6) Workshop on Industrial Competitiveness (1999).

7) Workshop on Development of Strategies for strengthening private sector associations in Kenya (2000).

c) Planning and hosting three EATWG meetings in 1994, 1996 and 1999.

d) Initiating, co-ordinating and disseminating results of the following studies: -

1) CBI programme: Kenya baseline survey (national level research project) (1992).

2) Study on laws affecting trade and investment (1994).

3) Study on Commercial Paper market (1996).

4) Study on Harmonisation of External tariff in EAC (1997/98)

5) Study on laws relating to investments (1997).

6) Study on Trade and Investment Flow between Kenya and COMESA countries (1998).

7) Study on strategies for strengthening private sector associations in Kenya (1999).

8) Diagnostic study on the Decline of specific Kenyan exports of SITC 7 and 8 to COMESA (1999).

9) Study on the case for establishment of National Data Base on Foreign Direct Investment (2000).

10) Study on the implication of a customs union on Kenya Economy (2000).

During the TWG meetings, recommendations of these studies were pursued through action matrices, which were forwarded to line ministries or private sector institutions identified as appropriate to implement the recommendations.

2.3 Problems encountered

(i) Non implementation of polices recommendations arising from CBI forums

While, as will be evidenced in section 3 most of the CBI policies have been implemented, some recommendations from CBI forums went unheeded. The key areas where this problem was traced was, infrastructural sectors.

It is, however, important to note that during the CBI period, donor funding has been extremely limited. The IMF credit was suspended, while and World Bank went lean on its credit to Kenya. This meant a delay in implementation of projects, especially in the roads and energy sectors.

(ii) Weak private sector representation

Some of the private sector associations were literally unable to participate consistently in the TWG meetings and activities. Personnel constraint was the key contributory factor.

(iii) Bureaucracy in access to the World Bank Grant

Due to bureaucracy in the World Bank procedures for utilising a grant of US$85 000.00 the TWG was only able to utilise about 50% of the grant. This was despite submission of study proposals for consideration by the World Bank in 1996.

2.4 Other activities not covered elsewhere

(i) Investment Code

The TWG has deliberated on this subject since 1993, in an endeavour to have Kenya comply with the requirement of the CBI policy framework, which states that 'CBI participating countries publish their Investment Codes and regulations'.

The process of enacting the Investment code has benefited from two studies: -

- Cross Border Initiative – Contract for Legal Support Project done in 1995 covering Trade, Investment and Finance Laws.
- Study in Laws Relating to Investments, done in 1998.

The output of TWG meetings was communicated to Investment Promotion Centre, which has been steering the process of enacting an investment code. This output includes TWG comments on the Draft Investment Code Bill (1999).

The process of enactment of the Investment Code is thus at an advanced stage. The pace is, however, being determined by the process of harmonisation of investment incentives in the EAC region.

(ii) Non-Tariff Barriers

The TWG facilitated follow-up of the recommendations of the final report of a High Level Tripartite Committee of Experts to Study the impediments to the promotion of inter-states trade within East Africa. From the search, the following position was reported in the context of NTBs identified in the report.

The need for institutionalisation of monitoring and removal of NTBs was raised in the East African TWG meetings of Masaka, Uganda (1997) and Nakuru, Kenya (1999). The latter meeting recommended that the national mechanism for monitoring NTBs be established by the next EATWG meeting in the year 2000.

(iii) Consultation with the Co-Sponsors

a) Post Harare CBI Ministerial meeting

The EC noted that CBI remains as a unique initiative. The Harare CBI Ministerial meeting recommended that it continues to be supported.

The Mauritius Regional TWG meeting carried the request for continued CBI support by deliberating on the CBI phase II concept paper: Investment Facilitation Road Map, prepared and presented by the Co-sponsors at the meeting.

b) Future of the CBI

European Commission indicated that it was still reflecting on how to proceed with the CBI. In the interim, it was considering extension of the current support under the existing framework of contract until the end of 1999.

CBI is currently seen as a first track option within COMESA as virtually all countries participating in the CBI are members of the COMESA. In view of this, there are proposals for COMESA to co-ordinate CBI TWG activities in the second phase.

The meeting was informed of a recent EU funded project to support regional integration activities of EAC, broadly along the CBI model.

The World Bank indicated its support for the CBI because of the programme's unique Bottom Up Approach to issues.

(iii) The evaluation of the CBI program

The TWG played a key role, during its meeting with the evaluator of the CBI program. In articulating the objectives of the evaluation, the TWG aired the following concerns and views: -

- The TWG observed that the implementation of the CBI programme had deviated from the original aim of the programme as agreed in the Mauritius meeting of June 1992. Specifically, the promised US$30 million financial assistance for the costs anticipated, as the participating countries implemented the CBI policy programme was not forth coming. Conditionalities, which were not envisaged in the Mauritius meeting, were later introduced, thus rendering a country like Kenya not entitled to receive any of this direct assistance. The meeting felt that if this money were availed to participating countries, it would have made a difference, especially in implementation of the tariff reduction programmes.

- The TWG expressed concern at the difficulties that the TWG had in accessing the World Bank US$85 000.00 which is the only contribution that the Bank gave towards direct assistance of the CBI. Ultimately, the TWG was only able to use 50% of these committed funds by the expiry of the first phase of the CBI programme, in 1998.

- The TWG observed that the EU had been very supportive of the TWG activities through Technical Assistance and support to the National Secretariat of the TWG, financing studies and workshops. It was observed that without this assistance, the TWG may have ceased its operations.

- The following benefits were cited, by the TWG, as having been derived from the CBI programme: -

  - Promotion of working relationship in the area of trade and investment between Government and the private sector. This relationship has made a significant difference in terms of government stance on issues affecting private sector. In particular, the current process towards enacting an Investment Code and uplift of suspension of cigarettes from the COMESA schedule were cited as cases where the Government obliged to requests emanating from the TWG's (other forums') deliberations.

  - Through the workshops, the CBI programme has facilitated discussions of very important issues of interest to regional integration. For example, COMESA Bond Guarantee scheme, which the forum organised in 1998 pointed at the implementation weaknesses. Based on this feedback, COMESA is in the process of addressing the weakness, an action that will render most of the countries which have not ratified the scheme to do so, thus easing problems associated with transit of goods from one country to the other, within the COMESA region.

3. OVERVIEW OF SENSITIZATION ACTIVITIES SINCE BEGINNING

3.1 East African TWG (EATWG) Meetings

The following is a summary of issues discussed and agreed in the meetings of EATWG, hosted in Kenya in 1994, 1996 and 1999.

EATWG meeting: August 17, 1994

The purpose of this meeting was to establish modalities of operations of EATWG. The meeting came up with the following recommendations: -

- Chairmanship of EATWG should be rotating between the three Chairmen of TWGs in Uganda, Kenya and Tanzania.

- EATWG should provide a link between CBI and EAC integration process.

  - EATWG meetings should take place twice annually.

- Composition of the CBI program sponsored delegation to EATWG meetings from each country should be limited to four.

EATWG meeting: May 13-14, 1996

The proceedings of this meeting led to the following recommendations: -

i. Private sector participation in the TWGs be increased.

ii. Minutes of National TWGs be sent to the co-sponsors and Regional Consultant on regular basis.

iii. Tariff rates on trade between the three East African Countries be reduced to zero before end of June 1997.

iv. The three East African Countries should adhere to the CBI implementation timetable including 80 % tariff reduction on intra-COMESA trade by October 1996.

v. East African Co-operation to commence work on harmonisation of the investment codes by October 1996.

vi. TWGs to update the 1992 study in the intra-sub-regional trade and investment by 15 August, 1996.

vii. Research Agenda to be done by TWG consultants, EAC, and World Bank by31 May, 1996 : Issues for discussion and study with regard to regional integration to include: -

- Existing NTBs.
- Harmonisation of tariffs and exemptions.
- Harmonisation of domestic taxes preliminary proposals.
- Steps to improve customs administrations.
- Impediments to intra sub-regional trade.
- Rules of origin.

- Transportation costs
- Competitiveness of industry in the sub-region

(viii) Investigate further the modalities for establishing East African Export Credit Guarantee Scheme.

(ix) Establish the modalities for co-ordination with the EAC Secretariat to include:

- Involvement of national TWGs in EAC experts meetings
- Utilising the EAC Secretariat as the permanent Secretariat of EATWGs.

(x) Tanzania and Uganda to implement their Stock Exchanges by June, 1997. Cross listings on the Nairobi Stock Exchange of the stocks of Uganda and Tanzania companies to be left to the Capital Markets Authorities, institutions and the EAC Financial sector meetings of the three countries

(xi) Legislative studies to be shared among the three members of EATWG

EATWG meeting: 7-8 December 1999

The summary of the deliberations of this meeting was as follows: -

(i) Status of the implementation of CBI policies

After consideration of the status of implementation of the CBI policies in the three EAC countries, the meeting identified the following issues as requiring attention in the second phase of the CBI.

(i) Harmonisation of external tariffs in line with the COMESA provisions for a 90% reduction. The countries, which had not yet implemented this policy, were urged to do so.

(ii) Introduction of a Single Customs Bond Guarantee Scheme.

(iii) Liberalisation of the Capital Account.

(iv) Conclusion of Double Taxation Agreements with the countries of COMESA.

(v) Cross-listing in the three E.A. Stock Exchanges.

(vi) Greater Private Sector involvement.

(ii) Tanzania withdrawal from COMESA and possible implications to Tanzania and CBI participating countries

The meeting was informed that Tanzania issued a notice in May 1999 and submitted it to the COMESA Secretariat in September 1999 expressing her intentions to pull out of COMESA. This notice is valid for one year. The reasons given for this decision are as follows:-

1) That Tanzania is a member of too many regional organisations as a result of which it was over stretching itself and it was becoming difficult to effectively participate in their day-to-day affairs.

2) That Tanzania is still fully committed to regional integration and remains a member of WTO, SADC, EAC.

3) That by pulling out of COMESA, the trade and other issues could be achieved through being a member of other regional integration bodies such as SADC and EAC.

Tanzania assured the EATWG's members that it was fully committed to the ideals and commitments made during the signing of the East African Co-operation Treaty.

In response, the participants noted that whereas Tanzania, as a sovereign state, was free to determine her own destiny, they requested that a technical and economic evaluation of the implications of such a decision be seriously considered in order to stave off adverse consequences of the withdrawal.

(iii) Non Tariff Barriers faced by traders/business communities when trading in EAC.: A presentation by the private sector

In view of existence of NTBs which each of the three TWGs reported as being experienced by their traders in partner states, the meeting recommended that a mechanism be established to ensure monitoring and elimination of NTBs on a continuous basis. The mechanism should involve private sector associations, which should have an arrangement for their members to report NTBs on regular basis. These associations should pass on the list of NTBs to the TWG during monthly meetings. The TWG should then, through the line Ministry, write to the TWG in the Partner State where the NTB is reported for action.

(iv) Immediate actions after signing of the EAC treaty: A Presentation by EAC

The EAC Secretariat made a presentation on the action matrix highlighting activities, and institutional implementation arrangement. Some of the activities fell within the EATWGs' mandate, hence the possibility of the forum participating actively in the integration process as drawn by the Treaty.

(v) Future of CBI

The Meeting observed that: -

(1) CBI continues to be an engine for the implementation of regional economic integration for investment facilitation; hence support from the co-sponsors was desirable to facilitate the process.

(2) The current administrative arrangement on the co-ordination of the CBI programme be used in the next phase of the CBI.

3.2 Workshops and Meetings

(i) First Workshop on the Government-Private Sector Dialogue on cross border trade and investments (1993)

The workshop came up with the following recommendations: -

Trade:

- The need to publicise PTA institutions in order for the business community to be made aware of the trade facilitation opportunities available in these institutions.
- Ease Border controls in order to promote cross border trade.
- Promote establishment of commodity exchange market as a mechanism for financing trade and hedging price and foreign exchange fluctuations.
- Rationalise trade promotion institutions and projects as a way of taking care of the confusion caused by multiplicity of these institutions and projects.
- Revise down telephone charges to render them comparable with international rates.
- The Central Bank should consider raising foreign currency retention from 50% to 100%, since it was proved that at 50%, it amounted to a 10% export tax.
- Reinstate Export Compensation scheme.

Investment:

- Develop capital markets as away of raising domestic and foreign finance necessary for increased investment.
- Publish investment code.
- Design more investment incentives
- Investment inflows should be fully documented to enable interested parties to determine investment trends and opportunities.
- Set up export bank and a credit insurance institution to assist small scale exporters and investors in export development.

Role of Donors:

- Kenya should exploit the opportunities, which are available under International Agreements such as the Lome Convention.

(ii) Second workshop on the Government-Private Sector Dialogue on cross border trade and investment

The workshop came up with the following recommendations: -

Trade:

- Protect domestic industries from dumping of cheap goods. On the other hand local manufacturers were asked to invest in Research and Development as a way of improving their global competitiveness.
- Tariff on raw materials should be reduced and non tariff barriers be completely abolished; this includes easing border controls and customs clearance procedures and reducing road blocks to those which must be erected for security reasons.
- The need to Harmonise External Tariff in the EAC was emphasised.
- Collection of duty at the point of entry for transit goods should be given consideration.
- Eliminate delays in VAT refund.

- Kenya should urge Tanzania to observe COMESA tariff rebates.
- Pre-shipment inspection needs to be revisited to address features that were an impediment to intra-regional trade.

Infrastructure:

Roads:

- Local Authorities should explore other avenues of raising revenue. For instance, they could float Municipal Bonds, Notes and Local Authorities Investment Pools.

Telecommunication:

- Supply of telecommunication services, mainly telephone lines should be stepped up. The charges should be made internationally competitive.

Power Sector:

- Kenya Power and Lighting was challenged to step up production of electricity in order to avoid power rationing during drought spells. In addition, the company was urged to consider making Kenya's electricity charges internationally competitive. In event of power rationing, strict adherence to the power interruption schedule was recommended.

Railway Transport:

- In order to turn around the Railways services, the private sector should participate in the acquisition and maintenance of the Railway Wagons.

Ports Services:

The workshop recommended that delays in processing customs documentation be given serious consideration.

(iii) Third workshop on the Government-Private Sector Dialogue on cross border trade and investment (1998)

The workshop came up with the following: -

Trade:

- Value Added Tax

On VAT evaluation, it was recommended that accounting for VAT be improved. This process should ensure that exports and imports are given same treatment.

- Duty refund under EPPO scheme

The workshop recommended that the isolated cases of delays in the processing of the refund be dealt with, to avoid unnecessary expenses on the part of the business community.

- Tariff

The workshop recommended that the private sector and Treasury look into the classification of the raw materials to allow correct application of duty in line with the tariff structure.

- Customs Clearance

The workshop was informed that delay in clearing of goods is due to be resolved once Trade Data Exchange System (between KPA and Customs) is introduced. The workshop recommended that this process be expedited.

- Anti-Dumping Legislation

On dumping, the workshop recommended an anti dumping legislation.

Immigration:

- Entry Work Permits

The workshop recommended that the three East African Member States consider reviewing their policies on entry (work) permit with a view to streamlining the conditions or requirements for issue and also harmonising the fees payable.

Road Network:

- Axle Controls were recommended as a means of managing road damage emanating from overloaded vehicles.

Rail Network:

While appreciating the reform progress being made by the Kenya Railways, the workshop recommended that;

a) Privatisation exercise is made transparent. The business community felt that they need to be informed whenever such an offer was floated, so that they can participate.

b) Kenya Railway was asked to reconsider the current rebate arrangement on rehabilitation and maintenance of wagons as it was very costly to business community and therefore untenable.

(iv) Kenya Export Development Fund Workshop (1998)

The aim of the workshop was to sensitise stakeholders on the proposed Kenya Export Development Fund project. The workshop came up with the following recommendations:-

a) In view of the limited size of the fund (EUR5million), lending ceiling to allow for the spread of the facility to cover a wider spectrum of exporters was recommended.

b) The facilities be denominated in foreign currency.

c) Interest rate be based on simple average of the base lending rates of the lead commercial banks.

d) The project be a guarantee fund scheme instead of loan scheme. In view of the level of development of the Kenyan Financial sector, the grant component of the project be eliminated.

e) Non traditional financing mechanism through private sector associations be explored, as a way of mitigating risks.

(v) Trade Facilitation Workshop (1998)

This workshop was aimed at sensitising the business community on the four COMESA trade facilitation schemes. For each of these schemes, the workshop came up with the following recommendations:

(a) The COMESA Yellow Card Insurance Scheme

- The COMESA Yellow Card Insurance Scheme be popularised since most business persons were not aware of the scheme and the underlying benefits.

- Delays in settlement of claims be resolved through prompt reporting of such claims. COMESA was advised to facilitate this through sensitisation of the countries where this problem is most prevalent, such as Rwanda.

The COMESA Single Goods Declaration Document

- The Workshop urged Kenya Revenue Authority to do its utmost in exposing the business community and KRA officials at the border points and other customs regulated points to the functioning of this documents. KTWG was also asked to provide some inputs, technical or otherwise, towards further sensitisation of the business community about this document.

The COMESA Customs Bond Guarantee Scheme

The workshop recommended:

- Monthly bond cancellation as a way of expediting the delay factors in bond cancellation process.

- Harmonisation of bond cancellation period among participating countries.

- A system akin to the COMESA Yellow Card Insurance Scheme be integrated in the operational modalities of the Customs Bond Guarantee Scheme.

- KRA, Customs Department considers replacing BOFFIN system with ASYCUDA.

The COMESA Harmonised Transit Charges

The workshop recommended that:-

- A facility for axle load control is put in place at strategic loading points, such as Mombasa to ensure that lorries are not overloaded at the point of loading.

- Education on axle loading be introduced a soon as possible to ensure that transporters do not suffer due to ignorance.

- Pre Inspection Companies should be advised to check on excess weight when verifying the weight and details of the goods in question.

(v) Workshop on industrial competitiveness and trade and growth prospects in Kenya

The purpose of the workshop was to facilitate dissemination of the results of a study entitled *"Industrial Competitiveness and Trade and Growth Prospects in Kenya"* done under the EAGER USAID Project. A summary of these results is as follows: -

1) Given the national goal of transforming Kenya into a Newly Industrialised country by the year 2020, and given the environment of globalisation and liberalised trade, it is clear that increased competitiveness must become a major objective and challenge for all industries. This is true in international as well as in regional markets.

2) The study showed that some of the macroeconomic policies and variables are of crucial importance for attainment of competitiveness by industries. In particular, low cost of borrowing, a stable and well aligned exchange rate, as well as a sound infrastructure in transport, communications, energy and water supply are a pre-condition for industrial growth.

3) The study noted that the opening of the economy, while necessary, it is not a sufficient condition for achievement of the goals of increased competitiveness and industrial growth. What is needed is a cautious progression of trade liberalisation combined with an industrial strategy that recognises the importance of the pace at which industries can adjust to the changing environment.

4) The study showed that the enactment of liberal trade policy is not sufficient, but must be accompanied by effective enforcement of the trade regime. The recent changes in trade regimes seems to be sufficient to create a level playing field for competing firms, but only if the respective laws are enforced.

5) The recent trend of declining interest rates needs to be further pursued by sound fiscal policies, in order to bring the cost of borrowing to a level that permits industries to make new investments for increased competitiveness.

6) A cautious approach to currency depreciation is necessary to prevent new inflationary pressure, which would cancel the gains in competitiveness.

7) There seems to be an urgent need for more stringent quality controls and the enforcement of standards, in order to ensure that Kenyan producers can compete in export markets. This is particularly important in the food industries and especially urgent in fish processing, where the ban of exports from East Africa to the European Union has badly hurt the sector.

8) Some sectors require political support as well as regional co-operation in order to allow industries to exploit their natural comparative advantage.

9) Regional integration tends to flourish when intra-industry trade flourishes. The study contained some preliminary evidence of superior competitiveness in some fast growing industries in Uganda. This may be seen by some Kenyan producers as a threat to their traditional export perspectives. But it can also be seen as an opportunity to develop intra-industry trade between the countries of the East Africa region, which would benefit their economic growth.

(vi) Workshop on Development of Strategies for Strengthening the Private Sector Associations in Kenya

During the deliberation of the study on the private sector associations, the workshop came up with the following recommendations: -

a) Apex organisation:

(i) Modalities for establishing Apex Organisation for private sector associations be explored. This will include

- Provision of more details regarding operation and sustainability of such organisations in other countries,
- Drawing up a framework of memorandum of understanding, which should included the membership, constitution and mandate of the organisation and leadership.
- A careful consideration of the East African Business Council and possibility of the Kenyan chapter performing the role of an apex organisation.
- Source of Funding

(ii) The workshop recommended that once the apex organisation is formed, the government should help in identifying donors to support the initiative through provision of seed capital to cater for operations in the first four years.

(iii) The workshop recommended that a follow up meeting be arranged where the memorandum of understanding towards establishment of the apex association will be discussed and adopted as a document for the private sector association to use in carrying the process forward.

b) Capacity Building PSAs

(i) To facilitate organisational evaluation and subsequent strategic planning, the workshop recommended that Technical Assistance be availed to the PSAs, on their request. This assistance will help, through strategic planning sessions, streamlining mission and goals of the PSAs, determining a parsimonious organisational structure that is in harmony with its mandate and expected roles.

(ii) In view of the liquidity problems that most PSAs were experiencing, the workshop expressed the need for donor funding as seed capital that will facilitate in restructuring of the PSAs and institutional capacity building along the recommendations of the work emanating from the technical assistance.

3.3 Overview of Studies undertaken since beginning

A total of ten studies have been conducted under the CBI program since 1993. The studies were motivated by the needs identified by the TWG in the course of its deliberation on the CBI policy framework, follow up of workshop recommendations and on the basis of the needs expressed by the private sector. On the basis of the study findings, corrective recommendations were made as stipulated in each study.

The TWG has been following up the implementation of the recommendations of these studies. The status of the implementation of some of these recommendations is reflected in section 3.0 on the achievements of CBI in policy reforms. The recommendations of these studies are summarised in the sections below.

3.3.1 Legal support project on laws affecting trade and investments (1994)

a) Trade in goods and services

(i) Lower import duty and speed up implementation of the PTA tariff reduction.

(ii) More commodities should be removed from the negative list.

(iii) Trade Licensing Act S(5)(2) should be amended to make licensing requirements known and predictable. In addition, the following sections of the Act should be amended; Sections 9(1)(b), 13(a), 25(1) and 27

(iv) Part X and Section 50A of the companies Act should be amended

(v) Tourist Industry Licensing Act (Cap 381) was also recommended for amendment.

b) Payments and Exchange System

(i) Foreign Investments Protection Act (Cap. 518) should be repealed.

(ii) The Exchange Control Act be amended in line with trade and foreign exchange liberalisation.

(iii) The following sections of the Central Bank of Kenya Act be amended to facilitate development of the financial sector: Sections 21, 25, 39, 40 to 43. New provisions should be introduced in the Act to facilitate the establishment of off shore banking facilities and the development of forward markets for the Kenya shilling.

c) Investment

(i) IPC Act (Cap 518) should be amended to give IPC authority to vet, approve and license investments without recourse to other Government departments.

(ii) In addition, the following laws were recommended for amendment in order to increase cross border investment: Income Tax Act (Cap 470); The Restrictive Trade, Monopolies and Price Control Act (Cap 504), The Industrial Registration Act (Cap 118) and Immigration Act (Cap 172).

3.3.2 Study on Commercial Paper Market (1996)

The paper recommended that a framework to facilitate establishment and the functioning of the Commercial Paper (CP) market be developed. The Central Bank was therefore urged to rescind its decision and instead facilitate the development of the CP market in collaboration with the Capital Markets Authority.

3.3.3 Study on Harmonisation of External Tariff in EAC (1997/98)

Based on an assessment of a number of alternative tariff structures, the study recommended the achievement of a simple harmonised external tariff (HET) as a priority objective. After considering the various alternative options for the choice of a common external tariff, the report concludes that a scheme broadly similar to the current Uganda structure of {0, 7, and 15} has a number of merits that recommend it as a desirable common external tariff structure for East Africa.

The study provides a note of caution against the current on early elimination of tariffs on intra-East Africa trade.

3.3.4 Study on Laws Relating to Investments (1997)

The study recommends amendment and rationalisation of the following legislation:

- Industrial Registration Act, Sections 4 and 9.

- Factories Act, Sections 7 and 9
- The Land Planning Act, Section 11(1)
- The Government Land Planning Act Sections 34, 35 and 40.
- The Crop Production and Livestock Act, Sections 4 and 5.
- Agricultural Act, Sections 64, 191 and 100.
- Tea Act, Sections 4, 8,9,10, 12, 13 and 15.
- Coffee Act, Sections 3, 13, 15, 16 21, 22 and 27.
- The Seeds and Plant varieties Act, Sections 3 and 20; Regulations 7,8,9, 11, 12 and 18.
- The Pest Control Act, Sections 3 and 4; Regulations 2 and 4.
- Fisheries Act, Sections 4, 5 and 7-14.
- Tourist Industry Act, Sections 3, 4, 8 and 9.
- Hotel and Restaurant Act, Sections 4,5, 6 , 8, 14, 15-25 and 29.
- The Food, Drugs and Chemical Substances Act, Section 28.
- The Pharmacy and Poisons Act, Sections 23-35
- Foreign Protection Act, Sections 3, 4 and 7
- Immigration Act, Sections 4, 5 and 6.
- Trade Licensing Act, Sections 3, 4, 5, 9 and 13.
- Mining Act, Sections 9, 11, 12, 13 and 18
- The Hide, Skin and Leather Trade Act, Sections 3, 4, 5, 6, 7, 8 , 10, 12 and 20.
- The Insurance Act, Sections 5-8.
- Local Government Act , Sections 148, 155(d), 159(1), 161 and 201.

3.3.5 Study on Trade and Investments Flow between Kenya and COMESA countries (1998)

Trade

a) More effort be made at exploring other alternative markets to the traditional EAC market. The need for this is even more apparent when one considers the loss of grip that Kenya is experiencing in this market.

b) There is also need for the country to consider broadening its export base by exploiting potential in production and exportation of the products that are currently traded marginally. This effort should, however, be guided by the comparative cost advantage.

c) KTWG should initiate some activities towards sensitising the business communities of the business opportunities in the non-traditional markets within COMESA region.

Investments

- Data on Foreign Direct Investments, Portfolio Investments and Investments in the money market should be collected and processed. This should detail the source of investment by country of origin.

3.3.6 Study on Strategies for Strengthening Private Sector Associations in Kenya (1999)

a) PSAs should initiate the process for establishment of an apex 'organisation' for private sector associations.

b) Capacity Building PSA, to encompass: -

- Evaluation of the PSA's mission and goals in view of the challenges posed by the global development.
- Enhancing human and financial resources capacity of PSAs through a strategic planning based organisational restructuring
- De-politicise the associations by linking office bearers tenure of office to economic performance of these associations as revealed by Monitoring and Evaluation Reports.

3.3.7 Diagnostic Study on the Decline of Specific Kenyan Exports of SITC 7 and 8 to COMESA

a) Reduction of import duties in the importing countries

There is need to establish from Uganda, Tanzania and Ethiopia the duty which is charged on the following products, with a view to establishing the extent to which COMESA duty rebate is applied

Under SITC 7

- Electric Generation-Sets not Exceeding 75 KVA
- Trailers and semi Trailers

Under SITC 8

- Prefabricated Buildings, Furniture and Doors
- Mattresses
- Footwear with outer soles and uppers of rubber

b) Increase competitiveness of Kenyan products

Companies of the affected products should devise strategies for being more competitive, because trade liberalisation is a global phenomenon, which as a country we can do nothing about, because of our being bound by the WTO agreements, which Kenya is a signatory to.

c) Increase quality of products

The decline in exports of mattresses to Uganda on account of low quality merits some action by the affected companies to increase the quality, to meet the standards set up by the Uganda Bureau of Standards. A brainstorming session between Kenya Bureau of Standards, the affected companies could be facilitated by the TWG with view to identifying fiscal measures which may be needed to augment company level efforts.

d) Reduce bureaucracy in Customs clearance

The TWG should facilitate a brainstorming session between the affected private sector companies, under the aegis of KAM and KNCCI to come up with strategies, which could resolve the delays in customs clearance. The output of this forum will be an action plan, which could be closely monitored over a definite period for effective implementation.

e) Red tape bureaucracy in Tanzania

The TWG, in liaison with the affected companies, under the aegis of KAM should prepare a position for consideration by Tanzania TWG.

f) Export Development Strategy

There is need for developing an export development strategy, which should inevitably be linked to the industrialisation strategy. This strategy should among other things seek to monitor performance of Kenyan exports on a product by product basis, and using the rich information data base at the KRA statistics Department liase with exporters for quick feed back on national and regional policies on the performance of Kenyan exports

b) Lower duty on Raw material for production of agricultural and horticultural appliances.

The TWG should facilitate, in liaison with the affected companies and KAM preparation of a position on this constraint for consideration by the Ministry of Finance.

3.3.8 Study on the case for establishment of Foreign Direct Investment Data Base in Kenya (2000)

Recommendations:

a) Strategy

- Conceptual Framework

The standard Foreign Direct Investment definition should be applied in designing the survey instrument to be used in collection of the FDI data.

- Source of the FDI Data

The FDI Data should be based on audited accounts. For public and private companies annual audits are a compulsory requirement under Companies Act. Hence, foreign enterprises or joint ventures should not find a problem in complying with this requirement. To ensure authenticity of the data submitted in the survey instrument, the companies should submit audited accounts along with the forms.

To take care of the current narrow scope of coverage of FDI data collection, it is suggested that a form similar to the industrial registration form be designed. The design should enhance the instrument's ability to capture FDI flows for Joint ventures by distinguishing between foreign and local holding of the capital. The revision of the survey instrument should, further, modify the caveat under the confidentiality clause, to allow for information sharing with other government departments (e.g. Central Bureau of Statistics and Investment Promotion Centre).

There is need to widen the scope of sectoral coverage from the current narrow base by including more sectors. To facilitate this, the following institutional arrangement in the collection of FDI data is recommended.

Sector	Institution/Ministry or Department
Manufacturing	Department of Industry, MTT&I
Mining and Quarrying	Department of Industry, MTT&I
Construction	Department of Industry, MTT&I
Agriculture	Ministry of Agriculture
Tourism (Restaurants and Hotels)	Department of Tourism, MTT&I
Commerce - Trade	Departments of External and Internal Trade, MTT&I
Power (Oil, Electricity and gas)	Ministry of energy
Banking sector	Central Bank of Kenya
Capital market (Portfolio Investment)	Capital Markets Authority
Information, Transport and Communication	Ministry of Information, Transport and Communications

b) Plan of Action

- The Role of CBS, Line Ministries and other Institutions

Central Bureau of Statistics should be the co-ordinating agency where all the institutions identified above would be remitting the returns for data processing and dissemination. Towards establishment of a National FDI data base, the following activities are recommended: -

(i) CBS should format the BoP data reporting to capture FDI data more explicitly. In particular, CBS should follow up with the IMF for purposes of improving reporting of reinvested earnings, which even in the IFS publications is lumped together with other items under other investments.

(ii) CBS should design or refine FDI data collection instruments in collaboration with line ministries and other institutions, as identified above.

(iii) In view of the current weakness in FDI data collection, there is need for a nation-wide baseline survey to establish the exact position of FDI.

(iv) There is need for an assessment of the capacity of line ministries and institutions responsible for FDI data collection, with a view to identifying areas of weaknesses and recommending capacity building strategy aimed at enabling these institutions to cope with the demand to be imposed by the National FDI Data Base requirement.

(v) To disseminate information on FDI flows, CBS should publish FDI data in the Economic Survey.

- Role of Investment Promotion Centre

There is a need for review of laws relating to investments in order to provide that all new investments be notified to IPC for statistical purposes and where possible for facilitating the investor's access to investment incentives related information which IPC gives to the investors.

IPC should then inform line ministries and other institutions of the new investments in their areas of jurisdiction for purposes of prompt follow up and assistance.

3.3.9 Study on the Implications of East African Customs Union on the Kenyan Economy (2000)

Based on the analysis of the progress made and previous research on the subject of EAC Trade Regime, the following recommendations (which, as we were writing this report were being considered by Kenyan team of the High Level Task Force (HLTF)) were preferred.

(i) Customs Administration

a) There is need to provide for establishment of an administrative and institutional systems and structures to facilitate management of the aspects of customs.. This could be a special unit within the EAC Secretariat or it could be a separate commission or authority.

b) Review border controls with view to providing for establishment of single border posts (shared by two countries).

(ii) Re-exportation of goods;

There is a need to come up with a clear policy on treatment of re-exports under the customs union and procedures to be applied in implementing these policies.

Among the issues to be considered is safeguard measures for re-exports destined for the partner state in order to avoid deflection of the goods into the economy of the importing country. Further, for goods that undergo some processing, there is a need to spell out the proportion of the value added content that will render these goods be accorded preferential treatment.

(iii) Rules of Origin

There is need for the proposed study on the EAC Rules of Origin to evaluate merits/demerits of a common and sectoral approach to the rules of origin as means of addressing the concerns about industrial development disparity between Kenya and the other two partner states.

Further, the rules of origin should ensure that the rules to be developed are common to both COMESA and SADC; otherwise complexities will occur with individual member states having to apply different rules of origin to imports from the rest of COMESA and SADC into EAC member states.

In concluding the Rules of origin due regard of WTO requirements, specifically definition, consultations with the Rules of Origin Committee and Notification should be adhered to.

(iv) Duty Drawback, refund and remission of duties and taxes

Under the WTO Agreement on Subsidies and Countervailing Measures, Duty Draw Back or Remission of Duty and Taxes are classified as prohibited subsidies. This treatment needs to be reflected in the EAC guidelines. The aim will be to come up with guidelines that facilitate identification of such subsidies and delineate countervailing measures that partner states should take against exports from such schemes. This will take care of the current concerns in EAC about exports from Kenya's MUB schemes and EPZ zones.

In drawing up a framework for handling cases of such exports in the EAC, each country should be required to notify the member states of such schemes and the products concerned.

(v) Dumping

Details on dumping for inclusion in the protocol should constitute a rigorous framework on dumping, drawn along the WTO GATT 1994 framework but modified to suit EAC situation.

The procedure would involve drawing up of the framework for inclusion in the protocol. After ratification of the protocol, member countries would then enact dumping legislation, which should be in harmony with that of the other partner states.

(vi) Subsidies and countervailing duties

The framework drawn by HLTF needs some improvement taking cognisance of the WTO Agreement on Subsidies and Countervailing duties.

A review of the Agreement shows existence of attributes which will inevitably be important in development of an EAC subsidies and countervailing measures. For instance, distinction between allowable subsidies and prohibited subsidies and the procedures to be used in determining existence of subsidies and determination of the countervailing duties provides a universal yard stick which are considered appropriate for incorporation in the EAC framework.

(vii) Competition Policy

A framework for EAC competition policy needs to be developed. The National Legislation will then be premised on this framework. Issues to be addressed include monopolies, mergers, cartels and administrative structure

In developing this framework, the critical analysis of Kenya's legislation on competition (as contained in Kijirah 2000) needs to be taken into account. The analysis recommended repeal of the existing legislation and enactment of a new legislation.

The framework should, further:

- Provide for an institutional structure, which contains the Judicial right to appeal with an investigative and administrative body.

- Ensure independent decision making on the basis of the policy principle.

- Remove discretionary authority, which may be subject to political pressure.

- Provide for establishment of a Competition Tribunal to grant interdicts and to protect victims of restricted competition, pending the outcome of a trial.

(viii) Elimination of Internal Tariff

- Principle of Asymmetry should, as already provided for in the Treaty and articulated by the HLTF, be applied in the process of elimination of Internal Tariff.

- Tanzania and Uganda, as already proposed by the HLTF, should levy surcharge on Kenyan products.

- The Criteria for determining the products to be subjected to surcharge should be confined to infant industry. The definition of infant industry, as applied in SACU is recommended. According to this definition, an infant industry is one, which is eight years, or less since its establishment.

- The surcharge should be 10% on processed input and final products from infant industries. A flat rate of 10%, which happens to be the maximum agreed by the three countries, takes care of revenue loss as well as protection of infant industry. It is also fairly easy to implement.

However, where either Uganda or Tanzania is importing similar commodities from COMESA, COMESA tariff should apply, in line with the principle of 'General Most Favoured-Nations Treatment' of the WTO General Agreement on Trade and Tariff (1994). In the case of similar imports **SOLELY** from third countries, the surcharge should be 10% or 50% of the CET, whichever is less.

Further, these products, as well as those which may be zero rated should enjoy the provisions of the WTO 'National Treatment Clause'

A request for a higher surcharge than 10% should not be entertained. However, in event that there may be strong case to levy a higher surcharge on certain products, adopting a 10% surcharge may accommodate this request but the phase out period be 8 years instead of 4 years.

(ix) Common External Tariff

The Maximum Common External Tariff should be between 20%-25% as prescribed under the CBI program. A tariff band of 2 non-zero should be considered. The following options, which are suggested taking Uganda's tariff bands into account will need to be explored, through simulations. The final choice should ideally be that which causes minimal adverse effects on the revenue.

- An option would be to abolish the 15% band and to raise the 5% band to 10%.

- The other option would be to abolish the 15% band and to raise the 5% band to the Ugandan level of 7%.

Either of these options will have some negative impact on Government Revenue and Industrialization. The latter will be as a result of upward adjustment of duty on capital goods currently attracting 5% duty. This problem could be hedged by zero rating all products, which currently attract duty of 5%.

As a way forward, therefore, after deciding on the two non-zero tariff band, the Member States should simulate the effects of rationalization of their tariff structure to either of the above-suggested options.

A phase in period will then be worked out based on the impact of the chosen tariff structure on Government Revenue and Industrialisation strategy.

4. ACHIEVEMENTS OF CBI IN POLICY REFORM AREAS

4.1 Foreign Trade

a) Export and Import Licensing

Prior to the launch of the CBI program in 1992, all imports were being subjected to import licensing. Export licensing had been phased out an year earlier (1991).

Import licensing was abolished in 1993.

b) Non Tariff Barriers

Before the CBI program, Kenya was extensively using administrative controls to manage the balance of payments and to protect some industries.

Import quantitative restrictions were abolished in 1993 except for a short list of a few products controlled for health, security and environmental reasons. At the EAC level, the Government supported monitoring and elimination of NTBs.

c) Intra-regional tariffs

In 1992, COMESA tariff rebate was at 50%. This has been increased progressively in line with the COMESA timetable of tariff reduction, to 90% in January 1999. By October 2000, Kenya hopes to raise the rebate to 100%, thus rendering goods from

COMESA countries to access Kenyan market duty free. In the EAC, Kenya, along with Uganda and Tanzania are in the process of working out modality for elimination of tariff on intra EAC trade, as provided for in the EAC Treaty.

d) External Tariffs and CBI harmonisation

In 1992, the number of tariff bands was 11 and maximum tariff on finished products was 70%. In the budget speeches of 1994 to 1996, the maximum rate was reduced to 35% and the number of bands to 5.

By 1999, maximum tariff had been reduced to the CBI recommended level of 25% and non zero tariff bands were 3, in line with CBI program's target.

Kenya is working out modalities for harmonising its external tariff structure with those of Uganda and Tanzania within the EAC framework of co-operation.

e) Trade facilitation

- Kenya implemented COMESA harmonised transit charges in July 1994.
- Road Customs Transit Declaration (RCTD) document has been introduced and COMESA Customs Document to introduced in January 1999 will gradually replace the RCTD.
- Introduction of COMESA Bond Guarantee Scheme is under consideration.

4.2 Payments

a) Financial Sector Reform

The Government has initiated a number of policy measures in the capital and money market since the launch of the financial sector reform programme in 1989.

(i) Capital Market

The development of the capital market, which until 1990 was in the hands of stockbrokers, is now the responsibility of Capital Markets Authority (CMA) established in 1990.

1996 witnessed the introduction of the first venture capital fund in Kenya, the Acacia Venture Capital Fund.

In 1997, in a bid to facilitate development of the market for corporate bonds and commercial papers, the CMA issued guideline on issuance of Corporate Bonds and Commercial Papers.

The final Memorandum of Understanding, which provides for the establishment of a co-ordination mechanism of activities, under the "East African Securities Regulatory Authorities" (EACSRA), was executed on March 1997.

As a policy measure to modernise and develop the capital market, the government has allowed foreign brokerage and funds management firms to participate in this market provided they do so through locally registered companies in which there is local beneficial ownership of at least:

- 30% in the case of fund management firms.
- 51% in the case of brokerage firms.

(ii) Money Market

Reforms in the money market date back to 1989, when the financial sector reform programme was launched. Since then a number of policy measures have been put in place aimed at ensuring a sound financial system. These policy measures include:-

(i) Strengthening the capital base of commercial banks and financial institutions.

Paid up capital has been raised progressively since the 1989 level of KShs15m:- KShs7.5million for a bank incorporated in Kenya and a financial institution or mortgage finance companies respectively, to KShs200m (effective December 2000) for banks and mortgage finance companies and to KShs150m for financial institutions. According to the Finance Act of 1999, the capital base will be increased progressively so that by year 2005 minimum core capital for banks and finance companies will be KShs500m and KShs375m for financial institutions.

For Building societies, minimum core capital was raised from KShs5m to Kshs50million (to be effective by December 2000).

(ii) Banks inspection

The banking Act has been extensively revised with a view to enhancing the powers of the Central Bank to supervise banks and also ensure compliance with prudential guidelines. The Central Bank is now empowered to levy monetary penalties to banks that do not comply with the laid down regulations.

(iii) Decontrol of interest rate

Banking sector lending and deposit interest rates were decontrolled in 1991. Since then, they have been determined by market forces.

(iv) Exchange system

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

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

- On foreign investment in the stock market shares, foreign companies can own up to 40% of the floated Kenyan stocks and shares while individuals can own up to 5% of companies traded in the Stock Market.

- 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

(ii) Domestic Payments and Settlements

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

4.3 Investment

a) Investment Approvals and licensing procedures

By 1992, there were 35 types of investment approvals (General and specific) which investors were required to obtain prior to their commencing investments.

This has somewhat been addressed through the IPC Act, which has introduced a one stop office for investment approval. The Investment Promotion Centre Act has been amended to reduce the number of days for processing an application for investment from 90 to 30 days. Despite this development, there is need for rationalising licensing and approval systems.

b) Investment code

The Draft Investment code is ready and is due for publishing in the course of year 2000. The process, is however tied to the EAC programme of harmonisation of investment incentives, which began in March 2000.

c) Harmonisation of investment regimes

Harmonisation of investment regimes is contemplated in the context of EAC framework of regional co-operation. It is envisaged to be done as soon as the work on investment code in the three EAC countries is finalised.

d) 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, visas are granted on application.

Kenya is committed to removal of the visa requirement for COMESA member states nationals by the year 2000, as stipulated by the COMESA protocol on free movement of persons, labour and service and the right of establishment and residence, which was adopted by the COMESA heads of states on 29 June, 1998.

Meanwhile, Kenya has been granting work entry permits to nationals of Uganda and Tanzania for skilled and unskilled cadre of labour at a fee of KShs10,000 and KShs500 annually, respectively.

In the three East African countries Inter State Pass are in use, while an East African Passport has already been launched.

e) Membership/Participation in investment protection agencies

Kenya is a member of MIGA and ICSID

4.4 CBI Status

a) Status on Addendum to Letter of CBI policy

Kenya has circulated its Addendum to the letter of CBI policy to the CBI participating countries, COMESA Secretariat and the Cosponsors

b) National Program on Road Map for Investment Facilitation

Kenya completed the National program for investment facilitation on 30 March 2000. The program has since been circulated to the CBI participating countries, COMESA Secretariat and the Co-sponsors.


Antsiranana
Mahajanga
Toamasina
ANTANANARIVO
Fianarantsoa
Toliara

Madagascar

1. OVERVIEW OF THE CBI

Madagascar has been involved in the CBI process since its inception participating in the first meeting in Mauritius in 1992 and the subsequent ministerial meeting in Kampala. Madagascar was one of the first to initiate action in line with the Common Programme of Action.

The reason put forward by the authorities in Madagascar to join the CBI was to enhance efforts regarding the then regional integration process in the context of COMESA, the IOC and SADC. This was also the point of view of the public and private sector at that time. Their expectation was to see Madagascar being positioned as a major regional player. The envisaged regional market was also seen as an opportunity for the development of the private sector in Madagascar. Following a reorientation of the general political climate in Madagascar it was felt that the private sector should play an important role in the development and thus participation in the regional integration process. It was also considered as a priority for the government to achieve economic development through regional development and involvement in the regionalisation process.

However the present perception of the CBI in the country is quite contradictory. The public sector feels that the Cross Border Initiative especially through actions carried out by the TWG has been somewhat influential in shaping the regional co-operation policy of the country, though they admit that it is difficult to pin-point its direct contribution. They also consider that it has helped in the macro-economic restructure, more specifically in the trade liberalisation and customs tariff restructure. For the government the CBI process pioneered the idea of initiating a continued dialogue on regional co-operation issues, between the public and the private sector on the same platform. All previous attempts on that subject were more on an ad hoc basis.

On the other hand the private sector feels that its benefits were quite negligible and there has not been enough communication regarding the regionalisation process through the CBI. Some of the private sector operators indicated that they are still confused about the CBI and think that it is a duplication of other regional integration programmes or processes. The private sector also thinks that the TWG has not been very influential in proposing concrete solutions related to the macro-economic liberalisation policy reforms. The private sector feels that most of these actions were already part of recommendations under the structural adjustment programme (SAP) which began implementation in the 90's. These measures coincided with the proposals made under the Cross Border Initiative and therefore the private sector also had the impression that the measures implemented under donor programmes overshadowed that of CBI. The economic liberalisation process as proposed by the SAP in Madagascar concerned more the opening up of Madagascar to the world market than the regional market. For the private sector, the implications of the CBI were not fully understood and the TWG was not a strong enough lobby group to influence policy decisions in the country. Even if there were any such decisions then, they were not really aware of their existence, or they were not properly communicated to the business community.

The specific elements of the CBI that have been useful to the country according to the public sector is the setting up dialogue between public and private sector and also the opportunity given to the latter to be involved very actively. This type of partnership existed previously, but for other aspects of economic development. One of the positive actions that representatives of the government in the TWG claim, is to have made Madagascar become a member of COMESA. In addition The TWG also admits to have continuously supported Madagascar in the IOC (Indian Ocean Commission) projects. The Malagasy TWG also claim to have significantly contributed towards the tariff reduction which was made official in the "Loi des Finances 1995". The private sector feels that the TWG was only a discussion group on its own and no major decisions were taken further to political decision makers.

Regarding the relationship between CBI and the regional institutions, the CBI has helped Madagascar to become a member of COMESA. According to the TWG it has also helped to adopt trade liberalisation and tariff reduction programmes under the IOC PRIDE programme.

On the whole, from information gathered both from the public and the private sector, CBI has only been a process without much influence on the policy decisions regarding the regional co-operation issues. It was set up to enable dialogue between public and private sector on regional co-operation issues but it does not seem to have achieved its objectives. In fact as Madagascar was already in a process of liberalising its economy under SAP programmes and it was more a matter of coincidence that all liberalisation measures regarding trade, investment, payment and movement of persons were undertaken alongside proposals from the CBI.

2. ACTIVITIES OF THE TWG

2.1 Overview of the TWG meetings

The TWG in Madagascar was officially set up by a Decree No 96-737 in 1996. The TWG consisted of representatives from Ministries of Economic Planning, Trade, Industry, Foreign Affairs, Central Bank, Home Affairs, Customs Parastatals. Private sector representatives included the Manufacturers' Association, the Chambers of Commerce and Industry, Syndicate of Malagasy Industries, Groupement des Entreprises and Agricultural and Commercial sector representatives.

The TWG set up a secretariat in 1995 for 6 months and was further renewed for the same period. Due to irregular activities no further contract was given to run the secretariat. The Malagasy TWG since then has been operating without a secretariat.

In fact the only period which the TWG claims to have been working with a coherent team on a regular basis is between 1996 and 1997. However since 1997 meetings were not conducted in a very formal and regular manner. Some members even indicated that they did not attend the meetings on a regular basis given the fact that there were other similar or related committees and there seemed to be duplication. This duplication is also perceived to be one of the reasons for low private sector participation. In addition, Madagascar experienced a number of changes in government and this also influenced the composition of the TWG team.

Meetings have been held regularly except during a short period of 12 months. They were either organised monthly or more frequently depending on the urgency of the matter.

The main issues discussed at the level of the TWG was related to the same four proposed by CBI that is Trade, Investment and Payment liberalisation and also free movement of persons.

The main problem encountered by the TWG was the various changes in government which resulted in changes in the members constituting the TWG. They also had a secretariat for only 2 periods of six months. The rest of the time the co-ordination was carried out through the Chairman's office. The other problems that the TWG had to face was the fact that there was almost no follow up on CBI issues.

2.2 Overview of the sensitisation activities

This situation also explains the lack of sensitisation activities at the TWG level. No workshop, seminars or promotional activities were organised since the beginning of the TWG. Similarly, no studies were commissioned by them.

3. ACHIEVEMENTS OF CBI IN POLICY REFORM AREAS

3.1 Foreign Trade

In the foreign trade area, Madagascar has made tremendous progress comparing 1992 to the present situation. There has been a gradual liberalisation process since 1988 in this area and in 1992 major changes led to the liberalisation of Imports with a few exceptions on wheat flour, luxury items, flora and fauna. This was further liberalised in 1996 with the only exceptions on imports being flora and fauna.

Similarly following reforms in export licensing since 1992 and also 1996, there are no export restrictions and export licensing except for minerals, some flora and fauna items. Some products such as coffee, vanilla and seafood items still have to undergo a quality control.

Non-Tariff barriers

Madagascar has eliminated almost all traditional NTB's. However it still has some restrictions regarding certain norms on the import and export of products, and on the movement of people. Foreigners still need a visa which is now automatically delivered on arrival at the airport.

Intra – regional tariffs

Madagascar has recently (1999) approved an 80% tariff reduction under the IOC PRIDE programme. In fact one of the conditions for Madagascar to benefit from this programme was to adopt the tariff reduction programme. It is expected to completely liberalise within the IOC region by the end of 2000.

Though Madagascar has accepted in principle the tariff reduction programme under COMESA it has however not yet implemented it. In line with the CBI objectives the Malagasy government has decided to reduce customs duties by 90% and to reach a 100% reduction by October 2000. There are still some administrative issues to be sorted out between the Malagasy authorities and the COMESA Secretariat for this reduction to be fully operational.

External Tariffs and CBI harmonisation

Madagascar has been implementing a tariff reduction programme since 1995. Comparing the situation as from 1992 indicates that Madagascar has made significant progress during that period. Coming from a situation where the maximum tariff was 50% in 1992, it has been reduced to a maximum of 30% with an objective of reaching 25% in the coming years. The number of tariff bands have also been reduced to only 6 over the same period. The customs tariff is divided into two categories 1. "Droit de Douane" and 2. Taxe à l'Importation where both combined do not exceed 30%. The tariff reduction process is illustrated in the following figures where the average tariff has been reduced from 21.74% in 1997 to 17% in 1999.

In 2000 the tariff structure in Madagascar is as follows.

Product Category	**Rate**
Raw material	10%
Intermediary Goods	20%
Finished products	30%
Specific Rates	
Maximum customs rate	30%
IOC preferential rate	80%
COMESA preferential rate	90%

As far as CBI tariff structure is concerned, Madagascar is close to the CBI agenda with three non zero tariffs and maximum tariffs of 20-25%. The maximum tariff for Madagascar is 30% and there are no zero tariffs.

Trade Facilitation

In 1988 Madagascar adopted the ASYCUDA and the HS code (Harmonised System) for tariff classification. The customs however indicated that due to problems related to the equipment and lack of trained staff, the ASYCUDA was not operational. Madagascar has furthermore simplified its customs clearance and trade procedures by doing away with the multiplicity of customs and foreign currency declaration documents.

Regarding the introduction of single goods declaration document, the customs authorities indicated that this will not be implemented soon due to the large number of customs offices which would require vast staff training programmes.

Customs Valuation

Madagascar has not yet adopted the GATT Valuation Code which was expected to be due this year.

Pre-shipment Inspection and Import Verification

Madagascar hires the services of Bureau Veritas for pre-shipment services regarding the customs valuation and import value verification purposes. However this applies only for imports exceeding US$ 3500. Both the private and public sector find this procedure inefficient and is seen as a hindrance to trade rather than a facilitator.

3.2 Payments

Financial Sector Reform

As in the previous cases, all reforms in the financial sector cannot be attributed to the CBI but to already existing Structural Adjustment Programmes. In fact these reforms are again in line with the recommendations of the CBI policy reforms.

Between 1992 and 2000 the financial sector has been implementing important reforms. These mainly concern the elimination of state monopoly on financial institutions, the redefinition of the role of the Central Bank with increased autonomy, liberalisation of the banking system and also setting the right legal framework for the development of Financial Institutions.

Having started since 1988, these reforms have enabled foreign (mainly regional) financial institutions to set up in Madagascar. These allowed Banks such as the Mauritius Commercial Bank, Credit Lyonnais and BNP to start operations in the 1990's. In 1994 new banking laws were put in place to give more autonomy to the Central Bank regarding the stabilisation of the local currency.

Under the same law a Banking and Financial Supervision Commission (Commission de Supervision Bancaire et Financière – CSBF) was set up to ensure adequate supervision and the development of a healthy financial sector. It also ensures that financial institutions abide by prudential guidelines and directives as well as encouraging competition in the sector.

In 1995, another law, No. 95-030, was passed which legalised the establishment of «Off-shore» banking operations and also new services such as leasing.

Exchange Systems

Following the abolition of exchange controls, Madagascar introduced an inter-bank foreign exchange market since 1995 thus allowing the value of the Malagasy franc to be determined by market forces. The role of the Central Bank is therefore only to stabilise the market. Traders can thus freely obtain foreign exchange and are also allowed to have foreign currency accounts while exporters are allowed to repatriate their export earnings. Bureau de change activities have also been authorised to operate under licence.

Madagascar has also signed Article VIII of the IMF Articles of Agreement in September 1996 facilitating the removal of restrictions on current account transactions. Therefore, transactions involving foreign exchange such as repatriation of profits and dividends, foreign currency transfers for educational purposes and foreign exchange allocations for travel overseas have been liberalised.

For more efficient transfers the SWIFT (Society for Worldwide Interbank Financial Telecommunication) network is also operational in Madagascar.

Regarding Capital Account Transactions, the Malagasy government has liberalised all inward investment flows. However capital flow outside the country is subject to administrative authorisation.

3.3 Investment

Investment Approval and licensing procedures

In order to simplify investment procedures and deliver the relevant licenses the Malagasy government set up a one stop shop (Office de Guichet Unique – OGU) in 1992 within the Ministry of Private sector Development and Privatisation. This OGU was mainly operational under the Investment Code and the Export Processing Zone Régime. However the Investment Code has now been repealed due to abuse of the investment incentives. As a result the OGU exists only for the Export Processing Scheme.

On a parallel basis a new service has been set up within the Ministry of Industrialisation and Craftsmanship called "Espace Promotion des Investissements (EPI)". It also provides assistance by way of legal services and documentation within that Ministry.

Company Formation/Registration

The government has established a 'Centre for the Facilitation of Company Formation' (Centre de Facilitation de Creation d'Entreprise – CFCE). It is a free service has been established for business facilitation and company formation and falls under the responsibility of the Ministry of Privatisation and Private Sector Development. The delay for registration normally takes one week and is a sine qua non condition for incorporating a company in Madagascar.

Export Processing Zones

The only specific investment regime existing in Madagascar at present is the Export Processing Zones (EPZ). This regime was set up in 1989 to boost the export oriented enterprises. The Export Processing Zones are not specific to one area but scattered all over the island. As a result a number of companies mainly in the textile sector have been set up in the last five years. On the regional front there are quite an increasing number of Mauritian companies who have started operation in Madagascar under this regime.

There is no discrimination as far as investment procedures are concerned with both the local and foreign investor treated on an equal basis. Restrictions such as maximum equity acquisitions for either local or foreign investors no longer exists. Operations of multinational enterprises are governed by the COMESA Multinational Industrial Enterprise Charter (COMESA MIE Charter) to which Madagascar subscribes. Madagascar thus does not impose any protection restrictions on the operations of multinational industrial enterprises.

In terms of investment protection Madagascar is a member of the Multilateral Investment Guarantee Agency (MIGA), and has signed Double Taxation Agreements with Mauritius (1995) and the Reunion - through France – (1993). Madagascar has plans to sign more agreements with other countries – including none CBI participating members.

Facilitation of the Movement of Persons

Compared to the situation prior to 1996, obtaining a visa is no longer a problem in Madagascar. Visas are now issued at the Airport upon arrival or in the Malagasy Diplomatic Missions abroad. Those employed on a permanent basis can also obtain their residence and employment permits easily through their relevant embassies. Usually for such permits 15 days should be enough but in practice such permits can take as long as 3 months. They require to be scrutinised by the Interior Police, the Immigration Department, the Ministry of Labour (for employment permits) and the Interior Ministry.

It should be noted that Madagascar is also looking into the possibility of ratifying the COMESA Protocol on Relaxation and Eventually Elimination of Visas as soon as negotiations and all prerequisites are ready.

3.4 CBI Status

The Letter of CBI Policy

Madagascar was one of the first countries to prepare the draft Letter of CBI Policy in 1994. After presenting a revised version in 1996 followed by a discussion with a team of IMF-WB, the CBI Policy letter was sent to the co-sponsors in July 1997. Comments from the co-sponsors were sent back to Madagascar towards the end of the same year.

The Malagasy letter of CBI policy has been supporting the measures proposed by the Concept Paper and was also in line with the Economic policy framework of the government for the period 1996-1998. The letter confirmed the commitment of Madagascar in the area of regional co-operation which was also seen as being complementary to macro-economic measures under the ongoing structural adjustment programme. One of the positive actions resulted in the ratification of the membership of Madagascar into COMESA.

Regarding the CBI agenda, it must be pointed out that Madagascar was also part of a trade and investment liberalisation and exchange programme called PRIDE (Programme Régional Intégré de Développement des Echanges) under the Indian Ocean Commission. Some of the measures proposed under CBI were also similar to those conditions prior to the disbursement of funds for PRIDE. This therefore implies that the measures being implemented by Madagascar were not solely initiated by The Cross Border Initiative.

The measures taken by Madagascar in the letter were therefore mainly related to those already proposed under the SAP which started before 1992. Regarding the LCBIP it was thus indicative of the actions already taken and the plans for future measures. The actions under CBI were therefore seen as an audit of existing constraints and also the proposed solutions within a defined timeframe.

Status on the Addendum to the Letter of CBI policy

The Addendum to the LCBIP is still under consideration. It has not yet been finalised given that the TWG is not operating on a regular basis. In Madagascar the Policy Implementation Committee was never formally set up but all work related to CBI is monitored by the Technical Working Group. It is expected to produce the addendum in the near future.

4. FUTURE OF THE TWG AND CBI

Both the public and private sector representatives believe in economic development through regional cooperation. Madagascar is a fully-fledged member of the Indian Ocean Commission, COMESA and the IOR and has been closely monitoring activities under these organisations. There is also a strong feeling from both political decision makers and the private sector that the SADC region also represents an economically viable regional grouping.

The participation of Madagascar in the CBI has propelled it further on the regional scene but at the same time it had already been involved in a process of economic reform with objectives similar to those under the CBI agenda. As these reforms have been implemented at the same time as the CBI process it is difficult to measure the level of influence that the TWG has had in shaping Madagascar's regional policy. The private sector feels that Madagascar has not benefited fully from the CBI and also that information has not been properly circulated. They also indicated that the majority of private sector operators have little knowledge of the regional cooperation process and its implications for Madagascar. Malagasy companies have only recently started to be actively involved in the regional integration process. For a few years they were more preoccupied with local problems.

Regarding the future of the TWG and the CBI agenda, a new committee CODRA (Comité pour la Dimension Régionale de l'Ajustement has recently been set up as a think tank on regional cooperation issues. In fact, it is seen as an extension of the TWG. The task of this new committee is to look deeper into the regional cooperation aspects of the ongoing adjustment programme. The committee consists of members who have been co-opted from the TWG. However though the administrative process in place they have not yet formally started discussions.

Along the same lines, a World Bank study on the positioning of Madagascar in the context of regional cooperation will soon be launched by the CRC Consultative Committee on Competitiveness (Comite de Reflexion sur la Competitivite- CRC). The CRC is a representative organ of the private sector which seeks to build the capacity of its various constituent private institutions and organisations in policy formulation and analysis with particular reference to improving the competitiveness of the Malagasy economy. The CRC believes in the regional integration process and that it is a stepping stone for the development of the private sector in Madagascar.

The results expected from this study will be vital for defining the regional policy of Madagascar. As the CRC pointed out, Madagascar is at the cross roads and seems to be confused vis à vis its membership in so many organisations in addition to potential ones like SADC. Is Madagascar ready to be involved in all of them? Which ones would be the best? What are advantages for Madagascar ? These are some of the questions that probably should have been asked at the outset of the CBI but still remain unanswered. Through this new study and the actions undertaken under CODRA, Madagascar will probably make use of similar consultative process as the TWG to position itself on the regional market.

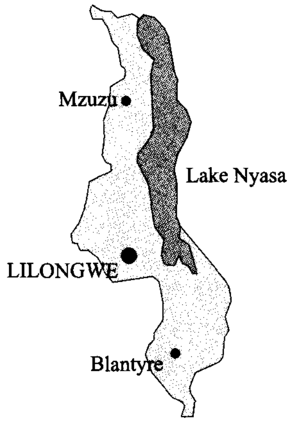
List of TWG members in Madagascar

Public Sector:

- M. RAJAOFERA Henri (Direction des Douanes)
- M. VIA Richard (Ministère des Affaires Etrangères)
- Mme RAZOELINIRINA Voahangy (Ministère de l'Industrie et Artisanat)
- M. RAZAFITRIMO Solofo (Ministère du Commerce) – Conseiller à L'ambassade
- Mme RABENJA RAMIANDRISOA Clotilde (Banque Centrale)Direction. des études
- M. RAJAOBELISON Andriantsoa (Ministère de l'Economie et du Plan) Président du GTT
- M. RAZAFINDRAKOTO Gilbet (Banque Centrale)
- M. RASOLOMAMPIANINA Jeannot Fidèle (Ministère de l'Intérieur)

Private Sector:

- M.RAZAFY ANDRIAMITANTSOA Barphil (Chambre de Commerce, d'Industrie et d'Agriculture
- M. RAMANANTSIAROVANA Marcel (DG "TAOBAVY", Syndicat des Industries de Madagascar) Vice-Président
- M. ANDRIANISA Henri (DG "BLANCHE BIRGER", Groupement des Entreprises de Madagascar)
- M. RABEMANANTSOA Emile (DG Sté "ELATRA", FIVMPAMA)
- M. RAZAFINDRATSIMBA Gilbert (Conseil Economique et Sociale)
- M. RATSIMBAZAFY Armand (Union des Artisans de Madagascar)
- M. RAMAROSON Laurent (FEDMINES)
- M. RASAMIMANANA Olga (SOMET)



Malawi

1. OVERVIEW OF CBI ACTIVITIES

1.1. History of CBI Participation

Following the 1992 Harare Workshop and in accordance with the Common Programme of Action (CPA) for the Cross- Border Initiative (CBI), Malawi undertook more work to define and refine its country status in relation to the CBI agenda. Though the CPA was not extensively publicised, consultations were held with key government departments, parastatal organisations and the Chamber of Commerce. During 1993, the Policy Implementation Committee (PIC) and the Technical Working Group (TWG) were established. The Malawi TWG produced a report for that was presented to the Harare workshop in December 1993. During this workshop the CPA was finalised and accepted by the donors. However, as civil agitation and the clamour for political change intensified in that year leading to the referendum (1993) and multi-party elections in 1994, the CBI agenda temporarily went out of focus. No secretariat was appointed form October 1993 to the end of 1996. CBI issues were discussed generally within the Ministry of Finance(MoF) with the occasional representation from other ministries, MIPA, MEPC and MCCI, The decisions taken during this time where generally those made in line with overall MoF policies and principles.

From 1995-97, good economic policies contributed to a strong average annual growth of 9 percent. However, in 1997/98, the pace of reforms decelerated and expenditure control weakened, leading to a lower GDP growth rate of about 5 percent over that period.

While economic integration has been faithfully pursued and the country has largely been on course in the regional integration under the broader COMESA agenda in areas of trade and general economic liberalisation, liberalisation of the payment system, investment deregulation and streamlining of approval procedures, management and co-ordination of CBI has not been adequate. The main reasons for this may be attributed to shortage of staff in the MoF, inadequate management by the respective TWG chairs and the political situation in the mid 1990's.

The TWGs met erratically from 1996 to 1999, usually when there was pressure to meet donor obligations, brief the cabinet or when there was a need to attend CBI TWG and Ministerial meetings. A permanent secretariat was only appointed from July to December 1998 and from July 1999 to April 2000

The Malawian economy is heavily dependent on external assistance from bilateral co-operating partners and multilateral institutions and agencies especially for major infrastuctural works and other capital projects. This allowed the donors to push the desired liberalisation processes and initiatives and achieve some desired liberalisation process under the CBI agenda even if these changes were the result of other initiatives.

1.2 Perceptions of the CBI process

Being an integration initiative, the CBI agenda is still largely unfulfilled. Should the Initiative be discontinued at this stage, the danger of policy reversals and nefariously competitive, nationalistic interests arising is very high. The government remains firmly committed to the CBI process and its successor the Regional Integration Forum.

The private sector, however still has little knowledge of the CBI process and requires nurturing, especially in matters of competition within the region. Many of the broad trade issues such as infant industry protection, anti-dumping and countervailing measures still require a lot of clarification to the region's business community. However the effects of the tariff lowering are keenly understood by the business community

The aspect of global integration did not overly effect Malawi's business community during this phase of the Cross-Border Initiative. The main focus during this period was on national policy formulation, regionalism and regional trade integration via the various Multi and Bi-lateral trade agreements. Therefore, integration into the global economy was not given sufficient focus. The evolving rules-based trading system under the World Trade Organisation was only referred to in a cursory manner. It will, however, become increasingly important for Malawi to synchronise its WTO obligations with it's regional commitments and undertakings. This process begun in Malawi with a workshop for the private sector in November 1999 to focus on the WTO and the Seattle issues. DFID are funding a programme to build capacity in Malawi's institutions and within the private sector to deal with the various trade and investment initiatives that Malawi is party to both regionally and globally.

Against this back drop of a heightening awareness of trade and globalisation, the desire of the private sector to understand all the processes that effect the Malawian and regional economies is growing. The renamed Trade Policy National Working Group, it is hoped, will be the catalyst that will heighten the awareness and understanding of the CBI/RIF process in Malawi.

1.3. Relationship with SADC

SADC continues to hold the highest profile in Malawi at present owing to the all the negotiations pertaining to the implementation of the SADC FTA in September 2000. Malawi has limited resources in the respect of trade negotiations and has, therefore, thrown all these resources at these SADC negotiations in an attempt to secure the best position for Malawi. The demand on these resources was further compounded by the crises that arose over the South African/ Malawi Bi-Lateral trade agreement. This effectively sidelined the CBI as a trade initiative. There is a well focussed National Working Group on the SADC Protocol on Trade which is chaired by the private sector and meets regularly. It is fully representative of the private sector and the GoM. The Ministry of Commerce and Industry is receiving good support on the SADC trade protocols, which has allowed to produced a coherent offers to SADC that is fully supported by all of the relevant stakeholders involved. The CBI falls under the Ministry of Finance whose primary focus is not trade. Therefore the CBI is not benefiting from the donor support to the Ministry of Commerce and Industry and is being side lined by other issues of more core interest to the MoF. Because South Africa is Malawi's major trading partner, Malawi tends to focus more on SADC and its Bi-Lateral agreement with South Africa.

The CBI has however progressed well in spite of these restraints. As it is an voluntary initiative CBI has worked well with the SADC agreement. The main issue is the competitive nature of the different tariffs offered under the CBI, Comesa and the various Bi-laterals.

1.4 Relationship with COMESA

Malawi has done well in its implementation of its commitments with respect to the COMESA treaty. However, there is very little consultation with the private sector on COMESA- the Ministry accepts that this is a problem that needs to be addressed. There is an inter-Ministerial Trade Agreement Working Committee (which the Malawi Chamber of Commerce and Industry is invited to attend) that examines issues related to COMESA. The sectoral Ministries and the central bank are responsible for issues relating to their respective areas of responsibility. The major COMESA issue currently is how quickly Malawi should move on the liberalisation of imports of agricultural produce from the other COMESA members. There is commonality of members between the CBI and Comesa which means that there is no competitiveness between the two in Malawi. The main problem is that Comesa is run by the MoCI and CBI is run via the MoF. There is the usual poor communication between the two ministries which causes a lack of focus the common issues.

Tariff Preferences on Bilateral Agreements

In addition to its regional obligations, Malawi accords and/or receives preferential market access for products from/to a number of countries with which the country has bilateral agreements. Malawi is also negotiating other agreements with some neighbouring countries such as Zambia and Tanzania. As these agreements are mostly duty-free arrangements, they are contributing to speeding up the integration of Malawi in the region, even if it is only in the field of trade. It is consequently, very easy for Malawi to implement regional trade preferences either under COMESA or the initial fast-track measures under the CBI. Existing bilateral agreements are: -

a) Malawi - Botswana Trade Agreement

b) Malawi - Mozambique Agreement

c) Malawi - Republic of South Africa Bilateral Trade Agreement

d) Malawi - Zimbabwe Free Trade Agreement

2. *ACTIVITIES OF THE TWG*

2.1 Overview of TWG meetings

With the SADCC concept still being developed in the early 1990's and the isolation of South African meant that the PTA was the main vehicle for change in the region and Malawi. Therefore in the early stages of the CBI the process was accorded an appropriate level of importance. The TWG met regularly in 1993 and 1994 with the chair always being from the Ministry of Finance. The first Chairman was Dr. Henry Ngombe (the present Director of the National Economic Council). The TWG was good blend of public and private sector with representation from the Ministry of Commerce and Industry, the Ministry of Economic Planning and Development, MIPA, MCCI, MEPC, Customs and excise, Press Corporation, Grain and Milling, Admarc, the Okhai Group of Companies, National and Commercial Bank of Malawi. The TWG from time to time invited members from other sectors and industries when these sectors were on the TWG meeting agendas.

The TWG during this period was well managed by Dr. Ngombe and helped to make Malawi one of the leading participants of the CBI process. By early 1995 Malawi together with Zambia ahead of the implementation requirements of the CBI.

From late 1994 till early 1997 there was no official TWG owing to the political environment mentioned earlier in the report. The TWG were revived under a series of chairs through to the present Chairman, Mr. Patrick Kumwendo who was appointed in late 1998. Prior to Mr. Kumwendo's appointment the TWG was poorly managed with the first chair person dying and his successor being away on study leave for over one year. The hand over procedures from one chair to the next was poor. No secretariat was appointed until mid 1998. The composition of the TWG during this period was more skewed towards the public sector as shown in Annex 1. The private sector was represented by MCCI and the SADC Free Trade Area (FTA) National Working Group (NWG) Chairman. The SADC FTA NWG had representatives from all sectors of the Private Sector. However their presence at the TWG meetings was sporadic leading to the membership being heavily skewed towards the Public sector. During the period the meetings were not regular but rather were held in response to donor demand and the need to meet their conditionalities.

The key areas covered during the CBI process were generally focused the fast track liberalisation process of the CBI and the wider Comesa trade liberalisation agenda. This typical focused on such issues as

- The impacts that the lowering of tariffs had on the various sectors of the economy.
- Non tariff barriers and how to remove them internally, and how to lobby for their removal externally
- The impact of the export taxes and how to remove them
- The process of accepting the GATT valuation codes
- The methodology of narrowing the dispersions of the tariff structure
- The effects of the overlapping objectives of other donor driven parallel initiatives to the CBI. ie

- The Industrial and Trade policy Adjustment credit of 1988 to 1993
- Enterprise Development and Drought Recover Process of 1992 to 1996
- The Fiscal Restructuring and Deregulation Programme 1996 t0 1999
- The ESAF's an SAF's
- The impact of the various trade agreements that Malawi is signature to i.e.
  - The SADC FTA
  - Zimbabwe Bi lateral
  - RSA a symmetrical Bi-lateral
  - Lome
- The introduction of the CBI road map for investment and its implications

In summary Malawi has achieved most of the goals as set out by the CBI Letter of Policy primarily via other parallel donor driven initiatives. The major problem faced were

- The continuity of the TWG chair and the regularity of its meetings.
- The CBI was never well known by either the public or private sector as the sensitisation process never really happened.
- The junior level of representative that attended TWG meetings. There was a distinct lack of decision makers who really understood the issues in attendance. This meant that decisions were made by the ministry of finance with minimal consultation and usually under time pressure.

2.2 Overview of Sensitisation Activities

The sensitisation of the different sectors of Malawi to the CBI has been very poor. This is due largely to the erratic history of the TWG and its lack of consistency in both its meetings and representation and the junior level of representatives who were assigned to attend the TWG meetings. No workshops, advertising or other sensitisation processes where actually carried out over the past six years.

The formation of The SADC Trade Protocol National Working Group in 1997 has helped to sensitise the Malawian private sector to trade issues. This national working group is chaired by Neville Williamson, the Managing Director of David Whitehead and Sons. It has good representation from all areas of the private and government sectors. The private sector has been fairly ignorant of the status and contents of the various trade agreements and initiatives that Malawi is signatory to. It has been the task of this NWG to sensitise them to the issues and to provide a forum for debate and input. The regional negotiations on the implementation of the SADC Free Trade Area has acted as a catalyst to bring the private sector openly into the debate. The NWG recently changed its name to the Trade Policy National Working Group and is now focused on all trade and investment related issues in Malawi. It is the desire of the CBI TWG to be fully represented on the Trade Policy NWG. Mr Williamson the chairman of the NWG is a working member of the CBI TWG.

It is the intention of the TWG to run a road show similar to the one run by the SADC secretariat and the Trade Policy in February 2000 to sensitise the Public to the CBI and other elated trade agreements and their inter-relationships. It is believed that this approach would achieve more than just focusing on individual trade issues within Malawi.

2.3 Overview of Studies Undertaken

Only two major studies were carried out directly under the umbrella of the CBI. Many other studies were conducted under other initiatives that had a direct bearing on the CBI.

2.3.1 Study to Analyse Malawi's Non Traditional Exports and their Potential for Growth

This study was commissioned in October 1997 and completed and accepted at the end of September 1998 by Chulu and Associates. The reports main conclusions were

Main sectors identified for development were: -

- Hand Crafts
- Apparel Industry
- Biscuits and confectionery

- Gemstones
- Cut Flowers
- Ceramics
- Timber and timber based products
- Canned fruit juices

The usual barriers to investment were highlighted, i.e. Utilities, TEP's (Temporary Employment Permits), road networks, telecommunications, NTB's, Labour relations act, the investment climate etc.

It was further suggested that the way Malawi markets itself and the research on foreign potential markets should be radically improved. It was requested the funds be made available to target studies on how to improve this situation.

The report highlighted the positive developments by the introduction of EPZ's, the introduction of special tax concessions, the removal of surtax on some domestic products and the liberalisation of interest rates.

The report was considered to be weak in the following areas:-

- Identifying the relationship between the various acts in Malawi and their effect on investment.
- Did not address tourism at all
- Did not address the present perception of Malawi in both the regional and international markets.
- The difficulties in obtaining JV partners in the identified investment sectors was not analysed.
- The effects of all the regional trade agreements on the identified investment sectors.
- It did not do a comparative study in the region of these identified sectors to assess the competitiveness of the industries and the synergy, if any of similar projects in the SADC/Comesa region

2.3.2 CBI Impact Study

A study was undertaken on the Impact of the CBI on the Malawian economy by Professor Colin McCarthy of Stellenbosh University in South Africa and his associate under the context of 'Economic Liberalisation in Sub-Sahara Africa with special reference to Malawi and Zambia'

This study highlights the following conclusions on CBI's impact to the Malawian Economy:

- Malawi's initial post-independence economic strategy lead to large distortions and inefficiencies. These became increasingly obvious as exogenous shocks began to hit the economy. There is therefore little doubt that structural reforms were necessary for the economy to be put on an efficient growth path. What is more questionable is, whether the sequencing and pace of the reforms was appropriate given the unique structure of Malawi's economy.

- Malawi's liberalisation opened up firms to regional competition, causing a decline in manufacturing output. The desired goal of Malawi's firms to grow into the export markets has not been realised in any meaningful percentages. There has been a necessary expansion in the trading sector, which was formerly suppressed. This caused a shift in foreign exchange allocations towards imports of consumer goods at much lower prices. Although this always provides competition for previously protected industries it can not be avoided in a global environment of growing liberalised trade regimes. The long-term benefits such as the anticipated upsurge of non-traditional exports, it is hoped, will materialise over a more long-term timeframe.

- Agriculture remains the dominant source of employment, growth and export earnings, with little shift of output to the other sectors. Malawi's comparative advantage still lies in labour intensive production. Provided that industries grow in response to larger regional markets, the net impact on employment is likely to be positive.

- CBI trade accounts for a small proportion of Malawi's imports and exports, limiting the initiatives impact on domestic industry. The analysis has shown that there has been little significant change in the composition of Malawi's imports for the years where data is available. On the export side, there is evidence that there has been some diversification towards non-traditional products since 1990, particularly for textiles.

- Exports to CBI countries have grown at a faster rate than exports to the rest of the world suggesting that lower tariff barriers in the region have assisted Malawi's exporters.

- Although intra-CBI trade is of small significance, CBI has supported Malawi's trade liberalisation strategy and has assisted in integrating Malawi's economy into global markets

- Liberalisation has not lead to any increase in investment levels in Malawi. This is partly due to the uncertainty that dramatic reforms create as potential investors often take a 'wait and see' attitude to the outcome of the changes that result. Investment is dependent on the overall economic climate and there are many other economic constraints to be addressed.

- Much of Malawi's industrial base and manufacturing sector is highly import dependent for their inputs due to little domestic vertical integration. Malawi is a long way from markets, has a poor infrastructure and cannot easily compete against producers in such countries as Zimbabwe whose operating costs are so much lower. This immediately puts Malawi's industry at a competitive disadvantage. The CBI has done little to rectify this imbalance.

- The study found that there are a great number of structural and economic constraints that Malawi's domestic industries face. It was recommended that liberalisation only be accompanied with infrastructural reforms and improved institutional support in areas such as marketing and technology transfer. The opening up to regional and global markets is a dramatic conditional change for industry. No matter how much firms strive to make efficiency gains, and no matter how suited the industry may be to Malawi's conditions, this will be a shock. Under a framework of dilapidated infrastructure, an unstable economic environment and inappropriate industrial policies, this shock may prove too much, and lead to the permanent collapse of well established firms.

- Industrial development is a long-term process and until an established base is formed, it is desirable for Malawi to maintain some protective barriers, in order to enable its "infant industries" to grow up. In future negotiations concerning the CBI roadmap, emphasis should be put on the low level of development of Malawi's economy and on the fragility of her industrial base. Due to the differing levels of development within the CBI region, integration has already resulted in an unequal distribution of the costs and benefits, in favour of more developed member states.

- Malawi's domestic markets are generally too small for investors to be attracted without fruitful export markets. Hence Malawi must remain committed to the CBI agenda, but emphasise that liberalisation must be uniform throughout the region, with provisions available for the least developed member states to hold back in the pace of liberalisation for a temporary period.

- Although it is explicitly catered for under the Uruguay round of the GATT agreement, CBI fails to provide for differential treatment for the least developed countries. The de-industrialisation of weaker economies such as Malawi has been ignored, and there is no compensatory mechanism. Malawi should be very careful in considering further liberalisation, as its base is weak, as was demonstrated by the failure to adjust to the devaluation of August 1998. These issues must be addressed, and Malawi's industrial base must be strengthened before further reforms are considered or agreed to. If CBI is to be of any benefit to Malawi, then the liberalisation undertaken in the programme should not be pursued in a multilateral context. Lesser developed member states should be given the option to liberalise at a less rapid pace, as adjustments to the inefficiencies accrued under heavy protection will take longer.

SUMMARY

Although it is appreciated that trade liberalisation is in Malawi's best interests in long run, care must be taken with sequencing, and with ensuring that reforms take place on a level playing ground. Special care should be taken in reducing the maximum tariff rate and moving towards a Common External Tariff. Increased levels of import competition are initially taking place primarily on a regional basis. This is a necessary way of exposing domestic industry to some competition. However this competition is controlled as Malawi's trade barriers are relatively controlled to the rest of the world. Such a structure should be retained for some time, allowing industries to develop and modernise. Only later, once industries have emerged domestically that have proven competitiveness on the regional markets should Malawi open fully to global market forces.

3. ACHIEVEMENTS OF THE CBI IN POLICY REFORM

3.1 General Economic Overview

The CBI being a fast track initiative was set against the back drop of a series of structural interventions in the Malawian economy since 1979. These were further complicated by Malawi's membership and participation in various trading agreements.

The following is a brief summary of economic conditions of, and interventions in, the Malawian economy over the past twenty years to help set the CBI in the context of the overall developments that have taken place.

The initial adjustment effort began in late 1979 and took the form of a standby facility loan from the IMF. The components of the adjustment programme were typical of those instituted throughout the developing world at the time: diversification of revenue sources; reduction of public expenditures; reduction in new credit; diversification of credit to the private sector; and rationalisation of interest rates. However it was largely unsuccessful, largely due to the unanticipated impact of the war in Mozambique, which became apparent in the midst of the adjustment operation. Credit ceilings were exceeded and other targets were not achieved, a situation aggravated by the need to borrow to import maize during the drought emergency.

Another standby loan was negotiated to last through to mid 1982, but again, was largely unsuccessful in stabilising the economy. The continued importation of food, the lack of success in generating new revenues, the high level of interest payments, and the insolvency of parastatals and its impact on the viability of the commercial banks, all contributed to a continued crisis in the balance of payments and fiscal deficits.

Despite, or perhaps, in reaction to these failures, the government was successful in reaching agreement with the World Bank for the first tranche of a structural adjustment loan (SAL 1). Many of the objectives of the loan were similar to the suspended IMF standbys, including the restoration of equilibrium in the internal and external account balances. In addition, there was emphasis on restoring growth through improved resource management, institution building, and price policy and marketing arrangements. To improve the balance of payments, increased exports of smallholder crops were targeted, primarily through price-orientated adjustment. Efforts were also made towards improving the efficiency of ADMARC.

The pricing of numerous other commodities and of wages were also reviewed with a view to improving flexibility. Public utility rates were raised to address the growing dependence on imported fuels. The exchange rate and interest rates were also frequently reviewed.

A second adjustment operation (SAL II) was signed in 1984, which was intended to continue the reforms initiated in the first phase. In addition, two further important issues were addressed.

1. Under the loan, government was committed to remove the entire fertiliser subsidy by 1985/86.

2. Government agreed to procure and distribute fertiliser to smallholders and to contribute to the establishment of a fertiliser revolving fund. Malawi also committed to rationalising ADMARC's operations, and increasing the role of the private sector in agricultural marketing and distribution.

Government's adherence to the guidelines realised the approval of SAL III towards the end of 1985. In this agreement, new commitments were made to complete the agricultural price liberalisation programme so as to serve the goals of food self-sufficiency, export promotion and crop diversification. As well as this, an active exchange rate policy continued and measures were taken to complete the development of an export promotion policy. The government also committed itself to strategies for restructuring of the tax system and improving public sector management.

During 1986, growth rates faltered, and the economy once again showed signs of weakness. Government failed to reach agreement with the IMF for the extension of further facilities for 1986 and 1987. However, SAL III was extended with the World Bank in early 1987. Several rectifying measures were taken by government and a new fiscal programme restraining expenditure and generating revenues was also designed.

By mid-1988, government, working with the World Bank and IMF, adopted a shadow stabilisation programme designed to reduce the fiscal deficit. Meanwhile, the World Bank expressed an intention to move away from broad based SALs to a series of policy based sectoral operations, designed to address remaining structural constraints in the key productive sectors. An industrial and trade policy adjustment credit focussed on the liberalisation of the foreign exchange allocation system, the promotion and establishment of an appropriate exchange rate policy, and various measures designed to encourage the export sector. The removal of restrictions to the entry of new firms in industry was also committed to under this programme.

An agriculture sector adjustment credit approved in 1990 included agreements to legalise the production of burley tobacco among smallholders and to discourage the transfer of land from smallholders to the estate sector. Malawi's adjustment strategy changed focus and began to put further emphasis on smallholder agriculture as the engine of growth, largely through the liberalisation of agricultural policies. Steps were made to promote the private sector and competitive markets to provide incentives for growth, and move away from the previous reliance on parastatals and private oligopolies. Efforts were also made to re-orientate expenditure policy towards social services and other programmes which benefit the poor.

A sequence of shocks, including the two droughts in 1992 and 1994, as well as the suspension of non-humanitarian balance of payments assistance from donors in 1992/93, and a significant weakening in budgetary control ahead of the 1994 elections, led to a major deterioration in Malawi's economic conditions during 1994 and early 1995.

It 1992 the government committed Malawi to CBI. Given the difficult economic conditions Malawi remained firmly on track with its implementation of the various polices especially in the area of trade liberalisation.

In early 1995, government adopted a medium-term economic programme supported by an arrangement under an Enhanced Structural Adjustment Facility (ESAF), with the objective of laying a basis for a recovery of economic activity. This objective was to be met through the re-establishment of financial discipline and a reduction in domestic and external imbalances to attain a more sustainable balance of payments position and accommodate of pressing social needs within the overall fiscal constraints. To achieve this, the underlying strategy targeted a major fiscal adjustment, a tightening of monetary policy, a deepening of structural reform, especially in the agriculture sector and a reduction in the concentration of ownership within the economy and the liberalisation of trade. It was hoped that there would be a reversal of the structural presence of a highly dualistic agriculture sector, which was at the same time highly vulnerable to drought. The largely monopolistic industrial sector was strongly orientated toward the small internal market and uncompetitive in the wider regional and global markets.

Under this programme, Malawi's economic performance strengthened considerably, with growth in real GDP of 9.0 per cent in 1995 and 9.5 per cent in 1996. A cash budget system was introduced to strengthen expenditure control and the budget deficit was reduced. Structural reforms included liberalisation of smallholder agriculture, liberalisation of international trade and reforms to the civil service and public enterprises. The reforms to smallholder agriculture boosted smallholder production by 39.8 per cent in 1996. In the area of international trade, import and export taxes were lowered, and specific export and import licenses were removed. A legal and institutional framework for privatisation was set up, and substantial progress was made in restructuring some public enterprises and preparing them for privatisation.

The second year ESAF arrangement was approved in December 1996, with the aim of achieving a strong rate of economic growth supported by the continued liberalisation and diversification in economic activity, further reductions in the budget deficit, lowering the rate of inflation and strengthening further the balance of payments position. As well as this, structural reforms in the programme emphasised civil service reform, privatisation, agricultural reform and trade liberalisation.

Malawi's economic performance deteriorated somewhat in 1997. Economic growth slowed to 5.2 per cent in 1997, largely caused by the drought and floods experienced in some parts of the country. The budget deficit also increased dramatically in the latter part of the year due to fiscal mismanagement. Dwindling foreign reserves increased the cost of imports and created inflationary pressures and necessitated depreciation of the Kwacha from around MK15/US$ to MK25/US$ by January 1998.

During 1998, economic activity remained low, largely as a result of low international tobacco prices and the East Asian financial crisis which saw the value of the Kwacha depreciate further through the year to K44/US$ by September 1998. This saw a large increase in the rate of inflation and a resultant fall in domestic demand. As well as this domestic industry suffered from rising costs of inputs. During 1998, inflation averaged 29.7 per cent, with the end of year rate as high as 53 per cent. Despite a 8.9 per cent growth in the smallholder agriculture sector, the growth in GDP is estimated at just 3.3 per cent for 1998, with a 0.8 per cent fall in manufacturing value added. However fiscal discipline was regained during the year and the authorities managed to negotiate (after a one year suspension) for a third tranche from the IMF under the ESAF programme in November 1998, a sign that the international community was impressed by the progress of government's economic management.

Faced with these new economic pressures, the government has decided to substantially tighten its financial policies and accelerate the process of structural reform. On the revenue side, there are ongoing plans to rationalise the tax structure, including efforts to further liberalise external trade and broaden the tax base, as well as to improve tax administration through the creation of the autonomous 'Malawi Revenue Authority' (MRA). Such fiscal discipline is crucial to the country's development, in order to avoid crowding out of private investment. Large fiscal deficits have meant that the private sector has been a net lender to government for most of the adjustment period.

Overall, the reform programme undertaken by Malawi has dictated economic policy for an entire decade. Combining World Bank structural adjustment measures with IMF stabilisation prescriptions, the programme was structured to meet various ends. First, it sought to attain both internal and external balance. Second, by manipulating demand and restructuring supply, policy reform also targeted growth. Inter woven in this was the CBI.

3.2 Liberalisation of foreign trade

Following the series of external shocks to the Malawian economy in the mid-1980s, government introduced exchange controls on imports. From 1988, these were gradually removed and the final stage of the elimination of exchange controls was completed in January, 1991. All quantitative restrictions to trade have now been removed, and replaced with tariffs calculated on a Most Favoured Nation (MFN) basis except for a short "negative list" for reasons of security and health.

The agreement of the CBI called for the abolition of remaining NTBs (such as import and export licensing), removal of tariffs on trade in goods and services among the reciprocating countries by end 1998 and, to minimise the risk of trade diversion as well as to promote integration into the world economy, harmonisation of external tariffs by end 1998, with no more than 3 non-zero rates, an average weighted tariff rate of 15 per cent and a maximum of 20-25 per cent.

As part of its tax reform programme, government reduced protection in 1988/89 by merging part of the import tax with the domestic surtax and establishing a maximum tariff of 45 per cent. The next part of the trade liberalisation programme involved the completion of the programme of tariff and trade tax rationalisation, and a programme to reduce levels of domestic protection. When the programme was drawn out, its targets started with the 1992/93 budget, and ended with the 1995/96 budget. The programme aimed to achieve, by this time, a cascaded tariff structure with (I) an average tariff collection rate of no more than 15 per cent on non-government imports; (ii) a maximum import tariff rate of no more than 35 per cent; and (iii) a minimum import tariff rate of 10 per cent (except for a short list of tariff exempted goods, such as pharmaceutical and medical supplies).

Tariff reduction has been a gradual process during the 1990s, with maximum tariff rates now at 30 per cent for imports from non-MFN countries, and at 25 per cent for MFN countries. Although government maintains that it is committed to reducing the maximum rate to 25 per cent for all goods from the rest of the world by the beginning of the 1999/00 fiscal year, and zero for CBI countries in the long term, the original goal on the CBI Agenda had been to achieve a 25 per cent maximum rate, with a 15 per cent average rate by 1997. Although the maximum rate has now been reduced to these levels, with the average rate[1] currently at around 11 per cent, a long way below the CBI requirement.

As well as this, the CBI roadmap calls for a 90 per cent preference margin by October 1997. Malawi's preference margin with COMESA member states is currently 80 per cent. In order to simplify customs administration it was agreed that the number of tariff bands would be reduced to not more than three non-zero tariff rates. Malawi still has four. However this is a significant advancement from the original tariff structure of 11 rates.

The CBI agenda calls for the removal of tax exemptions. However such exemptions remain, particularly for NGOs and donor funded projects. The number of discretionary exemptions issued by the Minister of Finance have been reduced, and the budget now imposes a limit on the value of exemptions to be issued in any year.

The liberalisation of exports began with Malawi's trade liberalisation programme which was conceived in 1988. However there was some relapse to this when 'temporary' export levies were applied to certain agricultural goods in 1994. These were finally removed in the Supplementary Budget of March 1998. There are now few restrictions on exports in Malawi. Exceptions are maize, whose export is banned, and groundnuts and

[1]Defined as total tariff revenues as a proportion of total imports. This will tend to underestimate the average as it will include exempted goods in the calculations. However given the format of tariff data available, an up-to-date trade weighted tariff rate could not be calculated easily.

beans, for which export licences are required. Other export bans are for products such as ivory, relating to international conservation agreements.

3.2.1 Foreign trade facilitation

CBI agreements called for the harmonisation of transit charges and arrangements and customs documentation. A single goods declaration document which is in a similar format to that standard in the COMESA region has been fully developed by the Department of Customs and Excise and came into use in April 2000. A bond guarantee scheme was put into place in 1993. Transit charges have been partly harmonised by Malawi, and the authorities are very keen for the harmonisation to become fully recognised due to the impact that regional variations have in deterring trade facilitation. COMESA prescribed charges have been implemented, but in the case where regional partners charge higher rates, Malawian authorities reciprocate. Concerning insurance, Malawi currently imposes a compulsory third party requirement for externally registered transporters. A COMESA yellow card insurance scheme which will offer proof of insurance and remove bureaucratic border delays, is nearing completion. It will be implemented in the near future when the scheme is fully understood and accepted by domestic insurance companies.

3.3 Payments and exchange Systems

3.3.1. Deepening of Financial Markets

In an effort to promote domestic investment, a new regulatory framework was implemented in the revised Banking Act of 1989, to improve competition in the highly concentrated financial market. Prior to the review of the act, there were two commercial banks, two finance houses, a building society, three development finance houses, a post office savings bank and a number of insurance companies. Since the act was revised, there has been significant liberalisation and diversification of the domestic financial market, with several new institutions entering the market. These include Finance Bank of Malawi, First Merchant Bank, Loitas, Continental Discount House and investments by both Nedbank and Standard Bank in existing financial institutions.

The financial market is however, still dominated by Commercial Bank and National Bank in which government has significant (though declining) share holding. Ownership of the two dominant banks is being privatised in order to increase the efficiency of the financial sector, which is presently characterised by a duopolistic market structure and high interest spreads. For these reforms to run smoothly, there is a need to ensure that there is a functional post-privatisation regulatory framework that is uniform across the financial sector. There has been a proliferation of foreign exchange bureaux offering competitive foreign exchange services with the banks.

Services within the financial sector are broadening with the introduction of such services as SWIFT transfers, limited provision of forward forex cover, credit/debit cards, automated tellers etc.

3.3.2 Exchange Controls

CBI legislation calls for the elimination of restrictions on current account transactions and the attainment of current account convertibility, relaxation of restrictions on capital account transactions associated with the liberalisation of direct investment and investment in regional equity markets, and the establishment of unified spot exchange markets.

From 1992 to 1994 there was no meaningful change in Malawi's exchange controls. In 1994, efforts were made to begin the liberalisation of exchange controls. Foreign exchange for the importation of essential inputs used by productive sectors of the economy was liberalised. This included the liberalisation if import payments, the uplifting of exchange controls and the floatation of the Kwacha. These reforms meant that nearly all merchandise imports could be imported and paid for without prior approval from RBM, while profits, dividends and selected service payments also remained freely remissible.

All restrictions on current account transactions have been removed, and current account convertibility was achieved in 1995. As well as this, there has been an achievement in the licensing of non-bank foreign exchange bureaus. Impediments to entry by foreign financial institutions have been removed. Malawi has eliminated all restrictions on the flow of inward direct foreign investment-related transactions, as well as on interest, dividends, freight, insurance, principal, profit and the remission of capital accounts. There is a general framework to liberalise further the capital account transactions.

However some controls on the use of foreign exchange earnings remain, with RBM requiring that exporters remit 40 per cent of the forex earned to RBM, in exchange for the Kwacha counterpart.

Monetary Control and Interest Rate Management

The Reserve Bank Act of 1989 committed the monetary authorities to movement towards more indirect, market-orientated monetary control. Direct regulations of commercial bank credit were discounted. Malawi also liberalised the money markets by abolishing credit ceilings and allocations and the direct setting of interest rates by government.

3.3.3. Liberalisation of cross border activities of financial institutions

The inconvertibility between currencies in the CBI region acts as a major impediment to cross-border trade. Although exchange controls have been abolished, there remains a lack of foreign exchange availability for intra-regional trade. The US dollar remains the dominant form of payment for trade within the region. In order to alleviate this problem a PTA Clearing House was established to facilitate settlements of payments for intra-regional trade in goods and services. Payments are effected through the clearing house mechanism in national currency. Every two months, the balances outstanding must be cleared in hard currency.

At first, Malawi was one of the main users of the PTA Clearing House, but after the floatation of the Kwacha, the need to use it was reduced. Utilisation of the clearing house has been hampered by reported delays in payment by the private sector. As well as this, there is a lack of knowledge of the mechanisms of the clearing house. Malawi continues to have a reliance on the US dollar as the medium of exchange remains, this has hindered the growth in Malawi's trade, particularly with those countries which have foreign currency shortages. There must therefore be increased education concerning the benefits of the system, as well as efforts to enhance the efficiency of the mechanism.

3.3.4. Capital Markets

Significant progress has been made in developing capital markets following the introduction of the Capital Market Development Act in 1991, and the establishment of the Malawi Stock Exchange, where eight shares are currently listed. Under the Capital Market Development Act, there are no restrictions on issues of securities to the public and no restrictions on private placement of securities to Malawi residents although the transfer of securities to non-residents must be registered with the RBM.

3.3.5. Membership of MIGA, Double Taxation Agreements

Malawi is a member of the MIGA, and has signed Double Taxation Agreements with RSA and the United Kingdom number of countries within and beyond the region.

<u>3.4 Investment</u>

CBI agreements included commitments to the 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.

3.4.1 Legislative Incentives

The legislative framework for investment promotion was established through the Investment Promotion Act, 1991, and was an important condition from the World Bank for the provision of US$210 million under the Enterprise Development and Drought Recovery Programme (EDDRP). Schedules to this act include the Investment Policy Statement and its supplement, the Investors Guide which outlines the specific laws and regulations conducive to investment. The Malawi Investment Promotion Agency (MIPA) was established under the Investment Promotion Act in 1993. Under the act, efforts were made to simplify and speed up investment approval procedures to a single step with the Registrar of Companies. As well as this, industrial licences had been eliminated (with the exception of a short list of environmentally hazardous activities) in 1991 through the repeal of the Industrial Development Act and its replacement with the Industrial Licensing Act, 1991.

3.4.2. Land Policy

Land policy was strengthened by 1994, when government streamlined procedures for the issuance of land leases and implemented a requirement for the Commissioner of Lands to issue leases and consent to lease transfers and subleases so as to reduce the time between the date of application and the offer of consent to 90 days. By this stage, MIPA had also produced an Investment Approval Roadmap which is aimed at providing investors with information on the steps necessary to bring a project from the enquiry stage to implementation. The approval time for investment proposals has been reduced and the 45 day maximum period pledged under CBI is now generally adhered to. This has recently extended to a somewhat unofficial 60 days.

3.4.3. Incentives to Invest

The following investment incentives have been implemented:

- 40 per cent investment allowance on qualifying expenditures for new buildings and machinery.
- Up to 20 per cent investment allowance on qualifying expenditures for buildings and machinery. This allows manufacturing companies to deduct 20 per cent from all operating expenses incurred up to two years prior to the start of operations.

- Deferred duties on machinery and equipment for up to two years.
- Duty free importation of heavy commercial vehicles with capacity of at least ten tonnes.
- No withholding tax on dividends.
- Duty free importation of raw materials for manufacturing industries.
- No licensing requirements for importing foreign exchange.
- Full repatriation of profits, dividends, investment capital and principal payments for international loans.
- Local and foreign investors have unrestricted access to local financing facilities.

3.4.4. Special Incentives:

3.4.4.1 Pioneer Status:

Pioneer status is offered for producers of products with either heavy capital investment or high technology or labour intensive industries which can generate extensive linkages and have a significant impact on employment and foreign exchange generation. A company given pioneer status will be granted exemption from payment of income tax. It will only have to pay corporate tax at the rate of 20 per cent, instead of the standard 38 per cent. The period of tax exemption is 10 years from the initial production date. Companies located in EPZs will only have to pay income tax at the rate of 15 per cent for 10 years. Government will grant zero rated corporate tax for a period up to 20 years for strategic projects of national importance.

3.4.4.2 Export Processing Zones

Business can registered as an Export Processing Zone (EPZ) if at least 80 per cent of its production is exported. The EPZs are not in a designated area of the country. Each approved factory constitutes its own zones, and therefore a company can operate in more than one zone. The first EPZ licence was approved in 1995.

Export enterprises operating in EPZs are subject to a 0 per cent income tax rate, no withholding tax is charged on dividends, no duty is charged on capital equipment and raw materials, no excise taxes are charged on purchases of raw materials and packaging made in Malawi, no surtax is charged, and there is an additional transport tax allowance to the amount of 15 per cent of international transport costs.

There are 17 EPZ companies operating in Malawi. Most of the industries manufacture textiles, furniture or grow flowers.

3.4.4.3Additional Incentives for Export:

For all exporters, there is a transport tax allowance of 25 per cent of international transport costs, no duties on imports of capital equipment used mainly in the manufacture of exports, no excise duties on purchases of raw materials and packaging made in Malawi, timely refund of duties (duty draw-back) on imports used in the production of exports, and no duties on capital imports and raw materials. An export allowance enables a company which exports non-traditional goods to deduct from its taxable income 12 per cent of export revenues. The Malawi Export Promotion Council (MEPC) determines if a company qualifies for this. An additional 25 per cent is deducted from international transport costs for non-traditional exports.

3.4.4.4. Other Incentives for the Promotion of Industry:

- ***Investment Allowance:*** A company given Investment Tax Allowance will be granted a 40 per cent reprieve in respect of qualifying capital expenditure. Qualifying expenditure would be for the expansion of productive capacity, modernisation and upgrading of production facilities, and diversification into related products.

- ***Incentives for Research and Development:*** Expenses incurred on research related to a firm's business are tax deductable. All capital expenditure is claimable under investment allowances and industrial buildings allowances.

- ***Incentives for Training:*** To encourage the upgrading of skills and improving the productivity of labour,. Several incentives are available: a 50 per cent deduction for expenses incurred on approved training is given. This is automatic if training takes place at approved training institutions.

- ***Incentives for Industrial Adjustment:*** Companies in the wood-based, textile, machinery and engineering industries will be given four years to restructure and will be eligible for certain incentives when undertaking or participating in approved industrial adjustment programmes. 'Industrial adjustment' has been defined as any activity in the manufacturing industry which is intended to restructure, by way of reorganisation, reconstruction or amalgamation within that particular sector, with a view to strengthening the base for industrial self-sufficiency, improving industrial technology, increasing productivity, enhancing the efficient use of natural resources and the efficient management of manpower.

Companies that qualify are eligible for the Industrial Adjustment Allowance (IAA). This provides for an allowance of up to 100 per cent in respect of qualifying capital expenditure incurred by a manufacturing company in its efforts at undertaking 'industrial adjustment'

- ***Incentives for Small-Scale Businesses:*** These incentives are restricted to small-scale manufacturing companies whose total investment does not exceed the equivalent of US$30,000 and have a Malawian equity of at least 51 per cent. Small scale companies which meet these criteria will be granted pioneer status "automatically if they propose to manufacture products or participate in activities listed as promoted products/activities. As well as this, they will receive full exemption from duty on raw materials, components, machinery and equipment which are not available locally.

- ***Incentives for Storage, Treatment and Disposal of Wastes:*** Companies directly involved in the storage, treatment and disposal of wastes in an integrated manner, are entitled to the Pioneer Status incentive for five years. As well as this, companies which generate waste and wish to establish facilities to store, treat and dispose of wastes are eligible for special allowance of 40 per cent initially and an annual rate of 20 per cent for all capital expenditure. Further, government also extends the import duty exemption scheme for machinery, equipment, raw materials and parts to them for the storage, treatment and disposal of wastes.

- ***Manufacture of Goods for Export:*** Exemption from import duty on raw materials and parts can be considered for any manufacturing company given pioneer status if it complies with the equity condition of 51 per cent local share holding. Where the raw materials/ components are not manufactured locally, full exemption from import duty is normally given if the finished product made from dutiable raw materials/parts is not subject to any import duty. Full import duty exemption will be given to local companies located in Enterprise Zones for a period of five years on raw materials, components and parts which are not available locally.

3.4.4.5. Priority Industries:

For firms making investments of US$5-10 million, either a 15 per cent income tax rate is charged indefinitely or 0 per cent for 5 years and then normal income tax rates are charged. For investments in excess of US$10 million, either a 15 per cent income tax rate is charged indefinitely, or 0 per cent for ten years, and then normal income tax rates are charged. For companies not incorporated in Malawi, an additional 5 per cent tax is imposed.

COMMENT

- One important drawback of the incentives outlined above is that they discriminate against small scale producers who are not registered and don't have capacity to make the necessary claims.

- With regard to the transport allowance, it is difficult to determine whether imported inputs are to be used for exports or for domestic sales as very few firms sell their products in foreign markets.

- A tax subsidy for the transportation cost of imported materials often inhibits the development of domestically produced import competing inputs.

It is questioned whether these type of investment and export promotion initiatives are in the spirit of the CBI and are a cost effective intervention. Many of these incentives will not fit the new CBI investment road map. The problem with such schemes is that many of the investments made under some of the above tax holidays may have taken place in the absence of incentives loosing much needed tax revenues. An alternative would be to reduce tax rates on all companies in a non-discriminatory fashion which would have increased investment and production incentives in all areas of the economy.

IMF regional policy is increasingly scathing of discriminatory incentives. It is believed that tax holidays given for an initial period are particularly inefficient. A tax holiday is of little use to companies that incur losses in the start-up phase of production. If the losses incurred during the tax holiday period cannot be carried forward to a period when there is a positive tax, then the holiday is of no benefit. Hence tax holidays tend to benefit companies which are initially profitable, but such investments do not require additional incentives. Tax incentives provided to foreign-owned firms simply reduce the tax credits that the parent companies can claim against taxes payable in their country. Hence the burden of tax is simply transferred, and foreign governments reap the revenue benefits of economic activity taking place domestically.

Investment incentives in Malawi are superficially generous given regional comparisons. However a number of factors have impeded the effectiveness of these incentives in attracting investment:

a) The tax regulations in the country are complex, distortionary, and often negate any incentives offered to potential investors. These regulations must be carefully reconsidered.

b) Although tax holidays and incentives offer some attraction to potential investors, infrastructural facilities and macroeconomic stability are of far greater importance. The constraints created by these two factors negate incentives to domestic industry.

3.4.5 Employment Permits and movement of persons

Securing Temporary Employment Permits (TEPs) for key and necessary expatriate personnel was for a long time a major concern and significant burden for investors in Malawi with applications taking not less than six months to be processed. Such concerns have been raised by MIPA, MCCI and the Employers Association of Malawi. The main problem associated with the issuance of TEPs was that it was a highly cumbersome and time consuming process with uncertain prospects, with the appearance that decisions for or against a decision were made on an *ad hoc* basis.

In 1998, there were only about 50 TEPs issued for the manufacturing sector. Yet in the sector, investors often require personnel that will have to apply for TEPs because of the lack of skilled and experienced personnel in Malawi.

A reformed TEP policy was implemented in late 1998 which was intended to ensure that for all investors, both existing and prospective, obtaining TEPs for their key and necessary personnel will be an easy and straightforward process. A maximum application period of 40 working days has been gazetted, which applies to both local and foreign investments, without discrimination. The provision of TEPs for "key posts" (whose number is determined by both the size of the investment and the nature of the industry that the investment is linked to) is now automatic. Similar legislation has not, however been put in place for Business Residence Permits. Signs suggest that delays with the processing of BRPs remain. It is therefore necessary for such reforms to be extended to BRPs.

Visa requirements

Malawi has ratified the COMESA Protocol on Relaxation and Eventual Elimination of Visas. Nationals of 8 COMESA (CBI) countries do not ordinarily require visas to enter Malawi and the others that require visas can get them at the point of entry. Citizens of Commonwealth countries, Germany and South Africa do not require visas when entering Malawi.

To facilitate movement of business-persons, Malawi is ready to issue 5-year multiple entry visas to business-persons on the basis of reciprocity with other COMESA countries. Malawi also issues short-term (24-72 hour) entry permits for border residents on presentation of proper identification, again on the basis of reciprocity with neighbouring COMESA countries.

3.5. CBI Status

3.5.1. Harmonisation of investment regime

The CBI investment road map seeks to harmonise the member countries investment codes. Malawi needs to speed up this agenda and remove certain investment incentives such as exemptions and tax holidays, in favour of less distortionary, less targeted and more across-the board fiscal incentives. Such an initiative will also act as less of a drain on government resources. The removal of such exemptions would likewise assist in offsetting the revenue losses from tariff reduction.

In general, although numerous attempts have been made to improve the investment climate in Malawi, it is clear that the large number and variety of incentives available are highly confusing. As well as this, distortionary tax regulations often negate the positive financial benefits of investment incentives. Also incentives are normally accorded on a discretionary basis (for example in the decision of whether a project is deemed to be of strategic national importance), and a great deal of market uncertainty results. No matter how generous investment incentives are, for a potential investor, they will never override costs associated with infrastructural and other impediments present in the country. It is these obstacles that must be targeted by Malawi as it seeks to harmonise with the CBI regional investment road map, if government is to make Malawi an attractive destination for international investment.

Malawi has not prepared or circulated its draft investment facilitation programme

3.5.2 Addendum to the Letter of CBI Policy

Owing to the lack of TWG activities in since December 1999 the addendum to the letter of CBI policy is still being finalised. The process is being managed by the Deputy manager of MIPA who was the head of delegation at the 4th Ministerial meeting in Mauritius.

4. OTHER ISSUES

Recommendations for Malawi within the CBI policy

To be successful in contributing to growth and poverty alleviation, trade liberalisation must be pursued within a stable macroeconomic framework, conducive incentive environment for investment and development programmes to address capacity, as well as financial and infrastructural constraints. The structural reforms that have been instituted are a necessary, though not sufficient condition for economic development and a structural in production. There is also a large array of constraints that must be removed. The presence of these constraints is the most important reason why Malawi's industries have been generally unable to adapt to increased levels of international competition.

Imports of intermediate goods and raw materials currently attract a duty rate of 10 per cent. This duty rate must be paid by companies that are not registered as manufacturers and hence discriminates against small scale producers who must pay duty on imported imports, yet compete against finished products that enter the country duty free. For those entitled to rebates, there have been complaints that the duty drawback scheme is inefficient, resulting in delays in repayment by Government. As well as this, the classification of raw materials and intermediate products is imperfect, meaning that companies must pay duty on goods that should be eligible to the scheme. The solution to this problem is for all imports of goods classified as raw materials and intermediate products to be charged at a zero rate of duty, and for the list of products eligible to be reviewed.

Although a vast array of investment incentives is in place in Malawi, current tax regulations distort these incentives and create uncertainty and confusion for potential investors. The incentives in place have been of very limited success and it would be preferable to have such targeted incentives removed in favour of less distortionary, across-the-board fiscal incentives. The tax regime must be rationalised and simplified in order to remove discrimination against foreign companies and remove structures that cancel out benefits offered to attract investors.

In order to maintain the real exchange rate at competitive levels, further devaluations of the Kwacha will be necessary. However these must be managed with care, so that the timing is appropriate and to ensure that shocks to the domestic economy are not too severe. In the long run, only a structural shift away from dependence on primary products with declining terms of trade and sensitivity to shocks will ensure stability of the nominal exchange rate. Problems linked to a lack of currency convertibility between trading partners in the region have hindered regional integration. Further steps must therefore be taken in to increase the profile of the PTA Clearing House.

Competitiveness is becoming increasingly dependent on the capacity for absorbing and using new technologies and on the quality and level of human capital. Interaction in global markets is a necessary condition for obtaining these requirements. Competition is becoming increasingly dynamic, and to gain a competitive advantage equally important to relative prices and resource costs is established linkages with customers and suppliers. At the same time, under a liberal trade regime, certain barriers to entry in countries such as Malawi are increasing. These barriers include the acquisition of new technologies, training, and the formation of all-important marketing networks. Large investments in skill development and up-grading will be a key requirement for ensuring success and minimising the costs of adjustment. Realising the benefits of such investments will take some time. This puts a strong argument against increasing competition for domestic industry at too rapid a pace, as once firms have left the market, it is often highly costly for new firms to appear and establish themselves amidst strong regional competition. In the increasingly globalised environment market information, international quality standards and technological know-how are becoming more and more important. MEPC and the Malawi Bureau of Standards should be provided with additional resources to assist domestic industry in these areas.

In instituting reforms, a greater level of consultation with the private sector must be made to ensure that the constraints being faced by domestic industry are addressed. The complexity of the various reform programmes Malawi is undertaking has proved overwhelming for Government officials. It is therefore desirable that there is a greater level of co-ordination between the various donor sponsored reform programmes and regional initiatives so that reforms can be monitored and instituted in a controlled and thoughtful manner.

Malawi's infrastructure is in a poor state and this has resulted in uncertainty and high costs for domestic industry. High levels of investment in the country's roads are necessary. As well as this, the commercialisation and privatisation of the country's utility providers must be accelerated in order to ensure high quality and reliable supplies. Government must also encourage investment in industrial land sites, either by offering concessional loans for their construction, or by considering direct involvement in their development. Given the serious shortage and high price of sites for potential industrial investors, this may be justified, although serious assessments will be necessary before such a venture is initiated.

The land locked position of the country acts as another major constraint to the competitiveness of domestic industry, by both inflating the c.i.f. cost of imported inputs and by raising the c.i.f. price of the country's generally bulky exports. There are ongoing efforts to develop rail routes through Mozambique reduce this problem, but there is clearly a need to publicise the various transport routes so that trading companies are fully aware of the options available. These problems are accentuated by the excessive regulation in customs and transport authorities that is costly, both in terms of time and finance. The SGS inspection procedure must be simplified and made more efficient.

Relevance and Impact of CBI

The government have commended the nature of CBI's implementation processes and time frames and expressed a desire to remain committed to the whole process.

The comments on the actual impact of the CBI are as per the recommendations under the summary of the CBI impact report by Professor Colin McCarthy

- It is felt that the CBI blends well with the other Bretton Wood institutions initiatives, such as
- The COMESA integration agenda
- The International Monetary Fund (IMF) Enhanced Structural Adjustment Facility Policy Framework Paper, 1998/99-2000/01 (PFP)
- Article VII consultations.
- The World Bank Country Assistance Strategy (CAS) discussions.
- The European Union Structural Adjustment Facility (SAF) negotiations

Bilateral and multilateral agreements are now being seen and addressed in a more coherent manner. Though there is room for further improvement, there is appreciably better co-ordination between various government ministries and departments on maters of integration and in cross-cutting policy issues and themes.

Further, the CBI agenda fits in well with the country's development and industrialisation programmes. CBI further supports the development of the country's small and fragile private sector. But additional interventions are still needed in the areas of private sector development and public-private sector interaction.

Over the last eight years, the Initiative has significantly contributed to setting the appropriate policy framework for the country's development. The impact of CBI has, nevertheless, been more in policy formulation and refining than in actual economic development. No meaningful investment has come into the country.

APPENDIX 1

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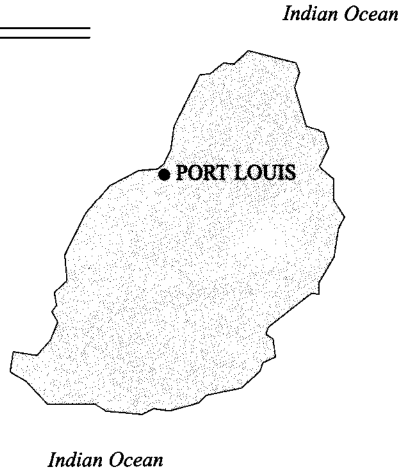


Mauritius

1. *INTRODUCTION*

The **Cross-Border Initiative (CBI)** is a framework for the implementation of jointly agreed policies taken up by a voluntary group of countries in eastern and southern Africa and the Indian Ocean. It aims at achieving greater economic integration through the promotion of competition and the reduction of cost of moving productive resources and goods and services across boundaries, while maintaining openness towards the rest of the world. The co-sponsors of the initiative are the *African Development Bank* (ADB), the *European Union* (EU), the *International Monetary Fund* (IMF) and the *World Bank* (WB). **Technical Working Groups (TWGs)**, involving public and private sectors, have been set up to identify constraints to cross-border activity and propose measures to overcome them.

2. *OVERVIEW OF THE CBI IN MAURITIUS*

2.1 First involvement in CBI by Mauritius

Following the 1992 Harare workshop and in accordance with the Common Programme of Action (CPA) for the CBI, Mauritius defined its status in relation to the CBI agenda. Mauritius is one of the pioneers and ardent participants in the CBI, having attended the inaugural meeting of Ministers of 1993 in Kampala, Uganda, and the technical meeting held in Harare, Zimbabwe in 1992 and the meeting of senior officials in Brussels, Belgium in 1993.

2.2 Ongoing perceptions of the CBI process within Mauritius

Both public and private sector representatives are satisfied with the overall concept and programme of the CBI. The free, flexible and unbinding nature – no treaties or agreements to sign – is appreciated. The Initiative was described as having contributed to the development of regional integration and as having enhanced public – private sector interaction both within the country and across the region.

It is agreed that Mauritius has performed quite a significant amount of work in the context of the CBI process and that the Initiative should continue as a fast track approach. The regularity of meetings of the Technical Working Group and the ongoing presence of TWG members from both public and private sectors during TWG meetings are clear indications of the interest of the CBI process within Mauritius.

Yet many members complained about the lack of reciprocity from other countries as far as the CBI process is concerned. It is widely felt that with regard to regional co-operation, Mauritius has been giving more to COMESA than COMESA members have been giving to Mauritius. More reciprocity would accelerate the implementation of the Initiative. Mauritius has moved forward on many points but cannot stay in isolation. Mauritius is playing a role in the integration process but not all countries are moving at the same pace. Questions remain about the number of countries in the fast track. Mauritius is giving a tariff-preference margin of 90% on imports from COMESA countries and is moving to the Free Trade Area by October 2000 but many other COMESA countries are not at the same level. It is suggested that Mauritius should explore the way on how to move forward on this issue. Yet it was agreed that Mauritius had much responsibility, being the Chairman of the Ministerial working group, in paving the way towards reciprocity.

Moreover, the role of co-sponsors has been described as not meeting expectations: the requested support to meet transitional costs did not materialise. Mauritius accepted to play an active role in the Initiative but was mindful of the short-term transitional costs that would arise from implementing CBI measures. To this end, the Government anticipated support from co-sponsors to meet these costs. The World Bank support under the Technology Diffusion Scheme was seen in this light. The *"Programme Intégré de Développement Des Echanges"* (PRIDE) project, funded by the European Union, is addressing the needs of the private sector in repositioning itself to take advantage of the prospects presented by the CBI reforms.

2.3 Specific elements of the CBI that have been particularly useful in Mauritius and benefits of having had a TWG

Mauritius submitted its Letter of CBI Policy to the co-sponsors of the Cross-Border Initiative on the 6th of April 1995. The purpose of the letter was to outline the progress Mauritius had made in implementing the various measures agreed under the CBI framework and the planned measures and policies to further achieve CBI objectives. Several reforms have been undertaken in the following areas, as outlined in the Addendum to the Letter of CBI Policy, which is presently being finalised:

- Trade liberalisation
- Payment and exchange systems improvement
- Regulatory environment and investment incentives and
- Institutional development

It is pointed out that the TWG can only highlight the proposed programme of regional integration but cannot implement actions. It is agreed that each institution has to play its role and that the TWG acts as a co-ordinator.

2.4 Relationship in Mauritius between CBI and the regional integration institutions

Regional organisations should be more involved in driving the CBI process and increasing African ownership of the Initiative. It was highlighted that the voluntary nature of the CBI should be maintained. It is suggested that the management and the mode of implementation of the CBI should be modified to provide for the involvement of regional organisations.

Mauritius belongs to the COMESA, the SADC, the IOC and the IOR-ARC. Meetings were held at the level of the IOC and SADC to co-ordinate various initiatives being undertaken under the CBI, in particular as regards trade. The PRIDE is implemented at the level of the IOC. The PRIDE objectives are to reinforce the regional integration process and the coherence of trade and investment policies.

Members of the TWG are also closely involved in reforms undertaken in the context of regional integration institutions such as SADC, COMESA and IOC.

CBI has the same stakeholders and relies on support from the same financial institutions as other regional organisations. This is how it is thanks to the CBI that Mauritius has been able to obtain finance for the Technology Improvement Scheme (TIS), as a result of the CBI.

There is reason to believe that the launching of CBI has been brought about by a desire of certain member countries of COMESA and SADC, to adopt a fast track for economic development and liberalisation.

3. ACTIVITIES OF THE TWG

3.1 Overview of TWG meetings since the beginning

3.1.1 Regularity of TWG meetings

The Technical Working Group (TWG) was set up in 1995 and comprised representatives of both the private sector and Government. The TWG was to be assisted by a private consultant who would serve as secretariat to the group. The TWG carried out various assignments and drafted several reports, the most important ones being:

- The National Country Report, Volume 1 and 2
- Letter of CBI Policy 1995
- The road map for trade facilitation
- The concept paper

Following changes and portfolio transfers of personnel, the TWG went into limbo between 1995 and 1997. Secretariat services were also negatively impacted upon for the contract was not renewed.

In 1998 the secretariat was reconstituted and a new secretariat was established following an open and competitive bidding system in mid 1998. As a result the TWG proved to be very active for between July and December 1998 with four TWG meetings being held, while four others were held in 1999, and one so far in 2000.

A meeting was held on the 17th August 1998 where the chairman introduced to members the new secretariat to the TWG, which had been entrusted to De Chazal Du Mée (DCDM), a local consultancy firm.

The following are the basic assignments that were to be carried out, as per the contractual agreements:

- Organisation of TWG meetings and information dissemination;
- Preparation of agendas for TWG meetings in consultation with the TWG Chairperson;
- Preparation of minutes on the TWG meetings for transmission to the lead consultant;
- Preparation of the TWG National Report;
- Regular updates of the CBI Implementation Matrix;
- Preparation of presentation for TWG regional meeting in 1998;
- Preparation of an Addendum to the Letter of CBI Policy (LCBIP);
- Assistance in the preparation of a report on the estimates of transition costs; and
- Preparation a Draft Action Plan for the Investment Facilitation Program agreed at the Fourth Ministerial Meeting.

DCDM organised TWG meetings, prepared agendas as required by the chairman and ensured that TWG members were informed about matters relating to the TWG. The minutes of proceedings with regard to the TWG meetings are available in Appendix II.

TWG meetings held since 1998 were as follows: February 16, 1998, March 11, 1998, August 17, 1998, October 6, 1998, October 30, 1998, November 12, 1998, January 27, 1999, March 19, 1999, July 12, 1999, September 28, 1999, November 9, 1999, and March 31, 2000.

The available agendas and the minutes of the meetings mentioned are attached as Appendix I and Appendix II respectively.

3.1.2 *Usual composition of members attending*

The usual composition of members attending the Mauritian TWG meetings was from both the public and private sectors in Mauritius such as representatives from the:

- Ministry of Economic Development, Productivity & Regional Development;
- Ministry of Finance;
- Customs Department, Ministry of Finance;
- Attorney General's office;
- Prime Minister's Office;
- Ministry of Industry & Commerce;
- Ministry of Foreign Affairs and International Trade;
- Mauritius Offshore Business Activities Authority (MOBAA);
- Mauritius Chamber of Commerce and Industry (MCCI);
- Joint Economic Council (JEC) ; and
- Bank of Mauritius (The Central Bank).

A detailed list of all TWG members is provided in Appendix III to the report.

3.1.3 *Summary of main issues discussed over the period*

- Reports and Papers Drafted:
  - Addendum to the Letter of CBI Policy
  - Estimates of Transition Costs regarding Government Revenue foregone as a result of the CBI implementation
  - Priority actions that could form the elements of a Proposed Road Map for Investment Facilitation which would complement existing national initiatives

- The CBI Implementation Matrix

- TWG Concerns
  - Operational arrangements for the TWGs and the PICs (or equal bodies) to strengthen their capacity to meet future challenges
  - Agreement upon the terms of reference for background studies to be conducted by the TWG
  - The impact of the TWGs in the policy-making process

- CBI Implementation and Activities
  - Future modalities for strengthening regional co-operation and for harmonising the various efforts among the CBI countries
  - CBI Internet website
  - Desire of the participating countries to broaden the CBI
  - Overall financing requirements of the economic reform programmes of the participating countries by the co-sponsors
  - Policy Implementation Committee (PIC) at ministerial level, headed by the Minister of Finance and involving input from private sector representatives through the TWGs
  - PTA Clearing House
  - PTA MIE Charter
  - Guidelines on implementation of reciprocal actions
  - Hamonisation of trade policies towards third countries
  - Common External Tariff (CET)
  - Technology Diffusion Scheme Project
  - Setting up of a Regional Export Services Agency (RESA) by the COMESA Clearing House

3.2 Overview of sensitisation activities since beginning

3.2.1 Workshop on Industrial Development and Regional Integration

The Ministry of Industry and Industrial Technology in collaboration with the Ministry of Economic Planning and Development organised a workshop between the 16th and 19th August 1993. The meeting ended after a half-day devoted to Industrial Development and Regional Integration. The objective of the meeting was to disseminate information on the CBI among leaders and decision-makers both in the private and public sectors. The meeting was conducted by the TWG with input from the CBI lead consultants, IMANI Development International.

3.2.2 Brief details of regional workshops or seminars held since 1992

As an active member of the CBI, Mauritius hosted quite a few regional TWGs and Ministerial meetings. These meetings were organised by IMANI Consultants.

Mauritius hosted the following meetings:

- The first regional technical meeting of the participating countries' TWGs in June 1992;
- The fourth regional technical meeting of the participating countries' TWGs in November 1998;
- The second Ministerial Meeting in March 1995; and
- The fourth Ministerial Meeting in November 1999.

• **Regional technical meetings of participating countries' TWGs**

In June 1992 a workshop for the TWGs was held in Mauritius and the IMANI Consultant's desk study served as a basis for discussions. The workshop laid down terms of reference to be followed by the TWGs.

The fourth CBI Technical Working Group Meeting was held in Mauritius on the 16th and 17th of November 1998. The meeting was held mainly to discuss progress in implementation of the CBI-supported reform agenda since the Third Ministerial Meeting held in Harare in February 1998. The meeting concluded that most of the participating countries had made good progress in implementing the CBI-supported reform measures.

• **Ministerial meetings**

The Second Ministerial Meeting took place in Mauritius in March 1995. During the meeting there was a thorough debate on trade liberalisation and agreement was reached on the Road Map towards eliminating intra-regional tariffs and achieving a Harmonised External Tariff.

The fourth Ministerial Meeting was held in Mauritius on the 18th and 19th of October 1999. 12 countries were represented together with regional groupings such as SADC, COMESA, IOC, the co-sponsors and representatives from South African organisations. Following the meeting, Mauritius chaired a ministerial level working group to develop a high level forum to promote regional integration in Eastern and Southern Africa. During the Meeting a draft of the Mauritian Addendum to the Letter of CBI Policy was circulated among the other member states and co-sponsors. The participating countries also agreed to prepare their draft individual Investment Facilitation Programs and to circulate these to the other countries.

• **Others**

In addition, the Bank of Mauritius contributes positively to the development of regional initiatives, through its active participation and presence in different fora on the regional front. The Finance and Investment sector of the SADC operates at two levels, namely at the level of Committee of Treasury Officials and at the level of the Committee of Central Bank Governors. The Bank of Mauritius participates regularly in the activities of the Committee of Governors and has on various occasions organised meetings in connection with the projects presently on the agenda.

3.2.3 Other sensitisation activities

In 1993, the TWG produced a leaflet on the CBI, which was widely distributed among Mauritian businesspersons and Government officials. The Mauritius Export Development and Investment Authority (MEDIA) then organised a seminar on Preferential Trade Area (PTA) from 23rd to 25th August 1993, where the Mauritian TWG disseminated additional information on the CBI and the measures elaborated in the Common Programme of Action (CPA) and the Concept Paper. In 1995, the Government of Mauritius re-stated the status of the various measures it had been implementing and further listed the planned measures and indicative timeframe for implementation of integration reforms in its Letter of CBI Policy.

3.3 Overview of studies undertaken since beginning

3.3.1 Brief details of studies commissioned by the TWG and the related results

• **Letter of CBI Policy**

The purpose of the Letter of CBI Policy 1995 was to outline the progress Mauritius made in implementing the various measures agreed at the ministerial meeting in Kampala. The planned measures and policies to further achieve CBI objectives were also examined.

It was agreed that Mauritius had already made significant progress in the four main areas:

- Trade liberalisation;
- Improvement of the functioning of intra-regional payments and exchange systems;
- Reform of the regulatory environment and progressive harmonisation of investment incentives; and
- Institutional development

The liberalisation of external trade was considered to be well under way and government committed to continue further in the process of tariff reduction programme as well as the rationalisation and harmonisation of the tariff structure. Mauritius introduced over the years a series of measures to liberalise the financial sector: exchange controls were completely abolished and the interbank market in foreign exchange was developed. Mauritius had already harmonised and simplified its different investment incentives through the Industrial Expansion Act promulgated in 1993. The Government intended to adopt measures commensurate with the objective of establishing statutory time limits on investment decisions and the processing of work and residence permit requests.

• **TWG National Report**

The TWG National Report was planned to review what had taken place in Mauritius in terms of liberalisation and regionalisation since the start of the CBI in 1992. The following issues were dealt with:

- Trade liberalisation and facilitation
- Trade in services

- Investment deregulation and facilitation
- Immigration, residence and employment
- Financial sector reforms
- Payments system
- Exchange systems
- Foreign exchange markets
- Offshore and Freeport
- Stock exchange
- Co-ordination within regional and sub-regional organisations
- Private sector involvement
- Support of co-sponsors (EU, African Development Bank, IMF, World Bank)
- Investment Facilitation Survey

It was proposed to develop a questionnaire and meet TWG members and other key-persons of the private sector to identify constraints, proposal for solutions and Government engagement in relation to the development of a Road Map for Investment Facilitation. This survey was carried out in October and November 1998.

To assist the TWG, De Chazal Du Mée, as Secretary to the TWG, designed a questionnaire to identify constraints and elaborate solutions to remove these constraints in relation to investment. A qualitative survey was carried out among key representatives of the public sector (members of TWG) and the private sector to highlight measures, which would be appropriate to promote investment, both domestic and foreign, in Mauritius.

The response of TWG members to the survey was rather low and results from the exercise highlighted that the main impediments to investment were the long processing and replying procedures, the lack of information and awareness on investment opportunities both in Mauritius and in the region. Moreover, the marketing of these opportunities was considered to be very poor. In order to remove these constraints, it was suggested that the information service should be improved, certain tasks could even be subcontracted to specialised agencies to act as advisers on investment promotion activities.

Consideration should be given to a Board of Investment to tackle work permit and residence permit applications together.

The lack of infrastructure, technology and communication network as well as illiterate, unskilled and unqualified labour are characteristics which are unfavourable to investment flows in the region. The overly bureaucratic regulatory framework and the political unstability were also mentionned.

• **Presentation for Regional Meeting**

De Chazal Du Mée prepared a presentation about the achievement of Mauritius in terms of implementation of CBI measures for the regional meeting of TWGs held in Mauritius in November 1998. As Secretary to the Mauritian TWG, DCDM provided due assistance to the Chairman and other Mauritian representatives of the TWG during the regional meeting.

• **CBI Implementation Matrix**

The CBI Implementation Matrix is designed to summarise the state of progress on the implementation of measures identified under the CBI. With regards to policy measures, it presents the current status and the planned measures to achieve the objectives of the CBI. The policy measures considered are the core measures developed from the CBI concept paper in the areas of **Trade**, **Payments and Exchange Systems**, **Investment** and **Institutional Development.** The degree of implementation of these measures is presented with respect to the objectives of promoting Cross-Border Trade, Investment and Payments at regional level.

The CBI Implementation Matrix, which was presented in October 1998, has been regularly updated in November 1998, June 1999, December 1999 and April 2000.

• **Addendum to the Letter of CBI Policy**

DCDM was actively involved in the finalisation of the Addendum to the Letter of CBI Policy (LCBIP). The Addendum to the LCBIP took into account the progress regarding the implementation of the Letter as well as the Road Map for Investment Facilitation. A first draft of the LCBIP was submitted in September 1999, a second draft, in October 1999, a third draft, in November 1999, a fourth draft in December 1999 and a final report in April 2000.

The Addendum to the LCBIP, which was based on an outline of prototype Addendum to the Letter of CBI Policy, comprises three parts as follows:

- The first part is an updated picture of the implementation of measures identified under the CBI framework and exposes forthcoming ones.

- The second part deals with the Road Map for Investment Facilitation, describing the essential conditions for attracting investment.

- The third part deals with the relevant institutions involved in implementation.

Following recommendations of TWG members, the paper was regularly reviewed and amended to take into account the latest measures taken by Mauritius to achieve the objectives of the CBI. Figures were also updated to the latest official sources available.

The Addendum to the LCBIP is now ready to be submitted to the Government of Mauritius for approval.

- **Estimates of Transition Costs**

DCDM prepared a report on the estimates of transition costs regarding the implementation of the reforms within the CBI framework. The report is divided into two distinct parts. The first part discusses the methodology adopted to estimate the impact of tariff reductions on Government revenue for the past five years and the projected loss in Government revenue for the coming five years. The second part is the presentation of results, which is an analysis of the evolution in Government revenue. The report also provides appendices containing statistical tables to justify the calculations made. A first draft of the report was produced and circulated among the TWG members.

The Estimates of Transition Costs were circulated to TWG members and, following their feedback, figures were updated to include actual figures for the year 1999. Projections were thus extended to the year 2005. Following comments from many TWG members, it was agreed to include the computation of other expected shortfalls of Government revenue:

(i) Projections for CIF imports and customs duties from Madagascar were calculated separately because trade with Madagascar has been liberalised since 1999 only unlike with other COMESA member countries. A final updated report with the latest figures available was produced and circulated among the TWG members and is ready to be submitted to the Government of Mauritius for approval.

(ii) Commitments made at WTO to reduce duty on IT products were also taken into account.

(iii) The positive effect of the introduction of Value Added Tax (VAT) regarding additional Government revenue was computed.

Also, all figures relating to the economic situation of Mauritius were updated to the latest sources available. The Estimates of Transition Costs is ready to be submitted to the Government of Mauritius for approval. However, before figures are communicated to the other CBI members and to the co-sponsors, the estimates need to be approved by the Government of Mauritius.

- **Draft Investment Facilitation Programme**

During the Fourth Ministerial Meeting held in Mauritius in October 1999, the participating countries agreed to complete the preparation of their draft individual investment facilitation programs and to circulate these to the other countries. The TWGs were to identify their requirements for technical and financial assistance to implement their individual investment facilitation programs and submit these to the co-sponsors.

The TWG elaborated a Draft Investment Facilitation Programme, which includes the most important measures that Mauritius has taken in terms of investment facilitation and those which are presently in process. The contribution of major ministries and institutions, having a representative in the TWG, has been requested in this exercise. However, the participation of only one member has been obtained up to now. The main measures to be taken by the Ministry of Commerce, Commerce, Corporate Affairs and Financial Services are a new Companies Bill aiming at helping businesses in their implementation process, the funding of an SME project by the European Union to help small and medium enterprises and the setting up of a Board of Investment.

4. *ACHIEVEMENTS OF CBI IN POLICY REFORM AREAS*

4.1 Foreign Trade

- **Import/Export Licensing**

Import licenses have been abolished. Yet, any person who imports any controlled goods on items such as health, sanitary, environmental and strategic reasons shall apply for an import permit from the Permanent Secretary. Export licences have been abolished, except for a few products for reasons of health and safety and there are also seasonal restrictions in order to meet critical shortages.

- **NTBs**

Quantitative restrictions still exist on a few items.

• **Intra-Regional Tariffs**

Customs duties on imports from COMESA countries benefit from a 90% reduction on normal tariff. They are expected to reach 100% by 31st October 2000.

• **External Tariffs and CBI Harmonisation**

The number of tariff bands has been reduced from 60 to 9. Imports from countries presently under the General tariff attract additional duty of 20% regarding two rate bands, the 55% and the 80%. Tariff has been previously reduced on a range of products from the 30 to 80% bands to the 10 and 15% bands.

Tariffs on imports from Madagascar, of the Indian Ocean Commission (IOC), have been abolished. Furthermore, Mauritius has made its WTO commitments in the areas of tourism, basic telecommunications and trade in financial services.

• **Trade Facilitation**

Single goods declaration documents have been introduced, accompanying the complete implementation of a system of electronic declaration of Bills of Entry to Customs through Electronic Data Interchange (EDI).

4.2 Payments

• **Financial Sector Reform**

The financial system has been developed into a market-based one. The Bank of Mauritius has set up its own in-house Monetary Policy Committee. Interest rates have been fully liberalised and the bank rate is market-determined. The non-cash liquid assets ratio has been reduced to zero.

Capital adequacy ratio has been raised to limit risk. Measures introduced on 15 December 1999 to develop an active market of Government securities and to enhance liquidity management in the system are among others the:

- Regular short-term repurchase transactions (repos) and reverse repurchase transactions (reverse repos) and the
- A standing facility, the Lombard Facility, to provide for overnight collateralised advances to commercial banks.

The Bank of Mauritius will implement a Real Time Gross Settlement system (RTGS) for large value transactions by the end of year 2000. The Government of Mauritius is planning to set up a Financial Services Authority to oversee the operations of all non-bank financial institutions and ensure a more integrated approach to the development of that sector. Stockbrokers will be allowed to register with the Bank of Mauritius to provide brokerage services on the Treasury Bills market.

- **Foreign Trade Instruments**

Traditional documents of international trade are still being used. Impediments to entry of foreign financial institutions have been removed. There are no restrictions on foreign banks and no limits on the amount of foreign ownership.

- **Exchange Controls**

All restrictions on current account transactions have been removed as per the Article VIII of the Articles of Agreement of the International Monetary Fund. Capital account restrictions were eliminated by mid 1994, which resulted in the suspension of exchange control.

- **Exchange Rate**

The exchange rate of the rupee is determined by market forces as Mauritius has adopted a managed-floating regime.

4.3 Investment

- **Investment Approval and Licensing Procedures**

A One Stop Shop was set up in July 1990 to assist industrialists in their dealings with ministries for all necessary clearances and permits required for the setting up of their enterprise. A Board of Investment (BOI) will be established for investment promotion and facilitation. The BOI will be the sole authority responsible for investment approval in a New Business Park to be developed.

- **Investment Code and Regulations**

Investment schemes have been harmonised and simplified through the Industrial Expansion Act promulgated in 1993.

- **Investment Regimes Harmonisation**

The investment regime in Mauritius is to a considerable extent compatible with the OECD negotiating text on Multilateral Agreement on Investment (MAI). A sub-committee on Trade and Investment has been set up to elaborate the stand of Mauritius on Multilateral Framework on Investment.

- **Movement of Persons and Employment Permits**

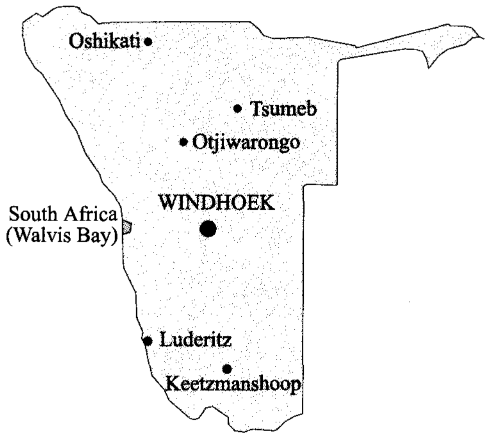
Mauritius has not ratified the COMESA visa protocol but residents from a certain number of CBI countries are not subject to visa requirements prior to entering Mauritius. The Government has introduced multiple-entry visas for bona fide businessmen on a case to case basis. Moreover, a draft protocol is being worked out at SADC level concerning facilitation of movements of persons including labour and businessmen.

Work permit requests are processed within 4 to 6 weeks if the requesting company provides all required documents promptly. Applications for visa and residence permits from expatriates in companies registered with the Mauritius Offshore Business Activities Authority (MOBAA) and the Mauritius Freeport Authority (MFA) are processed as fast track and finalised within 2 or 3 days. Work permits for professionals will go through a fast track as well. As per the Immigration Act amended in 1999, foreigners investing not less than US$500,000 in a qualifying business activity are granted the permanent resident status.

- **Membership/participation in investment protection agencies**

Mauritius is a member of MIGA and is signatory to Investment Promotion and Protection Agreements with China, Madagascar, Mozambique and South Africa. Double Tax Agreements have been concluded with Botswana, Madagascar, Mozambique, Namibia, Swaziland and Zimbabwe. Measures have been implemented to internationalise the Stock Exchange of Mauritius, allowing listing of foreign funds.

Mauritius has come to an agreement with other SADC countries to harmonise listing requirements for the development of Cross Listings on Regional Stock Exchanges.



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

Namibia

NAMIBIA

1. OVERVIEW OF THE CBI IN NAMIBIA

1.1 Namibia's Involvement

Namibia has participated in the Cross Border Initiative since its inception in 1992. At the ministerial meeting in Kampala, Uganda, in August 1992, the Namibian Government stated its willingness to participate in a programme to facilitate cross-border investment, trade and payments in Eastern and Southern Africa. Preparatory arrangements for the CBI were started by two workshops held in Harare and Mauritius in 1992, out of which a Common Programme of Action (CPA) was developed. Further technical meetings were held in Brussels, in June 1993, to develop a Concept Paper on CBI. The Concept Paper was subsequently approved at the Ministerial meeting in August 27, 1993. Namibia, together with the other participants at this meeting re-affirmed their commitment to liberalisation of cross-border activities in accordance with the objectives of the Abuja Treaty on Pan-African Economic Community and those of regional organisation. The co-sponsors of the Kampala meeting (European Union, World Bank, African Development Bank, and International Monetary Fund) also confirmed their willingness to support and provide assistance in conformity with the CBI Concept Paper and take into consideration the transition costs associated with the Initiative.

Namibia continued to attend the CBI meetings and a Namibian Technical Working Group was established in 1996. It was, however, not until August 1997 that the Minister of Trade and Industry, Hidipo Hamutenya, signed and submitted the Namibian Letter of CBI Policy to the co-sponsors. In the meantime, the co-sponsors – in anticipation of the Letter – had committed themselves to finance a Transitional Trade and Investment Development Programme (TTIDP). This programme started in April 1997 with the main aim to strengthen the Government's capacity to deliver professional services to the private sector in the areas of investment and trade. Capacity building in the private sector was also covered by the TTIDP.

In the Letter of Policy, Namibia pointed out the constraints to its participation in CBI in that its membership of the Southern African Customs Union (SACU) and the Common Monetary Area (CMA) would guide its commitments to the CBI Agenda in the areas of trade and payment systems liberalization. As such Namibia's commitment to the CBI Agenda has never been unreserved.

1.2 CBI Benefits

Namibia has benefited from the CBI largely through the contribution of the TTIDP to the capacity of the Ministry of Trade and Industry (MTI) and the Namibia Chamber of Commerce and Industry (NCCI) to deliver a better service to and design an improved policy environment for private sector operators. The EU funded "Support for the Implementation of the Cross Border Initiative" for Namibia is now completed. The Programme consisted of the following key components:

- Capacity Building in the Ministry of Trade and Industry (MTI);
- Acquisition of Information Technology and software for MTI;
- Annual Work Programme for MTI and the NCCI;
- Direct Agreement with MTI/ODC in support of the EPZ Development Programme.

The TTIDP also set in motion the development of a three-year follow-up programme to support the trade, investment and industry sectors in Namibia. Again financed by the European Union. The tender for this EURO 3.2 million Trade and Investment Development Programme (TIDP) will be called for shortly. Eight European firms have been short-listed to submit a bid.

The TIDP will address the following key areas of concern:

1) On-going institutional support to MTI's Industrial Development Directorate, the Namibia Investment Centre and the International Trade Directorate for improving and tailoring its services to the private sector in industrial development and the promotion of investments and exports. This component includes capacity building in MTI to strengthen its internal coordination and planning system;

2) Strengthening the in-house capacity of the NCCI to provide information and business/technical services to its members while simultaneously enhancing the chamber's financial sustainability;

3) Financial support to a Credit Guarantee Scheme, which is to encourage and facilitate the lending by commercial financial institutions to SME clients.

While the transitional programme was financed from both regional CBI funds (EUR 4 million) and the National Indicative Programme (NIP) for Namibia (EUR 1.37 million), the TIDP will be financed in full from the Namibian NIP allocation.

1.3 Perceptions of CBI

From interviews with the key stakeholders in the CBI and TWG held by an independent consultant, Ms Flora Musonda, as part of the CBI Evaluation undertaken in 1999, it can be concluded that both CBI and the TWG have been and are still appreciated in Namibia.

There appears to be consensus that the TWG has provided an important function in monitoring the trade and foreign exchange liberalization and investment promotion efforts of Namibia. The CBI Policy Matrix provided a central reference point on progress made in the various policy areas. It was used at various policy fora and discussions, *inter alia* at the IMF Article IV Consultations. The TWG is the only active forum in Namibia with private and public sector participation where trade and investment related policy issues are discussed.[1]

The CBI and TWG meetings have provided a forum for discussion on economic integration in the region beyond the confines of the existing trade blocks (SADC, COMESA and SACU). Namibia has participated in all these meetings and recently sent a strong delegation to the 4th CBI Ministerial Meeting (October '99), led by the Deputy Minister of Trade and Industry, Mr Bernard Esau. Minister Esau is a member of the Ministerial Level Working Group, chaired by Mauritius, that was established at the 4th CBI Ministerial Meeting. The Group is to develop further the concept of a high level forum to promote regional integration in Eastern and Southern Africa and Indian Ocean while avoiding duplication of initiatives and to involve additional countries in the region.

The important role of the CBI in the coming about of the TIDP is also being acknowledged by all stakeholders. Without the TTIDP – funded by CBI – there would have been no follow-up TIDP.

[1]The Presidential Committee on Trade and Industry has not been active for some time now.

1.4 Relationship between CBI and the Regional Trade Blocks

There has been little direct impact of CBI on the participation of Namibia in SACU, COMESA, SADC and the CMA. As was pointed out earlier, Namibia's foreign trade policy is largely guided by its membership of SACU and so foreign exchange control by its membership of the CMA. Namibia and Swaziland are the only two members of SACU and the CMA that participate in the CBI. The SACU time-table for trade liberalization and the CMA time-table for the liberalization of foreign exchange control have as such been dominant over the CBI agenda.

The derogation extended to Namibia under COMESA in terms of the tariff reduction schedule on which the CBI commitments are modeled – based on the same argument that Namibia is a member of a customs union and can not unilaterally lower tariff on trade with third countries – has to some extent slowed down the trade liberalization process. While Namibia is under SACU liberalizing its trade regime on the basis of commitments to the WTO at a developed country pace, the COMESA phasing down schedule is more progressive. It should however be noted, that not all COMESA member countries have kept to the COMESA time-table, in full, for tariff reductions. The derogation for Namibia under COMESA will again be discussed in 2000.

1.5 Status of CBI

At the end of 1997 the TWG Secretariat had already expressed its concern about the legal status of the CBI Letter of Policy. The TWG operates in a rather open environment. Though endorsed by the Government of Namibia and signed by the Minister of Trade and Industry, the formal, legal status of the CBI Letter of Policy is unclear. The question was raised, that should any of the participating ministries or institutions fail to comply with the commitments expressed in the Letter, would there be any enforcement mechanism? The formalization of the TWG into a national reference group on trade and investment policy was suggested as an option for consideration. Again in 1999, in anticipation of the then foreseen closure of the CBI, the institutionalization of the TWG was suggested. This proposal has, to date not been acted upon. The continued support to TWG's now foreseen under the new CBI programme of support with COMESA taking over the regional secretariat support function could possibly contribute to such formalization of the role of the TWG in the Namibian policy decision making process on trade and investment related issues.

2. *ACTIVITIES OF THE TWG*

2.1 Overview of TWG Meetings since 1997

Meetings of the TWG have been called on an *ad hoc* basis to discuss CBI related matters only. No regular meeting schedule was kept.

The TWG meetings were, over the years, regularly attended by the following persons representing the Bank of Namibia, Namibia Investment Centre, Ministry of Finance, Ministry of Trade and Industry, the Namibia Chamber of Commerce and Industry and the Namibian Economic Policy Research Unit. All meetings were attended by the TWG Secretariat.

Bank of Namibia: International Economics / Research Department

Mr F.M. Hengari, Senior Researcher

Mr Abed Iyambo, Researcher

Namibia Investment Centre (NIC)

Mr F. Gaoseb, Deputy Director

Ministry of Finance

Mr Paul W. Hartmann, Director Economic Policy Advisory Service

Mr Frikkie van der Merwe, Deputy Director Customs & Excise

Ministry of Trade and Industry: Directorate of International Trade

Alternatively: *Ms Paulina Elago, Director*

Ms Annascy Mwanyangapo, Deputy Director

Mr Noko Murangi, Deputy Director

Namibian Economic Policy Research Unit (NEPRU)

Dr. Dirk Hansohm, Senior Researcher

Namibian Chamber of Commerce and Industry (NCCI)

Mr Sam Geiseb, CEO

Logistical and other problems encountered in the work of the TWG have been the following:

- non-regularity in TWG meeting schedule;
- unknown status of the TWG and its role in the Namibian decision-making process;
- related to above, rather re-active approach by the TWG focusing on CBI matters only;
- slow decision-making on study/research proposals;
- the non-existence of a full-time deputy TWG Chairperson.

During 1997 only one full meeting of the TWG was held, namely in August 1997. An ad hoc meeting was called in November 1997 to discuss the draft synthesis paper on the CBI Implementation and Evolving Agenda, prepared by the co-sponsors, with Mr. Walter Kennes of the EC.

During 1998 two TWG meetings took place. The first meeting was held to put back on track the work of the TWG in support of the CBI agenda. The second meeting was called to prepare for the 4th Regional TWG Meeting which was held in Mauritius from 16 to 17 November 1998.

At the general TWG meeting, which took place on 1 September 1998 (a) a report-back on the CBI Ministerial Meeting held in February '98 was given by the TWG Chairperson, Ms Paulina Elago, (b) the CBI Policy Matrix was discussed, and the need for regular updates to the TWG Secretariat re-iterated, (c) a status report was given on the CMA Review study and a commitment made by the TWG Chairperson to follow-up on the study with the relevant stakeholders, (c) a proposal by the TWG Secretariat to organise two Business-to-Business Information Meetings in Oshakati and Windhoek discussed and accepted, (d) two research proposals to 1) study Namibia's Foreign Trade Structure and the Effects of Trade Liberalisation on Fiscal Revenue and the Balance of Payments and 2) study the Obstacles to Labour Mobility in the Southern African region were discussed and the decision taken to further elaborate the Terms of Reference for these studies, to include a detailed cost plan.

At the second meeting in preparation for the Regional TWG Meeting, which was held on 11 November 1998, the draft discussion paper prepared by the co-sponsors and titled 'Cross Border Initiative Road Map for Investment Facilitation' was discussed. Key points raised, which were relayed by the TWG Secretariat at the Regional TWG Meeting (also held in November 1998), included:

- There will be certain investment related procedures and regulations, for which a regionally coordinated and harmonized approach will be beneficial for the promotion of Foreign Direct Investments into Namibia. In particular, in relation to the image and perceptions of the Southern African Region (SAR) as an attractive investment location in terms of political stability and peace, there is definite scope for an individualistic approach exploiting the comparative and competitive advantages of Namibia as an investment location. That is, a regional approach to investment facilitation is not a given policy priority, especially in view of the heterogeneous nature of the countries participating in the Cross Border Initiative. Namibia has already made considerable progress in the implementation of its Investment Road Map, which was developed in cooperation with the Foreign Investment Advisory Services (FIAS) of The World Bank. Assistance with the implementation of this Road Map was provided under the EU/CBI funded Transitional Trade and Investment Development Programme;

- In measuring the competitiveness of the CBI countries, the perceptions of the local business community should be taken into account as an important component of the competitiveness index. It was not clear why the Euromoney Ranking was used and no reference made to the Africa and World Competitiveness Reports. The anti-corruption campaign launched in 1998 by the Prime Minister of Namibia was highlighted as a relevant measure to reduce corruptive practices in the country;

- No mention was made of the DRC conflict which would appear to be an important factor in the analysis of political stability and peace prospects for the SAR;

- The TWG did not perceive the development of Inter-Bank Spot Exchange Markets as a priority at this point in time;

- The report would benefit from the inclusion of data on cross linkages between African stock-exchanges;

- The fact that in Namibia there is no mechanism/procedure to "approve" investments was re-iterated. The investment procedures in the country do not include a formal approval for foreign investments as practiced in most other CBI countries;

- Regarding the analysis of the various data sets presented in the report, a cautious note was made in that the countries that are participating in the CBI are not a homogeneous group of countries and that, subsequently the averaging of data becomes artificial. It was recommended that the analysis should distinguish the low, medium and high performing CBI countries. It was further noted that no direct relationship between the participation in the CBI and performance in the attraction of Foreign Direct Investment and other indicators used in the report can be made. In fact, the analysis is counterfactual in the absence of data on the performance of the CBI participating countries if they were not partaking in the CBI. And finally, the need for data on the source, direction, location and sectoral focus of FDI was identified. In Namibia, an investor tracking system is being developed for implementation as from early 1999.

In total three TWG meetings were held during 1999, namely on 28 September 1999, 8 October 1999 and 18 November 1999. The objectives of each of these meetings are set out below.

28 September '99

- To discuss the TWG mid-year report
- To identify the TWG activities for remainder of 1999
- Secretariat's & TWG Members' to provide feed-back on the CBI Evaluation Mission by Ms Flora Musonda
- To discuss the preparations for the CBI Ministerial Meeting (18-19 October 1999)

8 October '99

- To develop a TWG position paper on the proposed "CBI Road Map for Investment Facilitation" to guide the Namibian Delegation to the Mauritius CBI Ministerial Meeting.

18 November '99

- To adopt the Meeting Notes of TWG Meetings held on 28/9 and 8/10 (and matters arising)
- Secretariat and TWG Members to report-back on Mauritius CBI Ministerial Meeting
- To discuss a Namibian Commitment to the CBI Investment Facilitation Road Map
- To consider the Namibia Chapter in the CBI Evaluation Report
- To identify remaining TWG Activities for 1999 and early 2000 (research & sensitization efforts)

At the last TWG Meeting, feedback was given regarding the 4th CBI Ministerial Meeting which took place on 18-19 October 1999. The TWG members present at the Ministerial meeting highlighted the following areas in their report-back:

- Namibia's point of view was that only certain areas of investment facilitation and promotion will benefit from a regional, CBI approach;

- Namibia has already made considerable progress in the implementation of its "Investor Road Map";

- The Meeting did not express itself explicitly on the future of the CBI and the future role and existence of the TWG's. Outside the official meeting mention was made of the possible take over by COMESA of the CBI regional coordination role, but these issues were not addressed in the meeting. The future funding of TWG's was also not discussed;

- The on-going CBI Evaluation was merely mentioned. No detailed feed-back on the process and the expected outcomes/initial findings was given at the meeting - against expectations;

- Namibia's Deputy Minister of Trade and Industry was elected on the Ministerial Level Working Group chaired by Mauritius. Minister Beenick will call the first meeting;

- The focus on regional, CBI countries' "ownership" of the CBI process demonstrated (CBI countries to become the driving force behind the initiative) by:

    - the establishment of the ministerial task group (see above);

    - the circulation of the national-level investment facilitation programme (to feed into the CBI regional Investment Facilitation Road Map) among the member countries with copies to the co-sponsors;

    - the possible closer involvement of COMESA in the daily management of the programme by taking on the role of coordinator (to be confirmed);

    - the need to draft a Namibian commitment to the CBI Investment Facilitation Road Map before 31 March 1999. It was decided that the TWG Secretariat would prepare a draft Terms of Reference for the compilation of the Namibian Commitment by a consultant.

Only one *ad hoc* meeting was held this year, on 10 March 2000, to discuss the consultancy to draft the Addendum to the CBI Letter of Policy. At the meeting it was agreed that this assignment be advertised. No proposals were received. See further below.

2.2 Overview of Sensitization Activities since 1997

The TWG Secretariat organized a "**Consultative Forum on Competition Policy**" on 14 May 1997. The Forum was intended to be a first step towards the formulation of an effective Competition Policy Act for Namibia. In the context of the CBI sponsored TTDIP a consultancy had been commissioned from mid 1997 to identify the issues to be accommodated in a Namibian competition policy and prepare the layman's draft for such legislation. In anticipation, the TWG organized the forum to sensitize and consult Namibian businesses with the objective of obtaining clarity on the issues at stake. The following two broad aspects were to be discussed (1) Concepts and principles to be accommodated in a Namibian Competition Policy, and (2) Implementation and enforcement of competition policy legislation. The Forum brought together expertise from the region and abroad in the field of competition policy both in terms of the legislation and enforcement thereof. Experts from South Africa, Swaziland, Zimbabwe and the European Union were invited to give presentations at the Forum and participate in the panel discussion. The consultant's layman's draft was submitted to Cabinet by the Ministry of Trade and Industry later that year without, as was envisaged, further consultations with the private sector. A second consultative forum was planned for September 1997 to discuss the findings and recommendations of the consultants. However, the Ministry felt that the extensive consultations with the business community by the TTIDP consultants did not necessitate another plenary session. The Competition Bill has ever since not been presented to Parliament. Once the bill is tabled, the TWG may want take the initiative to organise another consultative forum.

In 1998 two **"Business-to-Business Info Meetings"** were organised by the TWG. The Oshakati (on 20 November '98) and Windhoek (25 November '98) meetings were attended by, in total 70 members from the business community and various public institutions involved in economic development such as the Ministries of Trade and Industry and Finance, the Bank of Namibia, the Namibia Development Corporation, the Windhoek Municipality, etc. While the turnout was somewhat disappointing, the lively discussions and active participation of those present compensated for this. The TWG Chairperson chaired the Windhoek meeting while the Oshakati meeting was chaired by the TWG Secretary. Speakers from the Ministry of Trade and Industry, the Offshore Development Company, the Namibia Chamber of Commerce and Industry and various private sector companies located in Windhoek, Walvis Bay, Outjo, Tsumeb, Oshakati, Oshikango were invited to make a presentation in support of a well informed discussion.

Presentations were given on the following subjects:

- Policy Support and Services offered by the Ministry of Trade and Industry
- Support and Services offered by the Offshore Development Company
- Support and Services offered by the Namibia Chamber of Commerce and Industry
- Manufacturing and Other Incentives
- Bonded Warehousing
- Exporting under the Namibia-Zimbabwe Preferential Trade Agreement
- Transport via the Trans-Kalahari and Trans-Caprivi Highways
- Export Processing Zone Operations
- Facilities available at the Prosperita Industrial Park in Windhoek

The Cross Border Initiative (CBI) and its objectives were briefly introduced at both meetings highlighting the role of the CBI as a temporary and non-institutionalized catalyst for trade liberalization and investment promotion in 14 Sub-Saharan African countries. Furthermore, the active participation of the private sector in the CBI was mentioned and so the donor support provided by the European Union, The World Bank, The International Monetary Fund and the African Development Bank. Furthermore, the composition of the Technical Working Group in Namibia and its role in overseeing the implementation of Namibia's commitments to the CBI Agenda were presented. A short report-back on the TWG Meeting in Mauritius with particular reference to the Investment Road Map was provided. Namibia's position was clarified in that in some areas the harmonization of investment related procedures will be beneficial, while in other areas a more individualist approach needs to be taken in support of the creation of a policy induced competitive advantage to become most attractive as an investment location. The participants were further informed on the TTIDP and TIDP.

In 1999 and 2000 no public meetings were organised by the TWG.

2.3 Overview of Studies undertaken since 1997

The TWG initiated a number of research projects which for one or another reason were not implemented. Terms of References were prepared but no consultants appointed.

A study on the costs and benefits of Namibia's membership to the Common Monetary Area was initiated in 1997, but subsequently abandoned in 1998, when the Bank of Namibia decided to have the study conducted in-house. To date such a study was not undertaken by the Bank.

Other studies and projects for which Terms of References were developed but which did not materialize are:

- NEPRU in 1998 proposed to undertake an analysis of Namibia's foreign trade structure through a compilation of available foreign trade figures and analysis of trade flows in terms of commodities and trading partners. This study would include an assessment of the effects of trade liberalisation on fiscal revenue and the Balance of Payments;

- A study to identify obstacles to labour mobility in Southern Africa, with a view to recommend practical measures to enhance such mobility was proposed by NEPRU in 1998. The progress in this area of regional development has been slow. There are also complaints from investors in Namibia regarding work permits. Many countries in the region experience high levels of unemployment and an assessment of the potential impact of liberalisation of foreign labour may prove useful in support of a realistic regional policy framework;

- Despite numerous efforts by the Government, the level of Foreign Direct Investments remains low. A summary of the views and opinions of these business people to refine and possibly redirect the investment promotion and facilitation efforts of the Government was proposed by NEPRU in 1998; and more recently

- The drafting of the Namibian commitment to the CBI Investment Facilitation Road Map (2000).

Interestingly, eventhough they were mostly conceived some time ago each of these research projects / consultancies still bear relevance to the economic integration process and the development of trade and investments in Namibia. The TWG should under the new contract expedite the implementation of these projects.

A request for financial assistance was recently submitted to the TWG by the Ministry of Finance in support of the public awareness campaign for the introduction of the VAT system later in 2000. Advice has been sought from Imani Development as to how such a request can best be routed. The change-over from GST and ASD to VAT is in line with the proposed tax reforms in the CBI Investment Facilitation Road Map and could as such be considered for funding by the co-sponsors.

3. ACHIEVEMENTS OF CBI IN POLICY REFORM AREAS

3.1 Foreign Trade

The general system of import and export licensing is still in place. The recommendations of a 1998 study into the import and export management to streamline and simplify the existing permit and licensing requirements have to date not been implemented. This study was commissioned under the TTIDP.

To reduce non-tariff barriers to trade has been an on-going effort.

- A new Road Traffic and Transport Act has been prepared and a new road user charges system which is guided by the principle of non-discrimination between local and foreign road users has been developed. The institutional framework for implementation is currently being set up (a Road Fund Administration, Roads Authority and Roads Contractor Company).

- The Automated System for Customs Data (ASYCUDA) has been operational in Namibia since 1996. Direct interfacing with the private sector is provided for in the system. A single goods customs declaration form has been in use since April 1995.

- The envisaged streamlining of the existing incentives for traders and investors (in particularly in manufacturing) which was recommended in the 1996 FIAS Road Map Study has to date not been undertaken;

- A Namibian Competition Bill was drafted in 1997/98 but was not yet tabled before Parliament;

- Market deregulation has taken place with no more direct market interventions by the Meat Board since 1992 and a deregulation of sunflower seed and its products in 1996;

- A Namibian Standards Desk has been established to facilitate information on and compliance with the SABS standards regulations. A fully fledged Namibian Standards Authority may be established in the near future.

With the single exception of the Namibia-Zimbabwe Preferential Trade Agreement which extends tariff preferences on imports from Zimbabwe, Namibia has not extended any tariff preferences to countries outside of the SACU area. SACU has no preferential trade agreements in force with third countries. Negotiations on a PTA with Zambia since 1996 have not concluded into an agreement. Namibia continues to enjoy a derogation on the extension of tariff preferences from COMESA although this arrangement will be reviewed in October 2000. Even though Namibia has ratified the SADC Trade Protocol, tariff reforms have not advanced as participated. No progress on intra-regional tariff reductions towards a SADC Free Trade Area has been made to date.

Namibia, together with the other SACU countries, is implementing a tariff phasing down schedule under the WTO Marrakesh Agreement. This schedule is guided by commitments as if Namibia were a developed country (due to South Africa's developed country status and dominant position in SACU). A SACU Common External Tariff applies to third country imports, including those from the region.

Trade facilitation is also an on-going activity carried out by MTI and the NCCI. Inward and outward trade promotion missions are organised, companies are supported in trade fair participation, information brochures and videos are produced, etc. Much has been done in this area since 1992.

Namibia has further made a commitment to the General Agreement on Trade in Services (GATS) emphasizing non-discrimination among foreign and local service providers. Special reference is made in the offer to scientific and technical consulting services, tourism, telecommunications, financial services and energy. The offer will be detailed during the 2000 GATS negotiations.

3.2 Payments

Namibia has a well developed banking system which is supervised by the Bank of Namibia. The Banking Institutions Acts provides for a relatively open legal framework for banking operations and aims to raise the standard of banking in Namibia to international levels. An Offshore Banking Act has been on the cards for some time now but should be presented to Parliament in 2000. All 5 commercial banks operating in Namibia have access to an extensive network of correspondent banking relations, including a number of countries in Sub-Sahara Africa.

Export financing is a service provided by the commercial banks. Earlier plans to establish an Export Financing Scheme have as yet not materialized. Limited or no access to export financing for intra-regional trade transactions continues to be an obstacle to such trade.

While considerable liberalization of the payments and exchange system (both the current and capital accounts) has been achieved since 1992, foreign exchange transactions are still subject to Bank of Namibia approval. Limits on foreign currency transactions have increased considerably though over the past 3-4 years. Namibia is a member of the CMA and its monetary policy is largely guided by this membership. The Namibian Dollar is at par with the South African Rand and freely convertible. Bureaux de changes operate legally and foreign currency accounts can be held by individual and companies.

The exchange rate is determined by the market with interventions by the central banks of the CMA only to stabilise the market.

3.3 Investment

In 1996, the Foreign Investment Services Agency (FIAS) assisted the Namibia Investment Centre with the design of an Investor Road Map. This initiative was carried forward during the EU sponsored Transitional Trade and Investment Programme (TTIDP) in 1997 and 1998. A key achievement in the implementation of the Investor Road Map in Namibia has been the establishment of various committees in Government to monitor and effect the implementation of the proposed measures. Progress has not been good in all areas, but the relevant structures have been put in place to oversee the process.

Important areas of progress include:

- on-going, extensive liberalization of capital and current account transactions;
- increasingly successful interventions by the NIC at the Immigration Board in support of residence/employment permit applications by foreign investors;
- establishment of two EPZ parks along the Angola border and at the Walvis Bay harbour;
- double tax agreements with a number of countries including Sweden, Mauritius, Malaysia, Germany, India, France, Romania, Russia, South Africa and the U.K.
- inter-ministerial liaison at regional level (within Namibia) to address obstacles to investment at regional and municipal level (this approach is being piloted in the Ohangwena and Erongo regions, where the EPZ parks are located);
- improved access to industrial zoned and serviced land with industrial and SME parks established throughout Namibia.

It should further be noted that at the time Namibia signed the CBI Letter of Policy a number of measures called for in the area of investment facilitation had already been met by Namibia. Examples thereof are the publication of the Foreign Investment Act and related information brochures, the non-existence of investment approval procedures per se (foreign investment proposals are not vetted by the NIC, the NIC merely assists investors on request) and its membership of MIGA (to ensure investment protection).

Namibia is following the SADC time-table on relaxation of immigration procedures.

The studies proposed by NEPRU to the TWG to look into the obstacles to human movement and a survey-based assessment of the impact of investment facilitation measures, (see above) would produce valuable results for an evaluation of the efforts by Namibia in the area of investment facilitation.

3.4 CBI Status

Terms of Reference for a short term consultancy assignment to draft a Namibian commitment to the CBI Investment Facilitation Road Map were drawn up and an advertisement placed in a local daily to source the services of a consultant. No proposals were received. In the absence of any available consultant and the non-availability of the TWG Secretariat to undertake this assignment, the Addendum could not be completed within the current contract period (April 2000).

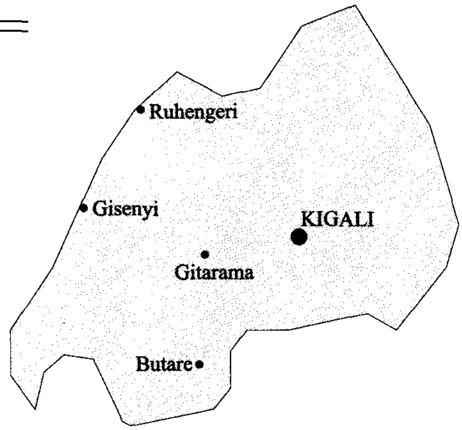
As a consequence Namibia has also not yet made any concrete commitments to the CBI Road Map on Investment Facilitation. At the national level numerous measures have already been effected in an on-going process of investment facilitation and promotion (and as part of the original commitments to the CBI Letter of Policy). They are briefly referenced above.

The finalization of both the Addendum and the Namibian Road Map on Investment Facilitation should be made a priority activity under the new CBI/TWG contract.

4. OTHER ISSUES

The Namibian TWG Secretariat has identified the following issues for consideration and possible action during the second phase of CBI and TWGs under the COMESA guidance. Kindly note that these are mere recommendations and an expression of the Secretariat's concerns only:

- the status of the TWG as the Namibian reference group for trade and investment policy formulation should be recognized and its mandate should include a wider range of policy issues, including but also beyond the CBI Agenda and Addendum;
- this new status of the TWG will justify a fixed and regular meeting schedule and a subsequent expedition of research projects, public meetings and other activities;
- this new status of the TWG will also encourage a more frequent and effective interaction between the TWG and PIC to ensure that the recommendations by the TWG are considered at key policy level;
- the TWG should be chaired by two persons, alternating based on availability, with one chairperson representing the public and the other the private sector;
- membership of the TWG should be extended to include more private sector institutions, especially representing the financial sector, and possibly some parastatals. The active involvement of the National Planning Commission should also be considered;
- a yearly work plan should be drawn up by the TWG and an application for funding made to COMESA and the co-sponsors to cover the costs of this work plan. This will facilitate a more organised implementation of activities;
- the initiative taken at the 4th CBI Ministerial Meeting to establish a regional Ministerial Level Working Group is very much supported and is expected to strengthen the ownership of CBI by the participating countries. This Working Group should be tasked to set the agenda for the various regional CBI meetings and ensure active participation of the CBI members in the development of the evolving agenda.



Rwanda

1. THE INITIATIVE

Rwanda was an original participant in the CBI, having participated in the 1992 meetings. However due to the civil disturbances of the early-mid 1990, which culminated in the genocide of 1994, it was unable to continue its participation. It did not therefore prepare a Letter of CBI Policy when the other countries did. Since that time, however, Rwanda has participated in the Third CBI Ministerial meeting in February 1998 which took place in Harare and has implemented CBI-type reforms in the areas of trade liberalisation and liberalisation of the payments system, and efforts have been made to streamline the investment regime.

Towards the end of 1999, having realised the significant progress the country had made under IMF Enhanced Structural Adjustment Programme (ESAF) and the complementary EU Structural Adjustment Facility (SAF I) to reform the economy, the Government of Rwanda (GoR) expressed its desire to formally participate in the CBI by preparing and submitting a Letter of CBI Policy and establishing the institutional set-up for the CBI, namely the Policy Implementation Committee (PIC) and Technical Working Group (TWG).

In order to prepare the Letter and its addendum, the Government of Rwanda requested assistance from the European Commission to help them prepare the necessary documentation. A Consultant, Mr Mwansa James Musonda, was appointed by the lead consultants to undertake this mission which took place in February, 2000. Resulting from this mission, a draft LCBIP was prepared.

2. *RWANDA'S ECONOMIC PERFORMANCE AND THE CBI FRAMEWORK*

Since the restoration of political stability and security across the country following the civil strife of 1990 - 1994, the economy of Rwanda has experienced significant growth over the last six years. The government's principal aim was to restore the country's productive capacity to its pre-1994 level and build on it to raise the living standards of the people.

2.1 Macro-economic framework and long-term vision

Rwanda seeks to maintain macro-economic stability and sustainable growth. In this respect, the Government is pursuing prudent macroeconomics policies including liberalising economic activities. This has contributed to stabilising the economy and sustaining its rapid recovery. Economic growth over the last 5 years has been impressive with Gross Domestic Product (GDP) growth rates of 34% in 1995 from a decline of close to 50% in 1994, growth of 16% in 1996, 12.8% in 1997 and 9.5% in 1998.

This growth can be attributed to the Government's sustained efforts at restoring the productive capacity in the whole economy but most especially in the agricultural sector. As the productive capacity is restored to its pre-1994 level, growth has slackened. Hence, further growth in the economy can only come from fresh investment and increasing productivity by acquiring superior technology and improving human productivity.

Fiscal and monetary policy is aimed at ensuring that inflation is contained at a single digit level while providing sufficient impetus for economic growth. The exchange rate, though liberalised, is well managed through prudent monetary policy, central bank spot market interventions and responsible commercial operations.

At the institutional level, Government is raising the capacity of the public sector, both at central and local government levels, to deliver essential services particularly in education, health, water supply and sanitation and law enforcement.

2.2 Structural Reforms and the CBI Agenda

The Government has made significant progress in structural reforms and is currently pursuing an International Monetary Fund (IMF) Enhanced Structural Adjustment Facility (ESAF) programme from June 1998 through 2002 under which resources are being made available to Rwanda for its reform process. Rwanda has also benefited from support from the European Union under the First Structural Adjustment Facility (SAF I).

In order to lessen the dominance of the public sector in the economy and to improve economic performance, the Government has embarked on an ambitious privatisation programme and the liquidation of insolvent public enterprises. The Government's privatisation process (through extensive advertising of enterprises for sale, public opening of bids, and intensive media campaigns to inform the public about the privatisation process) has received World Bank technical support and has also drawn lessons from experiences with public enterprise reform elsewhere. Performance has been impressive. As of the end of 1999, 20 enterprises had been privatised, 3 were under liquidation, and another 14 had been offered for sale. During the year 2000, the Government intends to bring to the point of sale, liquidate, sell wholly, or sell its minority shares in a cumulative total of 46 enterprises out of a total of 69 enterprises.

2.3 Trade liberalisation

Rwanda is a member of the WTO under which the country is required to bind its tariffs. Since 1995, Rwanda has implemented tariff reforms, which have included:

- lowering the maximum tariffs on imported products;
- narrowing the dispersion of tariffs;
- abolishing the export tax;
- streamlining import and export procedures and
- eliminating Non-tariff barriers to trade.

Table 1: Evolution of Rwanda's external trade tariff structure, 1995 –1999

	Pre-1995	1995	1998	1999
Tariffs bands	6	5	4	4
Maximum tariff	>100%	60%	40%	25%
Maximum tariff	>100%	60%	40%	25%
Surtax on locally produced goods	Nil	Nil	Nil	Nil
Surtax on imported goods	Nil	Nil	Nil	10%
Export Tax	5%	3%	3%	Nil

On the regional front, the Government of Rwanda is studying proposals for the implementation of further tariff reductions in line with the COMESA trade liberalisation programme. The relevant agency of government has already submitted proposals to effect preferential tariffs for intra-regional trade and these are receiving government attention within the overall context of Government's development strategy and long-term vision which seeks to reduce the country's dependence on external resources. The proposals are also being reviewed in the light of possible further loss of revenue.

In a bid to stem the decline in revenue from taxes, especially trade taxes, the Government introduced, as a stopgap measure, a surcharge on imports at the rate of 10%. Some basic products are exempt from this surcharge while the rate is 15% for some luxury items. There is also an additional import tax of 3% called *Magerwa*, which will soon be transformed into a statistical tax. The import surcharge is being phased out gradually by reducing it from 10% to 5% in 2000 and eventually to 0%. This resolve on the part of the Government of Rwanda is intended to show its commitment to the ideals of regional integration and the CBI process and to level the trading environment for economic operators in the region although the short-fall in revenue arising from tariff reduction is still a major concern to government.

2.4 Tariffication of Non-Tariff Barriers

All conventional non-tariff barriers (NTBs) except the obvious and accepted regulations and restrictions relating to arms, health, security and environmental products have been removed. There are no import or export quotas and only tariffs are used as trade policy instruments. Export and import licensing, other than the normal commercial banking documentation associated with international trade, are no longer required.

Rwanda used to levy an export tax on coffee, but it has been abolished since 1999. No taxes currently exist on exports.

2.4 Trade Facilitation

In line with the CBI agenda, Rwanda has streamlined its customs clearance and trade procedures by doing away with the multiplicity of customs and foreign currency declaration documents. Rwanda has adopted the single customs document and is also using the ASYCUDA computerised system for external trade for exports, imports and transit trade.

Rwanda has not implemented the Harmonised Road Transit Charges because of the likely loss of revenue and the absence of immediate alternative sources of revenue to continue financing the development and social needs of the country.

2.5 Liberalisation of the Payment Systems

The payments system was formally liberalised in Rwanda in December 1998 when the country accepted the obligations under Article VIII sections 2, 3 and 4 of the IMF Articles of Association. This means that current account transactions are fully liberalised. Companies and natural persons can maintain hard currency accounts and exporters can retain their earnings in hard currency commercial bank accounts.

Foreign trade financing instruments are not readily available in the country but economic operators are free to borrow on the international market for their operations.

The exchange rate is determined by the market, with the central bank only intervening to stabilise the market.

Restrictions on capital inflows, especially for investors and businesspersons in general, have been eased requiring only that they be recorded, by way of a voluntary declaration, by the central bank at entry into the country. Similarly, restrictions on the repatriation of profits and dividends have been significantly eased except that the remitter must comply with capital account and domestic taxation requirements.

Rwanda does not yet have a stock exchange and the capital market is relatively weak. The financial sector, under the guidance of the central bank, is in the process of establishing venture capital funds as a first step towards establishing a capital market in Rwanda.

2.6 Deregulation and Facilitation of Investment

To enhance effectiveness and ensure a focused and professional investment promotional campaign and strategy, the Government has established an autonomous Rwanda Investment Promotion Agency (RIPA). RIPA will act as a one-stop centre and will be responsible for the promotion of private investment, exports, and enterprise development in Rwanda. The Agency shall also be responsible for simplifying investment approval procedures and handling all investment-related issues. In order to promote cross-border regional investment, the Act does not discriminate between national investors and those from other COMESA countries. The Act does not treat an investor from a COMESA (CBI) country as a foreign investor.

The law gives a maximum period of 10 working days of lodging for investment licence approval and once the certificate of registration is granted, foreign companies are treated on the same terms as local ones. If it is not granted, a time-limited appeals process is provided for.

2.7 Facilitation of the Movement of Persons

Rwanda maintains an open policy regarding the entry of visitors into the country. Short-term visas are issued on entry at the airport and border points. Residence and employment permits are subject to the usual justification requirements before they are granted.

2.8 Capacity Building among the Public and Private Sector

The CBI agenda in this area seeks to raise the capacity of both the private and public sectors in policy formulation, analysis and general macro-economic management. It also seeks to cede a greater economic role and participation to the private sector in the participating countries. Rwanda is this regard is promoting the development of a genuine private sector by repealing the law establishing the Rwanda Chamber of Commerce and Industry. The private sector has established their own independent associations and an umbrella federation of Rwandese industry - the *Federation rwandaise du sector prive (FRSP)*. The federation has brought together some 14 sectoral or product-specific associations and will act as a rallying point for industry-government interaction.

The Federation was formally launched in December 1999 and the secretariat has been operational since early February 2000. It is the intention of Government to collaborate with these private sector organisations through the Federation in the implementation of the country's structural reforms. A framework for a structured dialogue between the private sector and the Government is also being developed with the goals to promoting private-public sector interaction, mutual confidence, trust and collaboration.

3. INSTITUTIONAL FRAMEWORK FOR CBI

Rwanda is planning to establish a Policy Implementation Committee at ministerial level. Government has already taken steps to transform the existing committee on structural adjustment into the CBI Technical Working Group. The TWG will incorporate representatives from the private sector - industry, the banking and the agricultural sectors - and a secretariat for the TWG will be appointed from the private sector. The TWG will incorporate the COMESA Multi-disciplinary Technical Committee and shall handle all matters of integration at the regional and multilateral levels as well as structural adjustment issues.

Seychelles

SEYCHELLES

1. OVERVIEW OF THE CBI IN SEYCHELLES

1.1 First involvement in the CBI and original reasons for participation

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.

Seychelles' decision to participate in the Initiative took place against the background of political reform then taking place in Seychelles, with the transition from a one-party state to a multi-party system of government. This process of reform in the political arena was matched by a process of economic reform and liberalisation, aimed at reducing the direct involvement of the public sector in the economy and stimulating the growth of the private sector.

Seychelles' participation in the CBI was thus seen as complementary to the overall reform process. Participation in the CBI was also seen as a means for obtaining the support of the co-sponsors to assist in Seychelles' gradual efforts at closer integration within the Eastern and Southern African region, as from around 1993 the Government of Seychelles started to give serious consideration to formalising its links with the region by joining ongoing regional economic groupings, such as the PTA (later COMESA) and SADC.

1.2 Ongoing perceptions of the CBI process in Seychelles

Although Government has not entirely embraced the CBI policy agenda, the CBI process is generally perceived as useful, and for this reason, Government has been represented at every major meeting of the CBI since 1993.

The main misgivings on the part of Government are related to lack of direct support available under the CBI to meet the transitional costs of implementing CBI reforms. This is seen as contrary to the initial expectations that Government held regarding the support that would be available from the co-sponsors.

The perception of the private sector towards the CBI process is generally positive. The private sector has participated regularly in all CBI activities organised at the national and regional level.

1.3 Specific elements of the CBI that have been particularly useful and benefits of having had a TWG

At the general level, the most beneficial element of the CBI in Seychelles has been its role in facilitating a national dialogue on the regional economic integration, including its advantages and disadvantages, and the policy measures that would be required to meet Seychelles obligations to regional organisations, and particularly COMESA.

The TWG has thus been particularly effective in raising awareness of issues associated with trade liberalisation and investment promotion, and in promoting dialogue between Government and the private sector.

Although a Project Implementation Committee (PIC) was established early on in Seychelles' participation in the CBI, it has only met formally on one occasion. Given the small size of Seychelles it was inevitable that membership of the PIC would comprise more or less the same individuals as the TWG. The PIC was thus seen as an unnecessary duplication of the TWG.

1.3 Relationship between the CBI and regional integration institutions (COMESA, EAC, IOC, SADC) and how the CBI has helped in this regard?

The CBI process in Seychelles has had a direct impact on Government's move towards participation in regional integration organisations, since the TWG played a significant role in the Government's decision to join COMESA and SADC

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.

Nonetheless, 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 shortly after 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 been undertaking an extensive review of the policy implications within the broader context of the need for macro-economic policy adjustments.

1.4 General conclusions and comments on the CBI and TWG not covered elsewhere in the Report

To date, support from the co-sponsors has focused mainly on 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 two major studies: -

- The June 1998 study by Mr. John Short entitled *"Seychelles: Study on Implementation of COMESA Tariff Reductions and Alternative Revenue Collection"*.

- The study of Seychelles' Macro-Economy, currently being undertaken by Maxwell Stamp PLC.

Finally, the co-sponsors also provided support for Seychelles to participate in a preliminary study on the Harmonised External Tariff.

2. ACTIVITIES OF THE TWG

2.1 Overview of TWG meetings since 1993

2.1.1 Regularity of TWG meetings

The TWG has generally formally met at least on a quarterly basis since the beginning of 1994, although there have been additional meetings organised in order to coincide with particular technical missions visiting Seychelles and/or to discuss particular ongoing issues.

2.1.2 Usual composition of members attending TWG meetings

Since the beginning, the TWG has been chaired by a representative from the Ministry of Foreign Affairs (which until September 1997 was the Ministry of Foreign Affairs, Planning & Environment). Besides the Ministry of Foreign Affairs, the most active participants have been from the Ministry of Finance (MF), the Customs Division of the Ministry of Finance, the Ministry of Economic Planning, the Ministry of Industries and International Business (MIIB), the Seychelles International Business Authority (SIBA), the Seychelles Chamber of Commerce (SCCI) and Industry and the Association of Employers Associations of Seychelles (FEAS).

2.1.3 Summary of main issues discussed over the period

From its initial establishment in 1993, the TWG has been the main forum at the national level to address issues associated with regional integration in general. Thus, in addition to the CBI policy agenda, the TWG has also been a forum bringing together representatives of Government and the Private Sector to discuss the broad issues associated with Seychelles' eventual decision to seek membership of COMESA and SADC.

The main focus has always been on the development of a national policy on regional trade. In particular, the TWG has largely been responsible for initiating a national debate on the impact on Government revenue of trade liberalisation, and the need for associated tax reform.

2.1.4 Problems encountered

The main problems encountered by the TWG in advocating the CBI policy agenda has been related to the dilemmas faced by the country as a small island developing state. Given the very limited export potential of Seychelles, and the Government's dependence on import tariffs (in the form of Trade Tax) for around 40% of revenue, it has been difficult to achieve a policy consensus on key elements of the CBI agenda. The potential impact of tariff reform on the few local industries has also been an important consideration. The difficulties are explained in more detail in 2.1.5. below.

2.1.5 Other activities or comments, not covered elsewhere

Although Seychelles' has been an active participant in the CBI process, few policy measures have been implemented as a direct result of this participation. The difficulties faced by Seychelles in completing the CBI policy agenda were broadly summarised in a submission made to the COMESA Secretariat in February 1999. In this submission, it was explained that the decision to join COMESA had been made bearing in mind the ongoing process of globalisation of the world economy, and the need for Seychelles to re-appraise its existing international trade relationships, both at the global and regional levels. The decision also represented a desire of the Government of Seychelles to strengthen its political and economic ties within the region.

The submission went on to explain that in view of the structural nature of the Seychelles economy, Government had since undertaken a thorough evaluation of the implications of implementing the measures necessary to meet its obligations, under the COMESA Treaty, and that it had been concluded that Seychelles economic circumstances were such that at that time it was not possible to implement many, if not most, of its obligations under the COMESA Treaty. The submission also pointed to the uniqueness of Seychelles' socio-economic structures as illustrated by: -

- a small population base of just over 79,000;
- a workforce of under 29,000, of which the majority are employed in the service and tourism-related sectors;
- a gross domestic product of less than US$ 0.5 billion, compared to an average of US$ 4.0 billion in the COMESA region;
- a small tax base resulting in a total Government revenue of less than US$ 215 million;

- total exports amounting to only US$ 65 million (in 1997), while imports totalled around US$ 311 million – representing a negative balance of trade amounting to approximately US$ 250 million;
- dependence on just two main industries, namely tourism and fisheries, which account for over 80% of foreign exchange earnings;
- very limited export opportunities, under circumstances where the value of trade is only 13% of GDP.

In addition, it was pointed out that Seychelles shares the general structural specificities and vulnerabilities of other small island developing states including: -

- limited human and natural resources;
- lack of economies of scale;
- geographic isolation, and consequent high transportation costs and high cost of imports;
- dispersed populations, spread over large expanses of seas;
- environmental fragility;
- susceptibility to natural disasters;
- Susceptibility of small economies to outside shocks – for example; Seychelles' tourism industry can easily be affected by recession in its major European markets.

The submission concluded by stating that in view of these structural economic features Seychelles was compelled to undertake a thorough re-evaluation of the full implications to the economy, of implementing the measures necessary to meet its obligations under the COMESA Treaty. Among the major concerns highlighted were: -

a) The impact of the COMESA Free Trade Area and the eventual implementation of a Common External Tariff (CET) on Government revenue, particularly in view of the fact that around 40% of the national budget is derived from customs (trade tax) revenues;

b) Seychelles' limited Export potential within the region (Seychelles' only significant exports are fish products (canned tuna, fresh and frozen fish, frozen prawns, which are marketed almost exclusively in Europe (over 81% of total exports) and the Far East.

c) Structural Impediments to tax reform, as the size and nature of the Seychelles economy would make it difficult to compensate for lost customs revenues with other forms of direct or indirect taxation, which meant that Seychelles would be unable to consider any reduction in tariffs and duties in the foreseeable future, as the budgetary implications would endanger Government's strong commitment to maintaining and improving the social welfare of its people;

d) "De-industrialisation" poses a threat to the economy as Seychelles has a very limited industrial base. The few industries that exist in Seychelles are of great social importance in terms of employment, and also of some significance in saving foreign exchange (import substitution). It was concluded that in the absence of protection, a number of key industries would be unable to survive, with consequent implications for employment, and could result in a reduction of up 35% of the labour force currently engaged in manufacturing.

e) The impact of the implementation of the *Protocol on the Free Movement of Persons, Labour and Services and Right of Establishment and Residence*, particularly the Articles related to Free Movement of Skilled Labour, Residence and Establishment, was of serious concern due to the small population of Seychelles, and the significant impact that even an influx of relatively small numbers of people would have on employment and social infrastructure, as well as the environment.

f) The high cost of effective participation in COMESA, and the growing recognition that Seychelles does not have the human or financial resources to participate fully in all areas of activity of COMESA.

g) The direct financial burden of membership. Although Seychelles contributes only 1% to the COMESA Budget, this still represents a considerable contribution per head of population.

Under such circumstances, Seychelles full implementation of the CBI policy agenda has been delayed, subject to a thorough assessment of its macro-economy, and the impacts of trade liberalization and other policy reforms. This process of review is still ongoing.

2.2 Overview of sensitisation activities undertaken by the TWG

2.2.1 Brief details of workshops, seminars or other promotional activities held since 1992

Seychelles' TWG was not established until 1993. Since then, the TWG has initiated (either directly or indirectly) a number of sensitisation activities, including:-

- Co-ordinating the drafting of the Letter of CBI Policy (see below);

- Preparation of a number of studies related to aspects of the CBI policy agenda (see 2.3.1 below);

- Co-ordinating visiting technical missions from representatives of the co-sponsors, including those from IMANI Development, the European Union, World Bank, COMESA, United Nations Economic Commission for Africa, etc.;

- Organisation of workshops / seminars on regional integration (CBI, COMESA, SADC) [1]

- Organisation of a Press briefing on regional integration (CBI, COMESA, SADC, etc)

2.2.2 Main results of the TWG's activities

These activities have served to create a greater awareness at the national level of the process of regional economic integration in Eastern and Southern Africa, and the advantages and disadvantages of Seychelles' membership of such organizations. In addition, the activities have contributed to the development of a dialogue between Government and the Private Sector on the broad issues associated with regional integration. Indeed, the recent decision of Government to the establishment of a Joint Economic Council, comprising representatives of Government, employee's representatives and the private sector is a measure that had long been advocated by the TWG.

2.3 Overview of studies undertaken by the TWG

2.3.1 Brief details of studies commissioned by the TWG

Since 1993, the TWG has been responsible for the preparation of a number of studies on aspects of the CBI Agenda, including the following: -

a) Study Analysing and Quantifying Tax Reform Required in Connection with the Implementation of the CBI in Seychelles (J. Rankin, 1995);

[1]Apart from a National Workshop organised at the Reef Hotel in November 1993, the TWG also organised a number of informal meetings on specific issues related to regional integration (i.e. ASYCUDA, Tax Reform, Regional Integration, etc). In some cases such meetings were organised in conjunction with visiting missions from, inter alia, the European Union, UN-ECA, World Bank, etc. These meetings were attended by members of the TWG and invited participants.

The study identified the options open for Government in compensating for lost revenue from trade taxes (customs duties) through the introduction of alternative forms of taxation (i.e. sales tax, VAT, excise taxes, etc). It also considered the administrative aspects of introducing alternative forms of revenue collection. This was the first study attempting to address such issues.

b) UN-ECA : Mission Report on the Initiatives of the Republic of Seychelles on Economic Integration : Determining Factors and the Way Forward (Prof. S.K.B. Asante & Prof. W. Ndongko, 1995);

The main conclusion of the Report was that, apart from the TWG, there was no appropriate institutionalised national forum to address the range of issues associated with the process of regional economic integration and its implications to Seychelles. This was seen as a major impediment to policy development in this regard.

c) Presentation on ASYCUDA (Jeff Rankin, May 1996)

The main objective of the presentation was to outline the ASYCUDA System, and to consider whether it could be implemented in Seychelles. From a technical point of view the advantages / benefits of the System were acknowledged. However, it was noted that Seychelles was in the process of developing, through the Management Information Systems Division (MISD) it own system for customs purposes.

d) Study to Identify Proposals/Projects for Eventual Submission to the Co-Sponsors (B.Rassool, January 1997)

The study focused on identifying projects that would assist in developing a regional trade and investment center in Seychelles, and consisted of 6 outline project proposals: -

- Development of a vision and policy framework for the Seychelles International Trade Zone (ECU 5,000)

- Implementation of a harmonized institutional framework for the future development of the SITZ (ECU 10,000);capacity building within the Seychelles International Business Authority (SIBA) (ECU 200,000);

- Identification of niche sectors and activities for the SITZ(ECU 175,000);

- Marketing the SITZ vis-à-vis potential investors (ECU 225,000);

- Development of modern infrastructure in and around the SITZ (ECU 35,000).

It had been envisaged that the co-sponsors might consider supporting some of these project proposals.

e) Completion of Questionnaire on the PTA Clearing House (1998)

Component of regional study prepared by the PTA Clearing House in Harare.

f) Completion of the Questionnaire on the CET Administrative Study (January 1999)

Component of regional study prepared for the Indian Ocean Commission (IOC).

g) Study on Ways and Means of Increasing Investment in CBI Countries by Seychellois Residents (B. Soundy & B. Rassool, January 1999)

The study attempted to explore specific avenues for mobilizing funds held abroad by Seychellois, for the purposes of investing in the region, which would otherwise be a major obstacle given the persisting balance of payments difficulties prevailing in Seychelles. It was recommended that Government could offer tax incentives and guarantees in relation to dividends that would be generated from such investments under double taxation avoidance agreements with each member country.

In addition to these studies that were undertaken at the national level, the TWG has also been involved in the *Indian Ocean Commission (COI) Study on the Common External Tariff (CET)*.

The TWG also co-ordinated the major study undertaken by John Short *("Seychelles : Study on Implementation of COMESA Tariff Reductions and Alternative Revenue Collection" – June 1998)*, which was funded by the European Union.

This Report concluded that regardless of membership of COMESA Seychelles would, in any case need to reduce tariff and non-tariff barriers to trade, in line with WTO requirements. It was noted that it was already the policy of Government to gradually reduce tariffs on imports from all sources. At the same time, it was also noted that the current Trades Tax was the <u>only</u> tax collected on imports, whereas other countries impose separate import tariffs, excise duties <u>and</u> VAT. The Report concluded that if such taxes were to be introduced in Seychelles, the implementation of the COMESA CET would not necessarily result in lower tax revenue. This was illustrated by various projections.

Finally, the TWG has also been directly involved in the preparation of various internal briefing papers for the Government of Seychelles.

2.3.2 Summary of Results of studies undertaken by the TWG

While it is difficult to assess the impact of these studies in terms of their contribution to the development of national policy, it is certain that they have had some influence, since in many cases these studies addressed critical policy issues that may otherwise not have been considered by Government. Thus, although the impact of these studies may not have been immediately apparent, insofar as they did not generally result in policy changes, the long-term impact may be greater. In particular, the study by John Short has made an important contribution in this regard, and is still under review by Government.

3. ACHIEVEMENTS OF CBI IN POLICY REFORM AREAS

At the beginning of Seychelles' participation in the CBI, the country was in the process of transition from a single party state to a multi-party system. During the preceding 17 years (from 1977-1993) the Seychelles' economy was characterised by a high degree of centralisation and the dominance of the public and parastatal sectors. Since 1993, Government has been pursuing a policy of gradual disengagement from economic activities, while promoting the growth of the private sector.

The Government of Seychelles remains committed to the requirements of membership of regional economic organisations, namely the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC) and the Indian Ocean Commission (IOC), as well as the World Trade Organisation. As such, the Government is committed to the implementation of measures to fully integrate Seychelles in to the world economy and the multilateral trading system. However, it also recognised that such liberalisation can only be effectively implemented if it is done gradually, and in tandem with more general macro-economic adjustments and reforms to the system of taxation.

To this end, Government has undertaken a review of required policy measures consistent with its membership of regional economic organisations, including COMESA, SADC and the Indian Ocean Commission. In addition, two major studies have been undertaken financed by the European Union (John Short, *date) and the African Development Bank (Bhatia, date).* A further study is to commence shortly, funded by the European Union.

Meanwhile, Government has commenced a review of *pricing policy* and the role and effectiveness of the Seychelles Marketing Board.

3.1 Foreign Trade

Although Seychelles has not yet implemented any regional preferential tariffs (except for a 5% preference for goods originating from member States of the Indian Ocean Commission), some progress has been made in reforming and reducing the overall level of tariffs in a manner consistent with the CBI. Average tariffs are now 25%, with an eventual target of 15%, and Seychelles is in the process of joining the World Trade Organisation (WTO).

Trades taxes (import duties) are levied on the c.i.f. value of imports into Seychelles. The ad valorem tariffs range from 0% to 200%. There are 11 nominal rates (0, 5, 10, 15, 25, 50, 75, 100, 125, 150, 200), with a mean of 28%, a mode of 25% and a median of 25%.

3.1.1 Import / Export Licensing

Export licensing was abolished very early in the transition to a multi-party system. Previously, there had been a state monopoly on the export of the major agricultural crops and fish products. The only existing prohibitions on exports are related to international agreements (such as CITES).

Import Licenses are issued automatically, except for a number of "essential commodities", that are a monopoly of the Seychelles Marketing Board (SMB). Government considers the issue of Import Licenses as a revenue generating measure, rather than an impediment to trade.

However, in order to address persistent foreign exchange shortages, Government has imposed a system, of import quotas. Under this system, licensed importers are provided with an annual quota (in value) that may be used to import non-essential commodities (i.e. not on the list of commodities that are the exclusive monopoly of SMB). After the quota is granted, an importer must submit an application for an import permit. This is then verified and a permit issued, provided the annual quota has not been exceeded.

This is considered as a temporary measure that will be removed once existing balance of payments problems are resolved.

3.1.2 Non-Tariff Barriers

Apart from the system of import quotas (as described above), the only other remaining Non-Tariff Barrier is the SMB monopoly on importation of a limited number of *essential commodities*. This measure is considered as a "food security" measure and is designed to ensure a reliable supply of essential commodities.

In his 2000 Budget Address, the Vice-President announced that Government would undertake a thorough review of the role and functioning of SMB during 2000.

3.1.3 Intra-Regional Tariffs

Government has yet to implement any reductions in tariffs on intra-regional trade, other than the 5% preference for goods emanating from Member States of the Indian Ocean Commission (IOC). A temporary derogation on the implementation of the COMESA tariff regime has been granted, pending the outcome of a thorough review of Seychelles' macro-economy.

Government is currently undertaking an extensive review of the implications of membership of COMESA and SADC with respect to tariff and tax reform. This review process commenced in the first half of 1998, with a study undertaken by Mr. John Short on *The Implementation of COMESA Tariff Reductions and Alternative Revenue* Collection (funded by the European Union under the CBI), and was continued by the ADB-funded study undertaken by Mr. Bhatia, which was presented to Government in July 1999. A further in-depth study on the Seychelles' macro-economy has recently commenced. This is being funded by the European Union.

Thus, while Seychelles has not implemented any significant tariff reductions to date, nor has it implemented any regional preferential tariffs, a timetable for tariff reform <u>could</u> be announced by the end of 2000.

3.1.4. External Tariffs and CBI Harmonisation

For the reasons already stated above, no action has yet been taken to harmonise external tariffs. However, Government is currently reviewing its obligations under COMESA and other regional organizations (SADC and the Indian Ocean Commission).

Seychelles did participate in the Study on the Administrative Structure for the COMESA Common External Tariff (CET)

Seychelles is using the Harmonised System (HS), and has implemented the 1996 Amendments.

3.1.5 Trade Facilitation

The following CBI policy measures under Trade Facilitation are largely not applicable to Seychelles, due to its geographic location as an island state.

- Harmonised transit charges
- Single goods customs declaration
- Customs Bond guarantee scheme

3.2 Payments

3.2.1 Financial Sector Reform

Financial sector in Seychelles has been extensively reformed and liberalised. 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.

3.2.2 Foreign Trade Instruments

Typical foreign trade financing instruments (i.e. *Letters of Credit*, *Sight Bills* and *Export Re-Finance Schemes*) exist within the financial sector. There are no *export credit guarantee schemes* in place.

3.2.3 Exchange Controls

No formal exchange controls exist, although access to foreign exchange is limited by short supply. 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 exchange 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 remained a persistent problem.

In April 1994, Government introduced a "pipeline scheme" in order to streamline requests for foreign exchange. This involved the depositing of Seychelles Rupees in an interest-bearing pipeline at commercial banks with a request for the equivalent in foreign currency on maturity. Allocations for foreign exchange were made on a first-come first serve basis. The aim of the scheme was to "mop up" rupees in the economy and thus reduce the demand for foreign exchange. The scheme was ineffective for two main reasons. First of all, because there was no priority for payments, essential items were competing with non-essential items. Secondly, a number of unscrupulous operators were running a parallel market for foreign exchange and using the pipeline scheme to fund their transactions. Despite measures introduced in 1995, which divided the scheme into categories of goods, the Central Bank decided to freeze the pipeline scheme the following year, with the eventual aim of its complete abolition. At the end of 1996, all existing deposits under the scheme were frozen and commercial banks no longer accepted new deposits under the scheme, except for capital payments arrears. At the same time, commercial banks were permitted to allocate their foreign exchange at their discretion from their retained foreign inflows, and instructed to assign 20% of their foreign earnings towards liquidating existing external arrears. Despite these measures, demand for foreign exchange continued to be strong.

In an effort to curb the growing parallel market and to boost earnings through the banks, Government introduced the Foreign Earnings (Regulation) Act 1996, which made it mandatory for all earnings from trade, business or other transactions with non-residents to be channelled through a commercial bank in Seychelles. The bank in turn credited the resident's account with the rupee equivalent. Under the law, a resident has to invoice a non-resident within 90 days of selling the goods or providing the service and the foreign exchange has to be remitted to the resident's account within 21 days, which is even less.

To monitor and ensure compliance with the new measures, a separate division was established within the Central Bank.

In May 1999, the Central Bank of Seychelles introduced amendments to the foreign exchange laws targeted at those profiteering illegally from foreign currency shortages (i.e. the parallel market). Two new pieces of legislation were introduced with effect from 1st May 1999: -

- The *Foreign Earnings (Regulation) Amendment Act*, which requires all visitors to settle their hotel bills in foreign currency, either cash, travellers' cheque or credit card.

- The *Exchange Control (Amendment) Act, which* makes it an offence to be in possession of foreign exchange, if there is no proof of where it has been obtained.

3.2.4 Exchange Rate

Monetary policy in Seychelles is directed towards ensuring the stability of the exchange rate. In 1979, the Seychelles Rupee was pegged to the *Special Drawing Rate (SDR),* which for a number of years served the currency well in cushioning it against the impacts of external shocks and hence excessive fluctuations. However, as the trade and tourism patterns of Seychelles changed, it was decided to replace the SDR in May 1996 with a *trade and tourism related basket of currencies*, representing the most important trading and tourism partners of Seychelles (USA, UK, France, Singapore, South Africa, Germany, Italy and Japan). This move was designed to prevent the excessive appreciation of the Rupee, which was affecting Seychelles competitiveness.

As a result, the Seychelles rupee has appreciated by only 1.6% against its main trading and tourism partners in the period mid 1994 to February 1999. However, at the same time, there has been a growth in the *parallel market,* where the rate appreciated by an estimated 12 % during the same period.

3.3 Investment

Until 1993, the public sector had been the major investor in the Seychelles economy. Since then Government policy has been to promote the private sector, whereby the Government becomes the facilitator and catalyst and the private sector takes the lead in development. Government is especially keen to promote private sector investment in the tourism and fisheries industries, including foreign direct investment. 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 explore the possibilities of partnerships with the private sector through *"build, own, operate, transfer" (BOOT) schemes.*

In order to facilitate foreign direct investment, Government's policy is to conclude *double taxation avoidance agreements (DTAs)* with as many countries as possible. Agreements have already been reached with a number of countries from the region (Zimbabwe and South Africa) and from outside the region (Czech Republic, Thailand, China, and Indonesia). Negotiations are currently ongoing with the following countries: - Tunisia, Philippines, Cuba, Cote d'voire, Cyprus, Morocco, Mauritius, Vietnam, Egypt, and Canada. Government is especially keen to conclude agreements with all COMESA / SADC member states, and to this end has made formal requests to commence negotiations with all COMESA / SADC member states.

The Government is exploring the feasibility of developing cross lists on regional stock markets. The Ministry of Finance is also developing a project for the establishment of a stock exchange in Seychelles.

3.3.1 Investment Approval and Licensing Procedures

The investment regime in Seychelles is governed by 2 pieces of legislation: -

a) The Seychelles Investment Promotion Act (IPA) 1994;

b) The International Trade Zone Act (1995)

The procedures under this legislation are simplified and are largely in line with CBI recommendations. Investment licenses are issued on a case-by case basis depending on economic and commercial merit.

The Investment Promotion Act (IPA) took effect on 1st January 1995, and is aimed at developing the economy through new types of economic activity and the upgrading of existing activities. Under the Act investments are classified into sectors (i.e. agriculture & marine resources, industrial and manufacturing, professional services, small-scale industries, tourism development). Concessions are prescribed for the various sectors under the categories of (i) Export Orientated Units; (ii) Special Growth Areas; (iii) General Category. Investments that qualify are issued with a *Certificate of Approval* for a fixed period. This certificate lists the concessions and incentives, which are automatic and guaranteed during its validity and cannot be changed to the detriment of the investor. The incentives range from concessionary rates to complete exemption from tax.

In an effort to further promote private sector investment in the economy, Government is currently in the process of reviewing this existing legislation, with a view to introducing further reform. Also under consideration is the establishment of a *one-stop investment centre* in the Ministry of Finance.

The Seychelles International Trade Zone (SITZ) is administered by the Seychelles International Business Authority (SIBA). Applications for licenses are submitted with a project memorandum to SIBA, which evaluates and approves all new proposals. The zone offers major tax concessions, particularly to companies engaged in manufacturing, reprocessing, redistribution and a range of high-tech related businesses. Operators within the ITZ pay no corporation tax, customs duty on capital equipment or consumables used within the zone. Nor are such operators liable to social security contributions, capital gains tax, withholding tax or taxes on dividends. These and other concessions are safeguarded within the law, and license fees are fixed for life.

3.3.2 Investment Code

No investment code has been introduced to date, although this is currently under consideration by Government. The Government has instead opted for considering applications for investment licenses under the Investment Promotion Act (1995) under which investors may become eligible for highly competitive incentives and concessions on a *"case-by-case"* basis

3.3.3 Harmonise of Investment Regime

Government has to date, made no effort to harmonise its investment regime with other countries of the region, though the issue is under review.

3.3.4 Movement of Persons and Employment Permits

Concerning the removal of Visa Requirements at the regional level, Seychelles is in conformity with the CBI as there are no visa requirements. All Visitors to Seychelles are issued with a visa on arrival, subject to being in possession of a valid return ticket and sufficient funds.

The processing of residence and employment permits are provided for under the Investment Promotion Act (1995) and International Trade Zone Act (1995).

3.3.5 Membership / Participation in Investment Protection Agencies

Seychelles has been a member of MIGA since 1993. Seychelles is also keen to conclude bilateral investment protection agreements.

3.4 CBI Status

3.4.1 Status of Addendum to Letter of CBI Policy

The Technical Working Group (TWG) first completed a draft ***Letter of CBI Policy*** in January 1995. This was submitted to the Ministry of Finance & Communications for comment and eventual approval. A revised draft was prepared in September 1995, and it was this draft, with minor modifications, that was finally approved by Government in early March 1996, and submitted to the co-sponsors on 19th March 1996. On the basis of comments received from the co-sponsors, a further revised draft was prepared and submitted by the Government of Seychelles to the co-sponsors in July 1997. This draft was subsequently approved by the co-sponsors, though the latter indicated certain reservations, in particular concerning the trade monopolies enjoyed by the Seychelles Marketing Board (SMB).

The Letter of CBI Policy addressed a number of key issues under the following headings: -

- Trade Liberalisation
- Financial Sector
- Cross Border Investment Liberalisation
- Cross Border Movement of Persons
- Institutional Development
- Technical Assistance

Following the decision of the Fourth Ministerial Meeting of the CBI in October 1999, the TWG started to address the issue of drafting an *Addendum to Letter of CBI Policy*, with the aim of submitting this to Government for formal approval. However, in view of the ongoing nature of the review of macroeconomic policy, as well as the review of Seychelles' trade policy in the light of its commitments to regional economic organizations, it was decided that this exercise could not be completed at this point in time. The co-sponsors have been informed accordingly, through IMANI Development.

3.4.2 Status of Preparation of National Investment Road Map

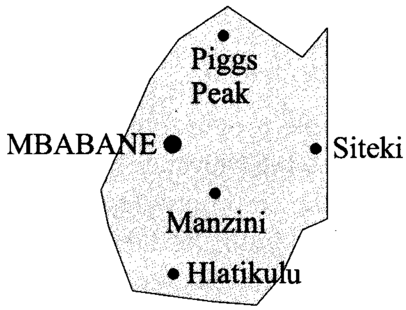
In view of the constraints outlined above in relation to the preparation of the Addendum to Letter of CBI Policy, it has likewise been concluded that it would not be possible to prepare the national Investment Road Map at this point in time, since it is anticipated that significant changes to the investment regime may be implemented in the near future.

4. OTHER ISSUES

Seychelles has already made considerable progress in implementing many of the recommendations of the CBI. For example, while Seychelles has not implemented the COMESA tariff reduction programme, significant progress has been made in reforming and reducing tariffs, in a manner consistent with the CBI. Concerning investment promotion, the measures that have been taken by Government under the Seychelles International Trade Zone Act 1995 and Investment Promotion Act 1995 are also generally 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 to the CBI. The recent announcement that Government was to set up a Joint Economic Council is also an important step towards implementing the CBI agenda.

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 the 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. It is expected that the current ongoing review of Seychelles' macro-economy and trade policies will result in new measures that are in line with the CBI.



Swaziland

SWAZILAND

1. OVERVIEW OF THE CBI

1.1 First Involvement

(There is only limited information available regarding the early history of Swaziland's involvement in the CBI.)

Swaziland attended a workshop held in Mauritius in June 1992 at which the second phase of the CBI was launched. Thereafter, the Swaziland Technical Working Group was formed under the Chairmanship of the Chairman of the Swaziland Chamber of Commerce & Industry, whilst secretariat services were provided by a representative from the University of Swaziland. Subsequently Swaziland attended the formal establishment of the CBI at the Ministerial meeting in Kampala, Uganda, in August 1993.

Swaziland understood from the outset that it could not participate in all the aspects of CBI core policy because of its membership of the Southern African Customs Union (SACU) and the Common Monetary Authority (CMA). Both these institutions are led by South Africa which has not participated in CBI. Swaziland's objectives, therefore, were to remove all non-tariff barriers that constrain investment in the country. Specifically Swaziland was seeking to encourage direct foreign investment through the development of an attractive incentive package, the removal of administrative hurdles and the creation of an investment promotion centre to market the country as an investment location.

The TWG was revived in 1994, under the Chairmanship of the Principal Secretary in the Ministry of Commerce & Industry, and the Minister for Finance assumed responsibility for formulating the Letter of CBI Policy. Swaziland first submitted an LCP in June 1995. Various comments were made on this by the co-sponsors and a revised letter was submitted a year later. The co-sponsors accepted Swaziland's Letter of CBI Policy in December 1996.

1.2 On-going perceptions

As noted above Swaziland has had, of necessity, only limited involvement and interest in the CBI process - it could not participate in the harmonisation of tariffs (SACU), or in any issues related to exchange control (CMA) and Government preferred to leave matters related to the regional movement of goods to SADC and COMESA.. This has restricted the scope of the TWG and its inability to make significant contributions in most areas of CBI policy resulted in the TWG losing its potential status as a joint Government / private sector policy formulating body. As a consequence of this and because the CBI could not offer any direct trade benefits, the main private sector participants (the Swaziland Chamber of Commerce & Industry, the Swaziland Industrial Development Company, the Sibakho Chamber of Commerce and the Swaziland Commercial Amadoda) have become occasional participants.

Similarly, Government's involvement has been scaled down so that TWG meetings are now attended by junior members the various participating ministries - a self-fulfilling prophecy.

Compounding the problem of a lack of a meaningful role, the TWG has also been impeded by a regular change of personnel in influential positions - changes in Government Ministers, Principal Secretaries, the Chairman of the TWG and the chief executives of the principal private sector organisations. Early in 1997 ministerial portfolios were changed and it was some months before a Ministry accepted responsibility for CBI.

Swaziland achieved its main objective under the programme, however, when the Swaziland Investment Promotion Authority was established in 1998.

In summary, the country has lost touch with CBI: neither current Ministers, relevant sections of the civil service, nor the private sector are aware of CBI.

1.3 Benefits

Swaziland's major benefit from the CBI has been the establishment, in April 1998, of the Swaziland Investment Promotion Authority (SIPA). The capital, training and promotional programme (travel, workshops, seminars etc) have been funded, under the auspices of the CBI, by the co-sponsors whilst the Government has been responsible for recurrent expenditure. Following from this, the incentive package for new investors has been improved: corporate tax rates are reduced, according to the scale of the project, and permanent residence status is available for the investor and the top employees.

1.4 Relationships with regional institutions

The TWG has not been involved with Swaziland's membership of either SADC or COMESA. Indeed, membership of these bodies has limited the activities of the TWG because issues have been left to the regional organisations to resolve.

2. *ACTIVITIES OF THE TWG*

2.1 Overview of TWG meetings

TWG meetings have been held irregularly and infrequently since the secretariat was established in 1996. Little was achieved in the meetings because, once the TWG had lost its status (as discussed above), the participating bodies did not assign responsibility for CBI to any one person or to a high-ranking official. Consequently different representatives would appear at each meeting, with the result that there was no continuity from one meeting to the next, nor any possibility of on-going development.

Government ministries and departments which attended TWG meetings at various times included:

- Ministry of Enterprise & Employment
- Ministry of Finance
- Ministry of Economic Planning & Development
- Ministry of Foreign Affars & Trade
- Department of Transport
- Department of Customs
- Department of Immigration
- Department of Labour
- Central Bank

The private sector was represented by:

- The Swaziland Chamber of Commerce & Industry
- The Swaziland Industrial Development Company
- The Sibakho Chamber of Commerce
- The Swaziland Commercial Amadoda

A sub-committee of the TWG was convened, with regard to the proposed Tax Bill, to prepare a submission to the Minister for Finance on tax reform, from the perspective of encouraging new investment. The sub-committee was comprised of representatives from the Ministry of Finance, Central Bank, Swaziland Chamber of Commerce & Industry and the Ministry of Economic Planning & Development.

2.2 Overview of Sensitisation Activities

There have been no sensitisation activities.

2.3 Overview of Studies

Several attempts were made to set up studies under the auspices of CBI. None of these efforts ever reached sufficient maturity for a request to be made to the co-sponsors for funding. Studies considered were:

- Harmonised External Tariffs (HET);
- The implementation of ASYCUDA

2.4 Sub-Committee

A sub-committee of the TWG has met on a regular 6-monthly basis to review the progress reports and work plan / budgets of the Swaziland Investment Promotion Authority. This was in terms of the requirement that the TWG should monitor the use of resources provided by the co-sponsors.

In addition to its prime function, the sub-committee also participated in the review of reports on studies commissioned by SIPA, particularly:

- Forest Products;
- Sugar Sector;
- SME Support Programme Identification.

3. ACHIEVEMENTS OF CBI

3.1 Foreign Trade

Swaziland did not participate in this aspect of the CBI and no change has occured.

3.2 Payments

As above. A frame work and timetable exist and are contained in the World Bank report on the Swaziland Financial Sector Study (1995). The TWG was not provided with a copy of the report or a detailed review of the recommendations contained therein. The representative from Central Bank advised that some of the recommendations were being implemeted, in particular:

- The local asset requirements of commercial banks had been abolished.
- No interest paid on banks' asset reserves, in anticipation of developments in monetary and capital markets.
- Central Bank had stopped taking term deposits.
- Central Bank was issuing Bills, since Treasury Bills were insufficient to create a market.
- The Securities, Pensions and Insurance Bills should be in place during 1997

3.3 Investment

As noted above, the Swaziland Investment Promotion Authority has been established. The TWG has been charged with monitoring the activities and expenditure of SIPA, on behalf of the co-sponsors. For this purpose a sub-committee of the TWG was established, consisting of the Chairman, Deputy Chairman, EU Representative and the representative of the National Authorising Officer from the Ministry of Economic Planning. The sub-committe has been supported by the secretariat.

Investment approval and licensing procedures: this has never been a problem in Swaziland. SIPA does provide a facilitation service.

The Investment Code has not been formalised.

Harmonisation of investment regime: no discrimination has existed between internal or external investors, or between various sources of investment.

No change has occured on the borders of Swaziland to facilitate the movement of persons, but this has not been a problem.

Efforts have been made to expedite the issue of work / residence permits and new investors may be given permanent residence status. The latter has been re-activated by the efforts of SIPA, having been a dormant option for many years.

Swaziland continues to be a member of MIGA.

Continuing efforts are being made to reform Swaziland's tax legislation. A draft Bill has been in preparation for a number of years and, as an interim measure, a Tax Amendment is currently before Parliament. SIPA has succeeded in negotiating special concessions for new investors in Swaziland; these concessions range from reduced corporate tax (down to 30% or below) to tax holidays.

3.4 CBI Status

Neither the Addendum to the Letter of CBI Policy nor the National Road Map on Investment Facilitation have been submitted to the co-sponsors; neither document has been prepared.

ANNEX 1: TWG MEMBERS

There has not been a consistent group of representatives. The following list of names refers to the main contact points, i.e. the Principal Secretary, Chief Executive or, in a few cases, the regular participant from an organisation.

Name	Organisation	Telephone (+268)	Fax (+268)	Address
Dr. Timothy Dlamini	Ministry of Foreign Affairs & Trade	404 2661	404 2669	PO Box 518 Mbabane
Mr. Myekeni Vilakati (TWG Chairman)	Ministry of Enterprise & Employment	404 3201	404 4711	PO Box 451 Mbabane
Mrs. Musa Fakudze	Ministry of Finance	404 8148	404 3187	PO Box 443 Mbabane
Mr. Ephraim Hlophe	Ministry of Economic Planning & Development	404 3765	404 2157	PO Box 602 Mbabane
Z Lukhele (TWG Deputy Chairman)	Swaziland Railways	404 2486	404 5009	PO Box 475 Mbabane
P Bidé	European Union	404 2018	404 6729	PO Box A36 Swazi Plaza
E. Hillary	Central Bank of Swaziland	404 3222	404 0063	PO Box 546 Mbabane
S. Sibandze	Swaziland Chamber of Commerce & Industry	404 5442		
Dr Gina	Swaziland Industrial Development Co.	404 3391	404 5619	PO Box 866 Mbabane

Tanzania


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

1. OVERVIEW OF THE CBI IN TANZANIA

1.1 Background to the CBI

Since the Maastrich Conference on Africa, held in July 1990, developed countries have revived their interest in economic integration for Sub-Saharan Africa. At that conference, they had welcomed more regional integration and co-operation in the Sub-Saharan region but, at the same time took note of the fact that previous integration schemes, launched in the pre-adjustement era, had achieved limited progress in promoting cross border trade and investment. They further recognised the potential value of regional integration in strenghthening the basis for sustainable growth, hence the need to look for a new practical approach to promoting economic integration that is anchored in outward strategies oriented to development.

Following the Maastricht Conference, the World Bank (WB), the IMF, the European Union (EU), the African Development Bank (ADB) Coalition for Africa known as the co-sponsors of the CBI began collaborating on developing a new pragmatic approach to promote regional integration in Sub-Saharan Africa. These efforts culminated in an initiative – the Cross Border Initiative (CBI) in the COMESA/SADC/IOC (Indian Ocean Countries) where, as a result of past reforms, there was progress towards creating outward oriented economic regimes as well as a particularly strong resolve to strengthen financial and economic linkages among the member countries.

1.2 Main Features of CBI

The CBI has evolved over the past eight years in several phases of dialogue between the co-sponsors, the regional institutions and the representatives of the Eastern and Southern African Countries.

a. The first phases led to the formulation of a Concept Paper (CP) which proposed a framework for action by interested governments.

b. At a ministerial meeting held in Kampala in August 1993, representatives of thirteen countries and several regional institutions endorsed the CP.

c. The co-sponsors indicated their commitment to support CBI implementation process.

The overall reform agenda under CBI provides for an acceleration of the pace and deepening of the scope of adjustment effort in the participating countries in the following areas:

a) Trade liberalisation

b) Liberalisation of the exchange system

c) Deregulation of investment

d) Strengthening of financial intermediation

e) Facilitation of factor movement – labour and capital.

- Specific measures, their sequencing and implementation timetable under CBI were foresceen to vary from country by country, since progress on policy reform is highly variable between countries.

- The CBI is based on the principle of the faster reformers setting the pace of integration.

1.3 Tanzania's Participation

Tanzania has been participating in the initiative since CBI's inception and was also among the thirteen countries which gave approval to, and also committed themselves to the implementation of all that was contained in the concept paper. Furthermore at all CBI meetings the Ministry of Finance has been leading the Tanzania Delegations.

1.4 Organisational Set-Up

As contained in the Concept Paper, the organisation of all CBI activities in Tanzania is similar to those in other participating countries and is set up as follows:

i. Policy Implementation Committee (PIC)

This is the highest policy making body in Tanzania and is at Ministerial level. The composition is as follows:-

a) Minister for Finance	-	Chairman
b) Minister for Industries and Trade	-	Member
c) Minister for Foreign Affairs and International Co-operation	-	Member
d) Minister of State (Planning)	-	Member
e) Governor of Bank of Tanzania	-	Member

In practice, the PIC in Tanzania has not met since the start of the CBI. Nevertheless, the Minister for Finance has been making consultations with members of the cabinet and members of CBI, particularly when there is a CBI Ministerial Meeting. Unlike in some of the CBI participating countries, the PIC in Tanzania cannot be the final authority in deciding on major regional integration issues, but as a team they can make strong recommendations for final approval by the Cabinet.

ii. Technical Working Group (TWG)

This comprises experts from institutions relevant to the CBI and it is to-date under the Chairmanship of the Ministry of Finance. At the moment it has members from the following institutions:

a) Ministry of Finance	-	Chairman
b) Planning Commission	-	Member
c) Ministry of Industry and Commerce	-	Member
d) Ministry of Foreign Affairs and International Co-operation East African Co-operation Desk)	-	Member
e) Bank of Tanzania	-	Member
f) Tanzania Chamber of Commerce, Industry and Agriculture	-	Member
g) Tanzania Exporters Association	-	Member
h) Confederation of Tanzania Industries	-	Member
i) Tanzania Investment Centre	-	Member

Secretary: Iramba Management and Industrial Services Limited (Private Sector)

The TWG has been the most active organ in keeping CBI in Tanzania alive.

a) The first TWG originally (1992) had 9 members with an independent consultant from the University of Dar es Salaam as Secretariat and was charged with the task of undertaking technical studies necessary for the initiative. Basically, the TWG observed that inspite of the interest shown by a number of donor countries towards the sub-regions efforts to accelerate regional integration among member states, and efforts made, investments have, from the time of the formation of these organs, remained low. A host of trade, investment, financial and, at times, institutional, constraints have often been cited as impeding increased economic co-operation among member states.

The TWG went onto identify, analyse and recommend viable means of dealing with the constraints identified as they apply to Tanzania. The outcome was a report which dwelt on intra COMESA/SADC constraints and then on recommendations on how to go about removing them.

This included:

- Intra COMESA/SADC Investment

- Intra COMESA/SADC Trade

- Finance and payments

- Institutions.

b) The "Second" TWG

The very excellent work of the first TWG and its continuity was seriously affected by:-

- Administrative and institutional changes made in the government machinery which affected almost all members of the TWG. The Chairmanship within the Ministry of Finance remained the same.

- Inadequate and weak secretarial support further exacerbated the disintegration of the TWG activities.

For the whole period between December 1992 and October 1993, CBI activities were dormant until November 1993, when the EEC Desk in the External Finance Department of the Ministry of Finance took the initiative to revive the activities with the active support of the EEC. Activities included were:

- To establish new/revised terms of reference for the TWG

- To identify relevant institutions and pinpoint new members who would be keen in the CBI activities.

- To establish a temporary secretariat to the TWG

- To call the first meeting of the newly set up TWG.

The first meeting was held at the end of February 1994 (14 months after the last work of the TWG) and had only three (3) members.

iii. TWG Secretariat:

As mentioned above, and from the experience of other CBI participating countries the Secretariat is critical to the success of all CBI activities.

From the recommendation of the Concept Paper, a consultant was identified to work on a sub-contract basis and answerable to the TWG under the overall CBI consultancy contract supervisd by Imani Development International Ltd of Zimbabwe as lead Consultants.

1.2 On going Perceptions of the CBI Process within Tanzania by Government and Private Sector

Perceptions by Government

Tanzania has all along supported the CBI process. The Concept Paper (CP) which proposed a framework for action was endorsed in Kampala in August, 1993 by Tanzania.

The overall reform agenda under CBI called for liberalisation of the trade regime, exchange system, deregulation of investment, strengthening of financial intermediation and facilitation of factor movement, labour and capital. Tanzania under the CBI Trade Road – Map has achieved the following:-

- a tariff structure of four non-zero rate with a maximum of 25%,
- lowered trade-weighted average of tariffs vis-à-vis third parties to no more than 15%,
- acceleration of schedule of preferential tariffs on intra-regional trade to 80% with a view of complete elimination of all tariffs on intra-regional trade, provided Tanzania does not withdraw from COMESA,
- application of the lowest customs duty rate to raw materials and capital goods, a middle rate for intermediate goods and a higher rate for finished goods (based on a 6-digit harmonised system tariff code)
- elimination of all tariff barriers except those justified for health security and environmental reasons,
- reduction of customs duty exemptions to a minimum consistent with international treaty obligations.

Other trade issues which have been done away with are in relation to import and export licensing and surrender requirements. Tanzania applies Road Transit Charges as approved by COMESA, although they are not the harmonised rates, and introduced

Common Road Customs Transit Document (Yellow Card). Reforms in the payment and exchange system include liberalisation of current account, permission of operation of private banks and non-bank financial institutions.

By putting all the above reforms in place and many other related measures the Government perceives this as a way to stimulate economic development.

Perceptions by the Private Sector

Similarly, the private sector now, regarded as the engine of economic growth, is developing a stronger relationship with the Government and is consulted from time to time through the Private Sector Foundation and the National Business Council before decisions which impact on the private sector and the civil society are made.

1.3 Specific Elements of the CBI that have been Particularly Useful in the Country and Benefits of having had a TWG

1.3.1 Balance of Payment Support

The CBI Letter of Policy was accepted by the co-sponsors in May, 1997. In so doing Tanzania qualified for a grant of ECU 9.3 million from the co-sponsors in the form of balance of payment support. This came from the European Union structural adjustment agreement (SAF IV), total value ECU 61.9 million containing a CBI floating tranche of ECU 9.3 million. The co-sponsors have continued supporting Tanzania in this respect. TWG prepared the draft CBI Letter of Policy and followed it until it was accepted by the co-sponsors.

1.3.2 Automated System for Customs Data (ASYCUDA)

A Single Goods Customs Declaration Document was introduced in 1996 to improve and streamline the administration of customs data. The support on the ASYCUDA Customs system has been implemented at the Dar es Salaam Airport and at the Dar es Salaam Longroom (Seaport). This has enhanced availability of customs data in terms of time and accuracy. Its installation is planned for Zanzibar. TWG has been closely following up the installation of the ASYCUDA system.

1.3.3 Customs Tariff harmonisation in East Africa – Case of Tanzania

A study on "Customs Tariff Harmonisation in East Africa – Case of Tanzania" was completed in April, 1998. The studies for Kenya and Uganda were completed at the same time. Consolidation of the three reports has already been done and experts of the three East African states are working on the implementation of the recommendation. The study was financed by one of the co-sponsors of CBI namely, the World Bank. The TWG followed up payment to the Consultants as at one stage, this was becoming a bottleneck.

1.3.4 Analytical Study on Amendments to the Tanzania Legal Codes and Proposal for an enabling Legal Framework in conformity with the agreed Concept Paper for Cross Border Initiative (CBI)

Consultancy services for review, consolidation and amendment of legislation and/or investment regulations and practices affecting Cross Border Trade and Investment within the Eastern and Southern African Countries and proposals for the establishment of an enabling legal framework for the improvement of intra-regional trade and investment were offered in April, 1998. The study, which was financed by the World Bank through the Ministry of Finance was completed in 1999. Recommendations thereto were submitted to the Minister for Finance to be worked upon by the relevant legislative machinery. TWG drew up the terms of reference, participated in the selection of the consultant and followed the study to its completion.

1.3.5 CBI Sensitisation Seminars/Workshop

Between January and December, 1998 and November, 1999, 7 seminars to sensitise/train the public on the activities of Cross Border Initiative and the East African Cooperation Treaty were held. At these meetings papers were presented for discussion and from the discussions resolutions emerged. To all these meetings the co-sponsors of CBI were able to attend the meeting held at Dar es Salaam on 6th February, 1998. As for the others, they were unable to, because of other important commitments. The resolutions of these seminars/workshops have been forwarded to the relevant Ministries, Government and non-Government Institutions for implementation. TWG organised these seminars.

1.3.6 The East African Technical Working Groups (EATWGs)

The EATWGs meetings which bring together the Technical Working Groups of the 3 East African States once a year, alternating between members states focus an issues such as examining CBI progress, studying non-Tariff Barriers, tariff harmonisation, improvements to customs administration, transport and other sector studied and developing Cross-border legal and economic elements of the E.A.C Treaty and its Protocols. EATWGs meetings have all along been financed by the Co-sponsors through the Lead Consultant. TWG facilitates such meetings and follow up the implementations of the resolutions.

1.4 Relationship between CBI and the Regional integration institutions (COMESA, EAC and SADC) in Tanzania.

1.4.1 Relationship between Tanzania and COMESA

Tanzania has shown intention of pulling out of COMESA. The reasons given to justify this decision are:-

- Implications of a Free Trade Area (FTA) on Government revenue and the existing industries.
- Costs and benefits of belonging to COMESA do not justify Tanzania's continued presence.
- Duplication of efforts among regional integration groupings, namely, COMESA, SADC and EAC are pecuniarily too expensive.
- Uneven growth and balances that would ensue in a FTA are likely to be unfavourable for Tanzania.
- The geographical size of COMESA.
- Tanzania geographical location.

The intention is expected to come into force in September, 2000. However, efforts are being made by all those friendly to Tanzania to convince her to reconsider the intention.

1.4.2 *East African Cooperation*

The EAC Treaty was signed in October, 1999. The "Trade Liberalisation and Development" took a lot of time to negotiate. It was agreed at the EATWGs meeting held 7th – 8th December, 1999 at Nakuru, Kenya that although the target period for achievement of a Customs Union was four (4) years this should be hastened and the period reduced. The relationship between CBI and EAC is cordial and is regarded as complementing each other.

1.4.3 *Southern African Development Community (SADC)*

Tanzania is a member of SADC. The CBI has been developed in collaboration with the regional organisations i.e. COMESA, EAC, SADC and IOC. CBI, therefore, directly supports the integration agenda of the regional organisations. SADC Secretariat has maintained contacts with the co-sponsors of CBI on how the initiative could serve to promote the SADC agenda.

2. *ACTIVITIES OF THE TECHNICAL WORKING GROUP (TWG)*

2.1 Overview of the TWG meetings since beginning

As mentioned elsewhere in this report TWG activities started in 1992. Due to various reasons TWG activities remained dormant until November, 1993 and the first meeting was held at the end of February, 1994. A summary of the meetings held since then is summarised below:-

Year	No. of Meetings held
1994	1
1995	2
1996	4
1997	5
1998	5
1999	4
2000	1
Total	**22**

The composition of members attending TWG on CBI meeting is as under.

a) Ministry of Finance	-	Chairman
b) Planning Commission	-	Member
c) Ministry of Industry and Commerce	-	Member
d) Ministry of Foreign Affairs and International Cooperation	-	Member
e) Bank of Tanzania	-	Member
f) Tanzania Chamber of Commerce Industry and Agriculture	-	Member
g) Tanzania Exporters Association	-	Member
h) Confederation of Tanzania Industries	-	Member
i) Tanzania Investment Centre	-	Has shown intention to join

2.1.1 Summary of the main issues discussed over the period

a) Letter of CBI Policy

This preoccupied members of TWG until it was finally signed in 1996.

b) CBI Trade Road Map

TWG discussed the various items as presented in matrices. The aim was to review the extent to which various implementing agencies have done their work, constraints if any, and the measures that were in place. Issues pertaining to trade liberalisation, trade facilitation, payment regime, immigration and project development have been discussed and constraints dealt with.

c) East Africa Technical Working Groups (EATWGs) Meetings

EATWGs meetings bring together the three TWGs of Kenya, Uganda and Tanzania to discuss issues pertaining to CBI Trade Road Map and which hinder smooth implementation among the three states. Issues pertaining to NTBs, comparing notes on the extent to which blocks hindering the smooth and hastened implementation of the Road Map have been surmounted.

2.1.2 Problems encountered

At first, many institutions did not understand the role and benefits of CBI. As a result those institutions which were, in one way or the other involved in the implementation of the CBI process were not cooperative. With the passage of time and the sensitisation seminars the problem has been overcome.

2.1.3 Other activities

Evaluation of the CBI activities in Tanzania since inception (1992) to June, 1999 was done by a consultant, Mr. Niel Dourmashkin who completed the work in Tanzania between 19th July, 1999 and 22nd July, 1999.

The conclusions drawn by the evaluation were:

- Most of the trade – tariff objectives of the CBI have been met by Tanzania.
- Most obvious NTBs have been eliminated or are in the process of doing so.
- Trade facilitations measures targeted by CBI have generally been introduced with the exception of the bond guarantee scheme.
- Financial aspects of the CBI objectives have largely been achieved.
- Investment is an area where a great deal remains to be done. The establishment of the Tanzania Investment Centre as a ONE STOP CENTRE has not removed the multiplicity of licences.
- Employment and residence permits to CBI participants are still restrictive and visa requirements still exist for some CBI countries.

2.2 Overview of Sensitisation Activities Since Beginning

2.2.1 Sensitisation Seminars/Workshops

Sensitisation seminars/workshops on the activities of CBI and East African Cooperation Treaty started in 1998.

By November, 1999, 7 sensitisation seminars/workshops had been held. The seminars/workshops were organised and drew participants as shown below:-

No.	Venue	Date	Regions Which Participated	No. of Participants
1.	Dar es Salaam	6.2.1998	Drew participants from private and public sector from Dar es Salaam Region	48
2.	Mbeya	12.8.1998	Mbeya, Iringa, Ruvuma and Rukwa	48
3.	Mwanza	28.8.1998	Mwanza, Mara, Kagera, Shinyanga, Tabora and Kigoma	39
4.	Mtwara	12.9.1998	Mtwara, Lindi	51
5.	Kibaha	2.10.1998	Coast, Morogoro and Zanzibar	49
6.	Dodoma	18.11.1999	Dodoma, Singida	40
7.	Moshi	24.11.1999	Arusha, Tanga and Kilimanjaro	31

2.2.2 Other Sensitisation Activities

The Secretariat, met on different occasions, officials of the Prime Minister's Office, Tanzania Investment Centre, Customs Department and briefed them on the activities of CBI and their role in making it a success. Letters were written to institutions like Tanzania Federation of Trade Unions, Tanzania Bankers' Association. Association of Tanzania Employers and Tanzania Association of Women Enterpreneurs sensitising these institutions on the activities of CBI.

2.2.3 Main Results of these Activities

In these seminars/workshops/papers were presented by experts on fields which affect the business community. Awareness on various facets of trade with the neighbouring countries, tax regimes, and general facilitaiton of trade was brought to the participants. Resolutions made in these seminars have been forwarded to the relevant authorities in the government. As for those resolutions which pertained to the regions, the respective branches of the Tanzania Chamber of Commerce, Industry and Agriculture were charged with the responsibilities of following them up.

2.3 Overview of Studies Undertaken Since Beginning

2.3.1 Study to Identify Potential Areas of Investmnet for Export by Tanzania to COMESA Countries:

Areas of Investment, Constraints, Promotional Strategy, Training, Sensitisation of Public and Private Sectors to Export

The study was carried out to identify areas of investment for Tanzania to the COMESA sub-regions. Areas of investment, constraints, promotional strategies, training and sensitisation of the public and private sectors to export were to be explored by the study.

With regard to investment, 10 areas of potential investment were identified namely:-

(i) **Textile Industry;** to produce quality fabrics, grey cloth, yarn, garments and thread

(ii) **Hides and Skins Industry;** to produce quality hides and skins, shoes and leather products

(iii) **Electrical Goods Industry;** to produce radios, cookers transformers, switchgears, radiators, batteries and cables.

(iv) **Metal Engineering Industry;** to produce billets, iron products, wire products, aluminium products, bicycles, industrial tanks and boilers

(v) **Chemical Industry;** to produce medicines for both humans veterinary use, motor and bicycle tyres

(vi) **Food and Beverage Industry;** to produce for export, meat and meat products, wines, spirits and beer.

(vii) **Natural Resource Industry;** to produce fresh water fish and paper

(viii) **Construction Industry;** to produce cement, roofing tiles, bricks, ceramics and sheet glass

(ix) **Mining Industry;** to produce diamonds, gold, coppers, gas, limestone and mica.

(x) **Service Industry;** to produce services related to tourism, air, sea and land transport, banking and freight forwarding

With regard to training, in the area of export trade the study revealed that the private and public business community lack appropriate training. Training gaps in the six sectors of agriculture, manufacturing, mining, trade, trade-in-services and natural resources, should be identified and tailor made training programmes made. Appropriate training programme should be both production and market oriented. Management and technical skill development is an integral part of training.

2.3.2 Conclusions and Recommendations

Tanzania does not have a technology policy to guide the R & D Advisory Committees set up to steer development of research programmes in each sector. In order to enhance the performance of R & D institutions in their efforts to develop, promote and transfer appropriate technology the following conditions are critical:-

1) An enabling environment sufficiently conducive for an enterprise to undertake manufacturing vesus trading.

2) Enterprises should be mandated to include the provision of support to R & D activities.

3) Industries need to have a quality control unit with at least one qualified quality controller.

2.3.3 Tanzania Export Development Fund - Business Plan

At a meeting of TWGs held in April 1996 in Mauritius, the co-sponsors of CBI agreed to provide financial and technical assistance in support of the private sector activities. The TWGs were required to prepare a programme equivalent to the Indian Ocean Community (IOC). The Tanzanian, Kenyan and Ugandan programmes were prepared by the respective TWG Secretaries and submitted to E.A.C. Secretariat for consolidation and sourcing for funds from European Union. The exercise is yet to be accomplished.

MAIN FINDINGS

The economic system created by Tanzania after independence did not pay sufficient attention to the need to expand export earnings in order to make real resources available to the government to finance its programmes.

Small exporters starting or even wishing to enter the export trade find it exceedingly difficult, if not impossible, to do so because they are not in a position to get facilities from the commercial banks. The reasons are:- high interest rates and stringent security requirements.

The proposed fund will be in a form of loan and grant. The loan component of the scheme will be a revolving facility for financing pre-shipment and post shipment credit needs of exporters. The grant component will be used to finance activities that directly or indirectly stimulate exports. Examples of such services which qualify for grant are prefeasibility and feasibility studies, advice on production techniques, technical assistance in machinery installation and quality improvement and personnel training.

RECOMMENDATIONS

- The study recommends that the loan and grant amount to be made available by EU be ECU 11 million.

- The Bank of Tanzania is to be the lead Bank in the implementation of the project. Implementation should be in accordance to the terms and conditions to be agreed upon by EU and the Bank of Tanzania.

- A Project Secretariat be established to implement the project.

2.3.4 Tariff Harmonisation in East Africa - Case of Tanzania

The study was initiated in 1997. The three studies (for Kenya, Uganda and Tanzania) which were all financed by the World Bank under CBI initiative were consolidated and experts of the three East African states are working on the implementation.

The Main Findings

Among the objectives set out for the EAC was the possibility of forming a regional trade arrangement (RTA) specifically, a customs union.

- A customs union would require

a) a common, harmonised external tariff to be adopted by the three members of RTA

b) the elimination of tariffs on trade within the RTA

- The current status of the trade regimes in the three countries offers a reasonable prospect of achieving some important aspects of the RTA objective.
- The prospects of progress towards a customs union appear good.
- The existing trade imbalances within East Africa are significant and pose an important obstacle to successful integration.
- The proposed common external tariff (CET) of 0,7% and 15% will cause revenue losses in Kenya and Tanzania.

Conclusions and Recommendations

- It is recommended that due regard be paid to the implications of the trade imbalances for costs of tariff adjustments necessary for the normal creation of an East African RTA.
- The revenue consequences of tariff harmonisation need to be carefully considered from the prospective of each member state
- Based on an assessment of a number of alternative tariff structures recommendations have been given to achieve a single harmonised external tariff (HET) as a priority objective.
- After considering the various options for the choice of a common external tariff, the report concludes that a scheme broadly similar to the current Ugandan structure of 0.7% and 15% should be adopted for East Africa
- The proposed tariff adjustments will cause revenue losses in Kenya and Tanzania and will require complementary policy measures to safeguard revenue.
- All the three countries will need to tighten their exemptions regimes, strengthen customs cooperation, to prevent smuggling and diversion of transit goods.
- Strengthen the existing commitments to avoid the use of non-tariff barriers to trade.

2.3.4 Anaylytical Study on Amendments to the Tanzania Legal Codes and Proposal for an enabling Legal Framework in conformity with the agreed Concept Paper on Cross Border Initiative (CBI)

Consultancy services study for review, consolidation and amendments of legislation and or investment regulations and practices affecting Cross Border Trade and Investment within Eastern and Southern African countries was initiated and terms of reference prepared by the TWG.

The Study which was financed by the World Bank examined the existing legal framework and proposed amendments/consolidations with the view of creating a friendly climate for trade and investment. The amendments and recommendations were submitted to the Minister for Finance to be worked upon by relevant legislative machinery.

MAIN FINDINGS

The main finding was that there is lack of transparency in the rules. Investors would usually prefer to have an authoritative set of rules which govern business areas in which they are involved. The absence of such rules exposes them to the discretionary behaviour of bureaucracies.

RECOMMENDATIONS

1. Government agencies should maintain the up-to-date statutes, regulations and guidelines which govern their activities, and should also endeavour to disseminate them in a simplified form to interested parties within and out of the country.

2. Consideration should be given to further liberalisation of the capital account for transactions involving countries within the Cross Border Initiative.

3. Capital Markets and Securities Authority (CMSA) should relax, licensing criteria to all foreigners to participate in the sale and purchase of securities at the Dar es Salaam Stock Exchange

4. Licenses for fishing activities by non-citizens require permit of the Minister for Natural Resources and Tourism. The study recommends, that joint ventures with citizens of CBI countries should be accommodated.

5. With regard to visa requirements, the study recommends, that nationals of countries who are in the Cross Border Initiative should be relaxed as is the case for the eligible commonwealth countries. Secondly those nationals should also be allowed a maximum period of six months as is the case for East African nationals.

3. ACHIEVEMENTS OF CBI IN POLICY REFORM AREAS

3.1 Foreign Trade

3.1.1 Import/Export Licensing

Import and export licensing were abolished since July, 1993.

3.1.2 NTBs: Have also been abolished.

3.1.3 Intra - regional tariffs

These have gradually been reduced and now stand at 80%.

3.1.4 External Tariffs

A number of external tariffs have been harmonised. Tariff bands have been reduced to conform with other CBI member states. The 7 tariff bands which existed in 1996/97 have now been reduced to 5 i.e. 0, 5, 10, 20, 25. The maximum being 25%.

3.1.5 Trade Facilitation

Harmonised transit charges. Tanzania continues to maintain road transit charges as approved by COMESA Council of Ministers Single Goods Customs Declaration Document (Bill of Entry) was introduced and is being used.

3.2 Payments

3.2.1 Financial Sector Reform

The financial sector reform programme is an on-going process, and to date, the following has been accomplished:-

- the banking system has fully been liberalised,
- exchange control has been abolished,
- exchange rate of the Tanzania shilling is determined in the Interbank Foreign Exchange Market and is flexible.
- the Dar es Salaam Stock Exchange started operations in April, 1998.
- interest rates are determined in the financial market.

3.2.2 Exchange System

- Current account of the balance of payment is fully liberalised
- Foreign investment in Tanzania is partially liberalised as the capital account is not fully liberalised.

3.3 Investment

3.3.1 Investment approval and licensing procedures

Investment approval procedures have been simplified following the enactment of the new Investment Act in 1997 transforming the Tanzania Investment Centre into a ONE STOP CENTRE for investment information, advice, registration and certification.

3.3.2 Investment Code

An Investment Code and regulatory framework has been published by refinement is needed.

3.3.3 Harmonisation of Investment Regimes

At East Africa level harmonisation of the investment regimes are being done under the auspices of the East African Cooperation.

3.3.4 Movement of persons and employment permits

Visa requirements for nationals of East Africa have been eliminated. The East African passport has been launched. Visa requirements for some members of COMESA and SADC have been removed. Visas for the remaining members of COMESA and SADC will be eliminated on a reciprocal basis.

With regard to employment permits, these are issued in respect of employees under registered and certified investments provided that such employees meet the relevant criteria.

3.3.5 Membership/participation in investment protection agencies

Tanzania is a member of Multilateral Investment Guarantee Agency (MIGA) and International Centre for the Settlement of Industrial Disputes (ICSID).

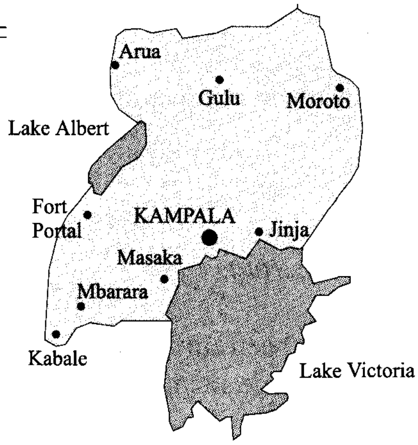
3.4 CBI Status

3.4.1 Status on Addendum to Letter of CBI Policy

The draft Addendum to the Letter of CBI Policy was prepared and submitted to the TWG on CBI meeting held on 24th February, 2000. The TWG on CBI members went through the document and requested the Chairman to submit it to PIC Chairman for onward transmission to the CBI co-sponsors. The Addendum has not been forwarded to the co-sponsors. The TWG on CBI Secretary is following up.

3.4.2 Status on preparation of national Road Map on Investment Facilitation

Preparations are underway. This may require assistance from the co-sponsors in which case a request for funds will have to be sought.


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

Uganda

1. OVERVIEW OF THE CBI IN UGANDA

Uganda embarked on a detailed programme of liberalizing the economy long before the CBI began. So, in effect the CBI helped to serve as a catalyst to the Government reform programme. Following the signing of the letter of CBI Policy in 1995, most of the specific measures outlined therein were implemented in the period 1995 -1997.

Following the adoption of the Country Programme of Action, the Uganda TWG began the process of sensitizing government departments about the need for, and the benefits of, implementing measures contained in the CPA. The response to these initiatives was positive. Government accords regional integration as a high priority in its programmes. This statement has been repeatedly made at the highest levels of Government and the pace of compliance by Uganda to regional decisions governing integration bears this out. On the other hand, however, the CBI is not widely understood by the private sector. This may be attributed in part to its fragmented nature and the fact that it is still in its infancy. By and large, however, the CBI is seen, both in government and the private sector, as an important resource to mitigate the effects of tariff reduction.

One of the elements of the CBI that have been particularly useful Uganda, is its encouragement of tariff reduction and elimination of non-tariff barriers. In this sense, the CBI is seen as a fast-track by which it has been possible to identify the non-tariff barriers. On the other hand though, there is a feeling that the missing link has been the failure by some of the stakeholders to participate effectively. For example, some of the decisions in Tanzania could not be implemented and effectively exploited by the neighbouring countries because of its decentralized system.

2. *ACTIVITIES OF THE TWG*

The Technical Working Group has been instrumental in keeping the CBI activities on the agenda. A lot of work has been done by the TWG in collaboration with the Project Implementation Committee (PIC) to facilitate positive response to, and support for, actions and measures under the Initiative. There has been extensive collaboration with the co-sponsors who provided technical and financial support in many areas under the CBI.

2.1 Overview of the meetings since beginning

The TWG is made up of members from different interest organisations from the public and private sectors. They meet regularly to discuss matters and issues that help to promote CBI activities in Uganda. These meetings have been held at least once a month. Between July and November 1998 alone, for instance, meetings were held on July 1st, July 21st, August 17th, October 22nd, and November 9th, 1998.

The usual composition of members attending is as follows:

1)	Mr. Keith Muhakanizi	(Ministry of Finance) (UTWG Chairman)
2)	Dr. Sam Katabaazi	(former UTWG Secretary/Consultant)
3)	Dr. Evarist Mugisa	(new UTWG Secretary/Consultant)
4)	Mrs. Ovia Matovu	(Uganda Export Promotion Board)
5)	Ms. Daisy Owomugasho	(Uganda Investment Authority)
6)	Mr. Barishaki C.	(Ministry of Justice)
7)	Prof. Sam Tulya-Muhika	(East Africa Forum)
8)	Mr. Patrick Okilangole	(Ministry of Tourism, Trade and Industry)
9)	Mr. Barnabas M. Sekabembe	(Association of Small Scale Industries)
10)	Mr. Magala-Nyago	(Bank of Uganda)
11)	Ms. Sarah Kinene	(Uganda Manufacturers Association)
12)	Ms. Estella Eryada	(Private Sector Foundation)
13)	Mr. Anthony Ngororano	(Private Sector Foundation)
14)	Mr. Dick Musisi Mpiima	(Private Sector Foundation)
15)	Mr. Francis Batte	(Uganda Farmers Association)
16)	Mrs. Irene Mutumba	(Uganda Women Entrepreneurs Ass.)
17)	Mr. Luke Okumu	(Bank of Uganda)
18)	Dr. Muhammad Serunjogi	(Bank of Uganda)

19)	Mr. Robert Rutaagi	(Uganda Export Promotion Board)
20)	Mrs. Beatrice Mukasa	(Uganda Women Finance & Credit Trust)
21)	Mr. Patrick Nyaika	(Uganda Investment Authority)
22)	Mr. Karemente Kyoratungye	(Uganda Investment Authority)
23)	Mr. Santos Apire	(Bank of Uganda)
24)	Mr. Marko Kayanja	

The members listed above have attended at different times. The usual size of the TWG at any one time is 12 members.

The main issues discussed at these meetings have included:

- The East African Cooperation Treaty;
- CBI Activities and their Funding;
- Study on the "Impact of Informal Cross-Border Trade on Revenue Collection in Uganda"
- Activities of the Uganda Investment Authority;
- East African TWG meetings;
- The East African Passport;
- Foreign Exchange Study Review;
- Letter to the CBI Policy;
- Exchange Rates;
- Uganda Investment Authority and the promotion of Export Processing Zones;
- Uganda's Investment Code;
- PRESTO activities;
- Consultative Group Report;
- Scholarships for trade associations;

The TWG encountered some problems in carrying out its work. They include:

a) *Composition of the TWG:* There has been a feeling that the participation of the private sector in the work of the TWG has been less than adequate. This is not to suggest that private sector representatives have not been invited to participate; rather it is the lukewarm attitude toward the CBI that they have exhibited that has made their presence not noticeable.

b) *Rules of Procedure*: Some members of the TWG have noted with concern the absence of established rules of procedure in the conduct of the CBI TWG matters. For example, they point out the lack of rules regarding the meetings to be convened, other activities of the TWG, or the limits of the TWG Secretariat, etc. In their opinion this leaves decisions to the discretion of the Chairman and/or the Secretary/Consultant.

c) *Remuneration of the TWG*: Members of the TWG were not encouraged to participate in the work of the TWG, especially on account of poor or no remuneration in terms of a sitting allowances. This matter has been discussed in some of the meetings of the TWG, but little or no progress was made to rectify the situation. It was pointed out that, it is not correct to take their participation in the TWG work for granted. The members incur costs, like transport, telephone etc which need to be financed somehow. Besides, there is a cost to participating in the TWG activities.

d) *Poor Communication and Coordination:* It was observed that while the Secretariat was doing its best, communication and coordination of TWG activities had been poor. There has been a change for the better, however, following the appointment of a new Secretariat last year.

e) *Lack of Activities for the Stakeholders*: There is s a feeling that the range of activities for stakeholders has been limited. Most of the activities mounted have focused largely on people who have no direct stake in the issues discussed. This problem is partly attributed to the limited resources.

3. ACHIEVEMENTS OF CBI IN POLICY REFORM AREAS

Uganda embarked on a detailed programme of liberalizing the economy long before the CBI began. So in effect the CBI helped to serve as a catalyst to the Government reform programme. Following the signing of the letter of CBI Policy in 1995, most of the specific measures outlined therein were implemented in the period 1995-1997. Significant progress was registered by Uganda in the four main reform areas, namely:

- trade reform and facilitation;
- exchange and payments system;
- investment deregulation; and
- cross-border movement of persons.

a) Trade Reform and Facilitation

Since 1987 Uganda made significant progress in liberalizing its external trade. The measures taken in this area have included elimination of all licensing or quantitative control of trade. Their elimination has been gradual, subject to the structural adjustment programme or according to the timetable adopted for duties on regional trade among participating countries.

Uganda has successfully completed most of the decisions agreed under COMESA. Consistent with this, Uganda has fully eliminated all import bans, including those on beer, batteries and soft drinks. In line with Article 46 (1) of the COMESA Treaty, Uganda has worked towards eliminating tariff barriers. Up to October 1998 a reduction of 90 percent has been achieved and by October 2000 this will be 100 percent, thus achieving full elimination. Presently the maximum external tariff rate is 15%, with a rate of 7% for immediate goods and 0% for plant and machinery, drugs and medicines. Progress towards a single rate is being pursued consistent with the provisions of the COMESA Treaty and the EAC draft Treaty. Improvements in the tax collection and tax compliance are on course. Notably, the Government has put in place a Tax Appeal Tribunal and strengthened the Anti Smuggling Force. This has enabled tax collection to increase to approximately 12.5% of GDP, but efforts are being made towards 19 percent of GDP. To this end, administrative reforms in the URA, which include capacity-building, have started with the support of the donor community.

b) Exchange and Payment Systems

Improvements particularly in the payments system have been an integral part of the overall financial sector reforms. The reforms have focused, among other things, on:

(i) minimizing settlement risks arising from the high degree of bank insolvency and liquidity problems, speeding up of clearance of cheques;

(ii) encouraging the use of cheques;

(iii) establishment of real-time gross settlement system for the transfer of high value funds among banks;

(iv) establishment of payment infrastructure; and

(v) setting up of the training and organisation needed for payment system development.

Against this background, the GOU has liberalized interest rate policy and improved formulation and implementation of monetary policy. The legal framework for deposit-taking institutions and insurance companies has been strengthened. The Financial Institutions Statute is being reviewed and when a new one is enacted, it is expected that all financial intermediaries in Uganda will have to meet the prudential norms specified under the new law. More emphasis is now also being placed on improving the quality of supervision[1], and the revised Financial Institutions Statute will help the Bank of Uganda (BOU) to enforce compliance[2].

Uganda formerly accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement of the IMF in April 1994. A unified interbank spot market has been in operation since 1994, and all restrictions on the current and capital accounts were removed. At the same time, there have been regular consultations between the BOU and the central banks of Kenya and Tanzania on policy issues and now all three currencies are accepted in cross-border trade. Commercial banks have established correspondent relationships with the major trading partners, including Kenya.

Uganda launched a stock exchange in January 1998 - the Uganda Securities Exchange (USE). To-date the USE has listed three securities: the East African Development Bank Bond (January 1998), PTA Bond (February 1999) (the two high quality bonds managed to raise Shs.18 billion on the local market) and Uganda Clays Ltd. whose trading starts in January 2000. It will be noted that the GOU decided to privatize some of the public enterprises through the stock exchange, starting with Uganda Clays Ltd.[3] This decision will make the GOU a major issuer on the USE following similar trends of privatization in Kenya, Tanzania and other emerging markets. In addition, the USE has initiated the recording of Treasury Bills, discounting information for retail investors. Indeed with less than five listings the USE is still small. The main constraints to rapid growth of the stock market are: (i) many of the larger firms do not need to raise capital through the stock market, (ii) general lack of awareness about the benefits of listing and investing on the stock exchange, (iii) lack of public-company-based culture that requires financial reporting procedures, disclosure of information, effective accounting policies and good management.

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[1]Since 1998, the Bank of Uganda has implemented measures aimed at strengthening and expanding its supervisory role. It has increased the frequency of on-site inspections of banks. It has also intervened in, and sometimes closed, banks which have failed to comply fully with the banking legislation.

[2]The new Financial Institutions Act, expected to be in place by April 2000, will raise the minimum capital and ongoing adequacy requirements, strengthen the restrictions on insider lending and large loan exposures, and introduce a requirement for mandatory corrective action to be applied by the regulators.

[3]The initial offer on the local market was Shs. 1.3 billion, but this was over-subscribed by 20% (about Shs. 200 million).

Efforts to strengthen the USE continue with a combination of domestic mass education and strategic linkages both regionally and internationally. Indeed, the signing of a *Memorandum of Understanding* in 1997 by the East African Securities Regulatory Authorities (EASRA)[4], presents a possibility of cross listing by Kenyan and Tanzanian firms on the USE. There are plans to install a Central Depository System to replace the physical delivery and settlement system. The new system will be able to capture details of transactions, generate trading floor documentation and produce daily collection procedures. Beginning in year 2000 the USE IT infrastructure will be upgraded.

c) Investment Deregulation

Uganda has made commendable progress in creating an attractive environment for foreign investment. The country is now a front-runner in Africa in inward FDI and a leading location for new FDI inflows in the emerging regional market of the East African Community (for details, see Addendum to LCBIP).

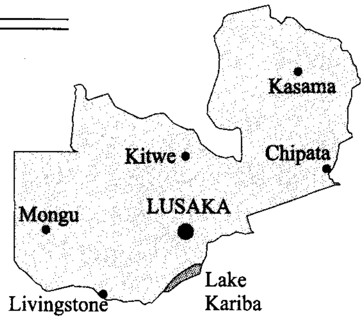
Uganda's success in attracting FDI has been largely due to a policy framework designed to exemplary standards. Since 1991 there has been much improvement in the legislative and policy climate for investment. The Investment Code has been amended several times but has now been completely overhauled. The new Investment Bill (1999) is currently under discussion. If approved, it will strengthen the role of the UIA as a "one-stop-centre" for co-ordination, encouragement, and promotion of investment. It will also establish its supremacy over all other laws relating to investment and introduce a more transparent framework for investors in Uganda. The Bill contains a protection clause.

Uganda is a member of the Multilateral Investment Guarantee Agency (MIGA) and is signatory to the International Commission on Settlement of Investment Disputes (ICSID). It has concluded double taxation agreements with UK, Kenya, Tanzania, South Africa, and negotiations with Egypt, Norway, the Seychelles, and Mauritius. Negotiations are under way with India, Italy and the Netherlands. In 1997 an investment protection agreement was signed with Italy.

d) Cross-border Movement of Persons

A lot of progress has been registered by Uganda in the area of cross-border movement of persons within the context of the East African Cooperation Treaty. For example, the introduction of the *Interstate Pass* issued at border points to citizens of the three countries wishing to cross the boarders, the *Regional Passports* now available in the three countries. Both of these have been instrumental in promoting cross-border movement of persons. Under the new measures, however, migration of labour and services has not yet been allowed.

[4]The new body is intended to promote cooperation in the development and regulation of securities in East Africa.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LUSAKA
Lake
Kariba
Livingstone

Zambia

1. OVERVIEW OF THE CROSS BORDER INITIATIVE IN ZAMBIA

1.1 Overview of the Zambian Economy

The Zambian economy, which has been heavily dependent on copper for its foreign exchange earnings started experiencing economic problems starting from the mid 1970's. This was due to a number of reasons, among them, reduced copper prices on the world market and increased oil prices. Another contributing factor to the poor economic performance was excessive government participation in the running of the economy through the creation of a large parastatal sector, which later was found to be inefficient and unproductive, in addition to increasing national debt.

In response to the problems of the rapidly declining fiscal and monetary positions, high inflation, low industrial productivity, high rates of unemployment and urbanization, and the chronic shortage of foreign exchange, the Zambian Government started to take steps towards restructuring of the economy in the late 1980's and early 1990's.

A number of measures were taken towards restructuring towards the end of the 1980's, but much more has been achieved since the new Government come into power in October 1991. The Zambian Government is committed to liberalization and privatization of economic enterprises, with Government playing a facilitation role, by putting in place conducive policies in all productive sectors of the economy. It is envisaged that the private sector will continue to play a leading role in economic activity.

In order for meaningful economic growth to take place, there is a need for a good base of capital formation which is expected to arise from both domestic savings as well as foreign inflows. The limited domestic savings, which are due to low levels of marginal propensities to save, are expected to be supplemented by foreign inflows in the form of inward foreign investments.

The creation of the Investment Centre is an integral part of necessary structural and institutional reform in the overall Structural Adjustment Programme initiated by the Zambian Government. Apart form the Investment Centre, other institutions that have been established by the Government of Zambia, in support of the development of the private sector, are, inter alia, the Zambia Privatisation Agency (ZPA), and the Lusaka Stock Exchange (LuSE).

Most of the former parastatals have been sold off and The Zambia Consolidated Copper Mines (ZCCM) has now also been privatized with major shareholdings of the mines taken up by Anglo American Corporation under a new company called Konkola Copper Mines (KCM).

1.2 The CBI in Zambia

The initiative to promote and facilitate cross-border trade, investment and payments (CBI) in Eastern and Southern Africa and the Indian Ocean island states was developed and launched in 1992 under the aegis of four co-sponsors: the African Development Bank (ADB), the commission of the European Union (EU), the IMF and the World Bank. The CBI is primarily aimed at creating the conditions for more meaningful and sustainable economic integration in the COMESA/SADC/IOC region by removing barriers to the cross-border flow of goods, persons and capital between the countries within the context of country-specific programmes.

It is an initiative which is now actively supported by 14 countries in the region including: Burundi, Rwanda, Kenya, Uganda, Tanzania, Malawi, Namibia, Swaziland, Zimbabwe, Mauritius, Madagascar, Seychelles and the Comoros Islands. All the participating countries agreed a Common Programme of Action (CPA) in 1992 after two technical level workshops. The CPA identified four integrated areas of reforms in trade liberalization, exchange and payment systems, investment and institutional development. At a further technical meeting held in Brussels, in June 1993, a Concept Paper outlining how the CPA should be implemented was agreed upon. The Concept Paper was approved at a ministerial meeting in Kampala in the same year. The approval of the Concept Paper committed all the participating countries to a programme of reform measures aimed at achieving closer regional economic integration.

As part of the steps for implementing the CPA Zambia successfully negotiated and agreed a package of measures to be implemented under the CBI with the co-sponsors in 1994. These measures were fully outlined in a Letter of CBI Policy that was drafted by the Zambian government detailing the measures that would be implemented to address each of the four core areas of reform highlighted above.

To support the implementation of the CBI letter of policy, Zambia established a Technical Working Group (TWG) comprising public and private sector representatives. It currently comprises the following institutions:

- Ministry of Commerce, Trade and Industry (MCTI)
- Export Board of Zambia (EBZ)
- Ministry of Finance and Economic Development (MOFED)
- Zambia Association of Manufacturers (ZAM)
- Zambia National Farmers Union (ZNFU)
- Zambia Investment Centre (ZIC)
- German Technical Cooperation/ Zambia (GTZ)
- Zambia Revenue Authority (ZRA)
- World Bank Resident Mission
- Zambia Association of Chambers of Commerce and Industry (ZACCI)
- COMESA Secretariat
- Independent Management Consulting Services (IMCS) - Private Consultants providing
- Secretariat and Technical Support

The TWG has carried out various studies and policy reviews to assess the likely implication of adopting and implementing measures under the initiative. The TWG has also assisted the Policy Implementation Committee (PIC) and government as a whole preparing the package of measures under the CBI. In addition it has provided to the Ministry of Commerce technical support in the formulation and implementation of Trade and Industrial policy.

1.3 Perceptions of the CBI

The Cross-border Initiative (CBI) has, since its launch in 1994, been seen in Zambia as having made significant contributions to the development of closer regional co-operation and integration in Eastern and southern Africa and the Indian Ocean sub-region. It is appreciated that the CBI's primary aim was to create conditions for more beneficial regional integration by committing participating countries to various liberalisation and facilitating measures within specified timetables. These measures were to be taken in the areas of foreign trade, domestic payments and settlements, foreign exchange systems, investment codes, immigration, institutional development and other areas. Countries have undertaken these measures within the context of country-specific programmes under an agreed Common Programme of Action (CPA). Government has supported the CBI fully and the then Minister of Finance, Mr Ronald Penza took a leading role by ensuring that Zambia implemented the tariff reduction programme as set out in the letter of CBI policy.

In terms of its approach, the public sector in Zambia has seen the CBI as a programme that has been able to address some of the weaknesses of previous regional initiatives in Africa by emphasising, private sector involvement, variable geometry, and consistency with the Structural Adjustment Programme (SAP) and collaboration with the donor community.

The CBI is thus perceived as flexible and broad based, with an institutional framework that involves private sector participation and detailed country level work as well as regional level activities. It is noted that it focuses on basic pre-conditions that must be fulfilled and on which more elaborate integration policies and institutions can be built, if Zambia as a participating country implements the measures. For instance, the EU has pledged 6 million Euros if Zambia moves to the zero duty rate under the COMESA Free Trade Area programme. More importantly, and as highlighted above, (i.e. variable geometry) the CBI has used an approach that allows countries that are willing and able to implement regional integration to go ahead, encouraging other countries to follow when they are ready.

Implementation of the Common Programme of Action by Zambia

Zambia has made significant strides in the implementation of the CBI programme of action. In some cases, Zambia has gone beyond the requirements of the CBI. To support and sustain the implementation of the CBI, participating countries, including, Zambia established a national Technical Working Group (TWG) to act as technical advisors to the Government through the Policy Implementation Committee (PIC) made up of Ministers responsible for key economic ministries under which the CBI policy measures fall.

The CBI has placed an important role in the Zambian Government's policy and this has been reflected in the implementation of the CPA as described in the Concept Paper and elaborated upon in the July 1994 Letter of CBI Policy from the Minister of Finance.

Many of the policy objectives of the CBI, such as the liberalisation of foreign exchange markets and the removal of non-tariff barriers to trade have been realised in Zambia since 1991 through the implementation of the Structural Adjustment and Economic Reform Programmes by the Government. The CBI through the TWG adds an important regional dimension to government policy since its main aim is to provide increased trade, investment and co-operation within the region.

The TWG, consisting of private sector representatives, public officials and donor representatives has been instrumental in building a national consensus on the underlying approach to regional integration and trade and in lending a sense of urgency to the implementation of the CBI and national economic structural reforms by the Government. An important externality is that the TWG in Zambia constitutes a forum for constructive debate on regional integration and national economic policies. The CBI has helped Zambia define more clearly its role in the COMESA and SADC regional integration process. Some of the ways the CBI has been used effectively are highlighted below.

(i) Private/Public sector collaboration at the national level has already been established through the TWG.

(ii) The CBI has already addressed quite successfully the regional dimension of structural adjustment while supporting the efforts of Zambia to achieve closer economic integration within the region.

(iii) It offers a flexible framework within which assistance can be provided to all the countries in the regional integration agenda that they define for themselves as members of relevant regional organisations i.e. COMESA and SADC in Zambia's case.

(iv) Overall, the main result of the CBI process has been the increased local capacity to assist the governments and private sector with the tasks resulting from the new integration agenda. Economic and legal studies undertaken as part of the CBI have provided information about the likely implications and consequences of integration for our country.

(v) In addition, local CBI decision-making bodies (ie, the TWG members and government) have worked well together and have received secretarial and technical support which they are not always in a position to provide themselves.

Overall, the role of the CBI for Zambia has to be seen as part of a continuous process of economic reform and should therefore not be limited to the institution of liberalisation measures as set out in the CBI Letter of Policy. The efficacy of any liberalisation measures should be measured by their impact on a continuous basis. The TWG can therefore provide important inputs to this process of continuous monitoring and assessment mechanism.

2. *ACTIVITIES OF THE TECHNICAL WORKING GROUP (TWG)*

2.1 Overview of TWG Meetings Since 1992

The Zambian National TWG was convened in 1992 by the then Minister of Finance Hon. Emmanuel Kasonde after the Mauritius meeting in June 1992. The TWG held its first meeting in July 1992 in the Bank of Zambia Boardroom with representatives from the public and private sectors, under the Chairmanship of the Central Bank's Deputy Governor. At this meeting, individual members of the TWG were assigned various assignments in line with the Terms of Reference as determined by the Mauritius Workshop .The TWG has held several meetings since with the last one being on Thursday 6th April 2000 in the MCTI Conference Room.

The TWG has continued to meet regularly and has been discharging its function in accordance with Zambia's letter of CBI policy. Since its first meeting it has held a total of 23 ordinary CBI meetings and one (1) special meeting to discuss the CBI Evaluation with the EU Consultants on the same. It is from these discussions that much of its work is determined.

On the other hand, the TWG was expected to interface with the Policy Implementation Committee (PIC) enabling the establishment of a linkage for policy review and input to the meeting of Economic Ministers namely from:

- Commerce, Trade & Industry
- Finance & Economic Development
- Agriculture, Food and Fisheries
- Mines and Mineral Development
- Communications and Transport
- Home Affairs
- Labour & Social Security

However, activities of the PIC were disrupted in the second half of the 1990's following changes of senior government officials including Ministers. This position meant that a number of outstanding policy issues took longer to be addressed. In addition, the implementation of the CBI has not been able to fully benefit from the government policy review. The TWG however has continued to ensure that respective Ministers are actively involved in policy reviews on matters relating to CBI, at individual Ministerial basis.

A summary of dates and key achievements/milestones for TWG meetings is outlined below:

Dates and Key Notes of TWG Meetings

1992	1	1st meeting- July 1992	Under The Chairmanship of Bank of Zambia Deputy Governor
1993	2	-	Details not available as Secretariat was managed by MCTI, whose files relating to that time were not easily available.
To	3	-	———"———
1994	4	- 19th October, 1994	JM Kasanga endorsed as TWG Secretariat
1995	5	Tuesday, 10th January 1995	J M Kasanga took up position as Secretariat
	6	Friday, 10th March 1995	TORs for TWG studies discussed including TESF, EPZs, Industry Commerce & Trade Statistics as well as Trade Liberalisation Impact study.
	7	Thursday, 20th April 1995	TWG Chairmanship taken up by Permanent Secretary at MCTI.
	8	Tuesday, 12th September 1995	TWG Chair reverted to Director of Trade & Commerce.
1996	9	Thursday, 21st March 1996	Concerns expressed on lack of progress over the SADC Trade Protocol
	10	Thursday, 2nd May 1996	Call for resuscitating PIC made
	11	Tuesday, 18th June 1996	EBZ Director appointed TWG Vice Chairman
	12	Wednesday, 20th November 1996	EPZ study draft results discussed at length
	13	Monday, 16th December 1996	Draft document on the status of implementation of LCBIP presented
1997	14	Tuesday, 21st January 1997	Position paper & workshop agenda for EPZ study tabled.
	15	Tuesday, 15th April 1997	Funding for HET study approved
	16	Tuesday, 24th June 1997	Zambia's 60% tariff preference as Opposed to 80% questioned
	17	Wednesday, 12th November 1997	Progress on HET.
1998	18	Monday, 16th February 1998	Zambia synthesis paper for 3rd CBI Ministerial meeting adopted
	19	Friday, 28th August 1998	Meeting informed that phase 2 of the CBI is to emphasise on investment facilitation
	20	Wednesday, 4th November 1998	Clarification sought on Zambia's continued position of 60% preference on COMESA tariff
1999	21	Friday, 5th February 1999	Walter Kennes from the EU in attendance
	22	Thursday, 15th July 1999	Special meeting for the EU CBI Evaluation Team – Messrs Hoestenberghe and Dourmashkin in attendance
	23	Thursday, 16th December 1999	Briefing made on the 4th Ministerial meeting
2000	24	Thursday, 6th April 2000	Initial meeting date of Tuesday 15th February 2000 adjourned as members could not form a quorum. 06/04/2000 was first meeting of the year 2000.

Summary of Main Issues Discussed

The TWG has discussed a number of issues significant to the CBI and the Zambia economy at large in its various meetings. Key to these meetings has been Zambia's position regarding the implementation of the CBI letter of policy and the various policy reform areas of importance to foreign trade payment and investment facilitation. The following presents a summary of the main issues discussed.

Letter of CBI Policy

Generally, Zambia achieved a number of the measures set out in its letter of intent of 1994. The TWG was in agreement that Zambia stood far ahead of most of the other CBI participating countries in terms of policy reforms as indicated in the LCBIP.

However, there has been a deceleration of the reforms, over the last two years, particularly in terms of further reductions in the COMESA preferential tariffs.

A second update or Addendum to the LCBIP is currently been discussed for submission by the two Ministries of Finance & Economic Development, and Commerce, Trade & Industry.

Zambia's 60% COMESA Tariff Preference

Since 1996 when Zambia implemented the 60% COMESA tariff there has been no revision of this rate.

The TWG has continuously expressed concern over Zambia's adherence to the COMESA tariff preference rates especially in view of both the 1998 and 1999 Budget speeches not alluding to Zambia's position on the reduction programme.

However, at a 1999 meeting, the Ministry of Finance and Economic Development (MOFED) and the Ministry of Commerce, Trade and Industry (MCTI) had resolved to initiate a study to assess the impact of effecting further reductions.

This study was carried out by the TWG Secretariat through Independent Management Consulting Services (IMCS) and the final report was submitted to the EU National Authorizing Office at MOFED in August 1999. The recommendations were accepted and if implemented by government, it would have resulted in the release of 6 million Euro in Balance of Payment support (BOP).

SADC Trade Protocol

The TWG have been discussing the above issue quite extensively. The key points raised during these discussions was the need to harmonize policy to ensure that all the SADC countries comply to the provisions of the protocol.

Future EU - ACP Relationships

The TWG has studied the EU Green Paper with a view to developing a position paper on the future of the EU-ACP relationship. A COMESA discussion paper on the same was distributed to all the members for their comment and analysis.

Future of the CBI

The issue of the future of the CBI has been extensively discussed by the TWG. Members generally agree that the CBI provides a flexible and broad bayed institutional framework that involves private sector participation and detailed country level work as well as regional level activities. Therefore, the TWG feels that it should broaden its role and be identified with government's "demand pool" on CBI related policy matters to give further impetus to the activities required at technical level. As a result the TWG Secretariat has prepared and circulated a draft position paper on the future of the CBI. The proposed future structure of the CBI has been accepted by the TWG in Zambia.

Reconvening the PIC

The reconvening of the PIC has been set as one of the major priorities for the coming year by the TWG. A brief to the Minister of Commerce, Trade and Industry was prepared and submitted. The TWG Chairman has been briefing the Minister on the TWG's activities on an ongoing basis to ensure he is kept well informed.

Bilateral Trade Agreements with SADC Partners

Despite on going negotiations between Zambia and other SADC members states on bilateral trade agreements, it was felt that little progress had been made in concluding the agreements with Zimbabwe which is one of Zambia's major trading partner in SADC. Namibia on the other hand had expressed misgivings on the Agreement and was reluctant to ratify the draft as they were concerned that it had not taken their interest into account.

On the Zambia-Malawi trade agreement, the Zambia Association of Chambers of Commerce and Industry (ZACCI) was happy with its contents and structure, and supported its conclusion.

Zambia/SACU Trade Negotiations

The Zambian government through the Ministry of Commerce, Trade and Industry issued a statement that they would advise on the actual position during once matters were concluded. These negotiations are still on-going through the SADC Trade Negotiating Forums (TNFs).

Review of the 1999 Mauritius Regional TWG Meeting Action Plan

The main points to be noted that would directly affect the TWG was that the proposed Road Map for Investment Function was now a core item of the CBI phase 2 reform agenda. The TWG would develop an agenda of priority actions and would be expected to assist the government prepare an addendum to the Letter of CBI Policy regarding the specific actions to be implemented on investment facilitation. Discussions are on going over this issue.

Problems Encountered by the TWG in Zambia

Policy Implementation Committee

The Zambia TWG still does not have a functional Policy Implementation Committee (PIC) to provide the required link between the TWG and the policy making institutions. Both the EU Evaluation Team and Mr Walter Kennes had called for its revival if the TWG was to be more effective. The TWG had also made efforts to sensitise the Minister at MCTI but due to constant changes, it has been difficult to maintain dialogue.

2.2 Overview Of Sensitisation Activities By The TWG

The TWG has undertaken a number of Sensitisation activities since its inception. It has organized and participated in a number of programmes, and brief details of these are outlined below:

a. Seminar on The Initiative to Facilitate Cross Border Private Investment, Trade and Payments in Eastern and Southern Africa and The Indian Ocean Islands

This seminar was held at Hotel Intercontinental in Lusaka on 17th February, 1995. It was officially opened by the then Minister of Commerce, Trade & Industry, Hon. Dipak Patel and the following are the issues that were discussed at this meeting.

- Background to the CBI
- CBI measures already taken
- Trade issues that needed to be addressed in the context of the CBI
- Payments and Exchange Systems
- Investment Issues

Overall, the meeting looked at measures and policies implemented thus far and areas that required further follow up.

b. EPZ Feasibility Study Workshop

This workshop was held on 24 January 1997 to discuss the EPZ feasibility study report. The workshop was organized by the TWG and financed by the EU through Imani.

c. Zambia - Namibia Trade Rendezvous

The TWG Vice - Chairman and Secretariat attended the above trade and investment mission in April 1997 as part of the Zambian Vice - President's delegation.

d. MCTI and Livingstone Chamber of Commerce Meeting

The TWG Secretariat accompanied the Minister to this meeting to present the CBI-TWG EPZ Feasibility Study report recommendations and discuss the role of the CBI in regional trade promotion.

e. President's Forum on Enhancing the Investment Climate in Zambia

The TWG Secretariat presented a paper on Investment and the Establishment of EPZs in Zambia. The Secretariat took the opportunity of explaining the role of the CBI in improving Zambia's investment climate.

f. Participation in deliberations of the COMESA Trade and Customs Committee meeting, 19 - 22 April, 1999;

g. Participation in the National Economic Conventions (1998 and 1999);

h. Organisation and facilitation of a Stakeholders Workshop to discuss the findings of the "Study to Assess the Impact of the COMESA Tariff Preferences on Zambia", held in August 1999.

i. Participation in the Zambia Institute of Marketing Seminar on the "Challenges of Marketing in the Millennium". Presented a paper on "Regional Trade and Integration within COMESA"

j. Participation in the Regional Consensus Building Workshop on the COMESA Rules of Origin held at the COMESA Centre in Lusaka (30th August to 2nd September, 1999). Mr Simumba of the TWG Secretariat presented a paper on the Business Survey carried out to establish the constraints faced by business houses in the application of the certificate of origin.

k. Facilitation of a Sensitisation Workshop on Cross Border Trade in the Free Trade Area.

The Secretariat through IMCS organised a one-day workshop on Cross Border Trade which was held in Livingstone on 23rd November, 1999 at which there were 60 delegates from around the country. Presenters at the workshop included the Zambia Revenue Authority, Immigration Department, Zambia Association of Chambers of Commerce & Industry, MCTI, the SADC/COMESA Cross-Border Traders Association and Consultants from IMCS. The meeting noted the importance of informing traders on the opportunities under the FTA.

1. CBI Provincial Public Awareness Workshops

One of the key actions agreed at the Third Cross Border Initiative (CBI) Regional Ministerial meeting was for each country's Technical Working Group (TWG) to undertake public awareness campaigns to better explain and disseminate information about the objectives and work of the CBI supported programme of action. This programme was part of the agreed action plan to accelerate the implementation of the evolving agenda and broaden CBI participation.

In this regard, the Zambia TWG at its 21st meeting endorsed the awareness programme of activities to include regional workshops in all the 9 provincial centres of the country. The Terms of Reference were approved and these workshops were held between March and April 2000 in Kabwe, Chipata, Livingstone, Mongu, Lusaka, Mansa, Kasama, Solwezi and Kitwe.

The main objective of these regional workshops was to explain and disseminate information about the objectives and work of the CBI supported programme of action, as well as the challenges and benefits of the COMESA Free Trade Area (FTA) In addition, they provided an opportunity for the TWG to present the conclusive findings of selected studies undertaken by the CBI-TWG. The TWG also provided information to exporters and importers on the various opportunities available on the regional and international markets, through Zambia's bilateral and multilateral trade agreements as well as market information held by the Export Board of Zambia and the Zambia Investment Centre.

In order to achieve full participation by the target group, that is, Small and Medium Enterprises, the TWG hosted the workshops in collaboration with the Zambia Association of Chambers of Commerce and Industry (ZACCI) through the newly formed affiliate, the Zambia Small Business Chamber for SMEs.

The CBI Public Awareness Workshops were highly participative and considered successful by the small business chambers across the country. There have also been calls to have repeat workshops to benefit a greater segment of the business community. It was also resolved that the TWG conducts an audit of technical and financial support programmes available to Small and Medium Enterprises (SMEs) countrywide and compile a directory.

Overall it was evident that there is need to strengthen the awareness levels of the CBI and regional integration developments such as the COMESA free trade area.

m. Global Integration and the New Trade Agenda Training Programme

This programme which ran from 5 - 16 April, 1999 by the World Bank Institute in Washington DC was attended by the following TWG members;

i) Mr Davison Mendamenda	-	MCTI and Acting TWG Chairman (1st quarter of 1999)
ii) Mr Trevor Simumba	-	IMCS/TWG Secretariat
iii) Mr Moses Simemba	-	ZACCI
iv) Ms Joyce Chapuma	-	Export Board of Zambia

The training programme brought out several important issues which will be of great benefit to the TWG members in spearheading the focus and objectives of the CBI. The course report was submitted to the Regional Secretariat in 1999.

2.3 Overview Of Studies Conducted Under The TWG

Trade and Enterprise Support Facility (TESF)

The TWG drafted the outline and terms of reference for a Consultant to investigate the feasibility and requirements of establishing a Trade and Enterprise Support Facility (TESF). The intention of TESF was to give firms access to medium to long term finance to allow them to make adjustments necessary for them to operate more effectively in the newly liberalised environment. The study outline stated that the facility was not intended to subsidise firms relative to other producers in the region, as this would in turn distort the productive base of the economy.

Resulting from this effort, The Trade and Enterprise Support Facility was set up in 1995 and is now fully operational and being managed by Zambia Capital Partners.

Export Processing Zones (EPZs)

Manufacturers importing raw materials for export production may set up bonded facilities to avoid paying duty or may pay duty and later claim it under the drawback scheme. Both methods are costly as manufacturers are required to raise costly bank guarantees and bonds on their bonded facilities or tie up their working capital in the drawback alternative.

It was against this background that in July 1996, the TWG commissioned the study on the feasibility of establishing Export Processing Zones in Zambia as a means of eliminating these costs. With the introduction of the Value Added Tax (VAT) system in the second half of 1995, inputs for export production would not attract tax as exporters would be zero rated under this. Funding for the study was provided by the EU through Imani Consultants under the Framework Agreement for support to the CBI.

The study was undertaken by Independent Management Consulting Services (IMCS), with counterparts drawn from MCTI, EBZ and ZIC.

The EPZ schemes set up in Kenya and Mauritius were examined in detail to establish whether such schemes could be adapted for Zambia. Particular focus was given to achievements made, covering such aspects as: enabling policies; legislative provisions; incentive regimes; and participation of the private sector in the operations and management.

The study also reviewed the performance and constraints faced by the Non-Traditional Export (NTE) sector in order to establish whether EPZs offered further opportunities for increasing the contribution of this sector and required areas of support, such as enabling policies, legislation and institutional arrangements.

The study team's research work included visits to export producer companies in Lusaka and the Copperbelt, discussions with representatives of business associations, Investment Centre, the Zambia Revenue Authority and government officials including local authorities in Lusaka, Kabwe and Ndola. The local visits were supplemented by desktop work involving the review of GRZ policy documents, analysis of data on NTE sector performance and selected case studies of Africa and East Asian economies that have established EPZs.

This included a two-week study visit to both countries where meetings were held with private sector representatives and government officials supplemented by visits to a number of EPZ sites.

The study was completed in November 1996 and a one-day workshop was successfully held on 24 January, 1997 for key private and public stakeholders to discuss the establishment of EPZs in Zambia.

The results of the feasibility study indicated that there was high potential to improve Zambia's export competitiveness and accelerate growth of non-traditional exports through the use of EPZs as a policy instrument. These results were endorsed by the participants to the one-day workshop at which an EPZ implementation action plan and timetable was agreed. In order to facilitate the implementation of agreed actions, the participants also endorsed the recommendation of the report for the establishment of a Task Force representatives from key government institutions and the private sector.

Subsequent to the above events, a statement was made by the Minister of Finance and Economic Development in his 1997 Budget Speech concerning the establishment of EPZs. In his statement, the Minister indicated that the government in 1997 would begin the process of developing the required enabling environment of a regulatory authority and provisions for private investors to develop export processing zones. More significantly, the President, Mr F J T Chiluba also made particular reference to the promotion of manufactured exports through EPZs in his presentation to the "President's Forum on Enhancing Zambia's Investment Climate for Sustainable Growth" held on 7 March 1997.

In order to implement EPZs and fully interpret government intentions, technical inputs from various ministries and specialised agencies of government working closely with the private sector were mobilised to ensure full participation. It was in this regard, that a Task Force was constituted made up of representatives from the key economic public and private institutions and organisations. The TWG Secretariat was appointed to provide technical support to the Task Force.

The Task Force developed specific recommendations and an implementation plan for the establishment of EPZs for governments consideration. They also reviewed the findings and recommendations of the EPZ feasibility study final report and the proceedings and results of the one-day workshop. At the end of this process, that Task force presented a final document to government through MCTI for submission to Cabinet. The implementation of the EPZ scheme is pending Cabinet approval of the legislation.

Corpus Globe-Review of the Trade and Investment Acts (Harmonisation of Legislation for the Implementation of the CBI in Zambia)

Corpus Globe drew up modifications to all relevant trade and investment acts (including the Immigration and Labour Acts) to allow, on the basis of reciprocating COMESA countries, the issuing of:-

- five year multiple-entry visas to businessmen;
- short-term entry permits, on presentation of a valid identification document, to border residents of neighbouring COMESA countries: and
- residence and employment permits to investors within four weeks of the investor having obtained his or her certificate.

The contracted lawyers, Corpus Globe drafted the administrative and legal changes required, while also specifying the steps and time required, to enable the Investment Centre to act as an agent for investors that wished it to do so. They have undertaken to ensure that requests arising from inward foreign investment are answered within a time frame that requires reactions from all relevant agencies within 45 days of acceptance of the application.

The results of this work, completed in 1996, were submitted as a basis for future changes in the relevant acts for investment facilitation. However, the government is yet to fully implement the recommendations.

Study on Effects of Distortions in Regional Tariffs

In 1995, the TWG conducted the above study to look into the Domestic resource costs and the effects of the distortions in regional tariff structures on Zambia's industries' potential in regional trade. The study looked at the areas in which Zambia would have comparative regional trade advantage if there was a common external tariff and minimum tariff barriers between COMESA countries and South Africa; and how the export sector in these areas could be supported in the transition period before the common external tariff was implemented.

Harmonised External Tariffs (HET)

At the second ministerial meeting on the CBI held in March 1995 in Mauritius, the participating countries endorsed an overall road map for tariff reform that would remove all tariff barriers on intra-regional, eliminate immediately all NTB's and harmonize external tariffs. Further other duties and import charges including surcharges, were to be incorporated into the tariff structure to simplify and improve transparency in the trade regime.

In April 1996 at the third meeting of the CBI-TWG the above principles of harmonization of the external tariff regimes were endorsed and two possible HET structure were also proposed i.e. (one with 3 rates of 5,15 and 25 percent and other with 0, 10 and 20 percent).

In this regard, it was decided that each country's TWG in collaboration with other country authorities should initiate preparatory work with a view to developing target HET classification, preparing revenue impact estimates and socio-economic evaluations of the reforms and formulating any requests for technical assistance from the co-sponsors in any of the above areas. As part of this work, a study was proposed whose main objective would be to assess the impact of the proposed HET on government budget revenues, its effects on the pattern of trade, and the structure of agriculture and industry.

Due to Zambia's current tariff structure which is consistent with the HET principles and the pattern of its trade, total revenue losses will be minimal. Preliminary analysis estimated that the government could lose immediate revenue of about K4.6 billion (or US $3.8 million) as a result of zero tariffs on COMESA imports. However, this could be adequately compensated by an increase in the volume of trade which will increase the amount of import VAT collected. The study found that COMESA sourced imports represented only 5% of total customs duty revenue collected in 1996. The growth in the collection of VAT on imports point to the increasing importance of indirect taxes to government revenue. In 1996, for instance, government collected about K110,000 million in VAT (or US $91.6 million) on imports and about K97,000 million (or US $80.8 million) in customs duties.

Significantly, the HET's effect on Zambia's trade flows is likely to be positive as the regional market will be more open for Zambian exports which are already making an impact on levels of NTE's from Zambia. Zambia has already demonstrated comparative advantage as an agricultural exporter of both primary and processed products.

Overall Conclusions

The study found that for Zambia, the adjustment to an HET will require insignificant reductions in tariffs. Current tariff rates in Zambia are already very near the proposed HET and the country's trade patterns reflect this. Therefore under the HET, Zambia will require modest reductions in most tariffs. Although detailed calculations of the impact of tariff changes on the governments have not been possible, general indications showed that Zambia will face a modest impact on revenues.

However, if South Africa was to be part of an HET, then Zambia would suffer a huge revenue loss in a significant part of Zambia's trade. The measurement of such budgetary effects requires substantial specific data. The next immediate task for the TWG in Zambia will be to develop a plan of action in consultation with the IMF and World Bank to calculate these budgetary effects. This study provided a strong base for any subsequent work and provided general indications of the direction in which Zambia can go. Most importantly, the success of Zambia should be emulated by the other countries so as to speed up integration.

Informal Cross Border Trade (ICBT) between Zambia and her neighbours

Technoserve on behalf of USAID's Regional Economic Development Support Office (REDSO), in Eastern and Southern Africa (ESA) commissioned a longitudinal study to estimate the magnitude of informal cross-border trade between Zambia and some of her neighbours.

The study was implemented by Independent Management Consulting Services (IMCS). The project involved field monitoring from September 1997 to August 1998 at selected border sites between Zambia and Congo DR, Zimbabwe, Botswana, Namibia and Tanzania. The main objective of the study was to generate quantitative and qualitative information about informal cross-border trade, and to find out its determinants and relevance to food security. The Zambian study is part of a series of others, whose main focus has been to examine the performance of informal cross border trade as an aspect of intra-Africa trade in the Eastern and Southern Africa region.

Methodology

Field data was collected through observation (monitoring) at customs gates at selected border sites mostly for inland routes except on the lake route of Lake Tanganyika. By using a census technique trained resident research assistants (enumerators) recorded the values and quantities of all major agricultural and industrial commodities passing through the border sites for fourteen days randomly selected from each month over a period of twelve months. The monthly estimates of informal cross-border trade were then annualised to indicate the magnitude of informal cross-border trade between Zambia and her neighbours during the review period.

In addition to information derived from the border observation technique, one baseline survey was conducted midway through the monitoring period in order to provide additional information regarding the social structure of informal cross-border trade and its operational facets such as product mix, marketing functions/strategies, information base, logistical parameters and financial requirements.

Volume and Direction of Informal Cross-border Trade: Implications for Food Security

The study showed that there was significant informal cross-border trade between Zambia and her selected neighbours during the review period. The total estimated value of monitored trade (exports plus imports) was about US $45 million. This represents only about 40% of actual informal trade. Thus, if we include night time trade and trade that was not captured by the border monitoring, the total informal trade over the period would be close to US $100 million.

On aggregate, exports from Zambia to the neighbours were 65% of total informal cross-border trade during the period. At the same time, Zambia's net imports represented 35% of total informal cross-border trade. Zambia was therefore a significant net exporter to her neighbours during the review period.

Conclusions and Prospects For Increased Regional Trade

The study concluded that ICBT earnings represent huge trade values which have far reaching policy implications on GDP, government revenue and regional food security. The existence of unofficial trade on a significant scale, particularly in agricultural commodities, implies that governments are not reliably informed about their trade situation resulting in unreliable statistical estimates. The dominance of agricultural commodities in ICBT underlines the key role played by this sector in stabilising food supplies by moving food from surplus to deficit areas quickly.

It has been shown that even in the wake of substantial market reforms, the region has seen increasing informal cross-border trade activities. The study has revealed that intra-regional cross-border trade is still constrained by high tariffs, non-tariff barriers, currency instability, border harassment of traders, high transport costs, poor border infrastructure and lack of formal financial support for the traders. Further, it is evident that the on-going regional trade liberalisation initiatives have not been fully implemented leading to distortions in trade relations between the countries and encouraging the proliferation of the informal sector.

The enhancement of trade between Zambia and her neighbours is a key factor in the success of the liberalisation policy and in securing food security both in Zambia and the region. However, in order to tap the existing trade potential in the region, it requires major policy shifts that allows the free flow of goods and services, including unrestricted cross-border investment in agriculture. Free trade has a much greater potential for improving food security and promoting economic development in the region. It is a fallacy to hope that individual countries can all separately achieve food self-sufficiency. What is needed is the application of the laws of comparative advantage to optimise the use of each country's scarce resource.

The challenge for Zambia and its neighbours is - how can they formalise this trade for the mutual benefit of all, the countries? The key factor is the poor infrastructure particularly, road and rail. Therefore, it would be prudent to consider a regional initiative to improve the infrastructure in areas where ICBT is active, such as, Kipushi, Kasumbalesa, Mpulungu and Mokambo and designate these and other such areas as region free trade growth centres.

Zambia and her neighbours could also benefit from creating uniform duty rates and pursuing similar external trade regulations to minimise trade imperfections among them. Regional integration bodies like SADC and COMESA should spearhead such efforts as co-ordinators. Institutions which seek to assist people in the informal sector must act with utmost speed because informal sector people are usually ahead of the institutions.

The key to successful regional integration and trade is to ensure that countries implement policies that are consistent and in harmony with the objectives of the region. These should be based on both competitive and comparative advantages so as to ensure balanced economic development and growth.

<u>Study on the Further Reduction of Preferential Tariffs</u>

This study was commissioned by the Ministry of Finance and Economic Development and funded by the EU through the CBI/EDF tranche for private sector development. Results of this study carried out by IMCS are highlighted below. The findings of the study led to a follow up study on the Competitiveness of selected Zambian industries.

It found that the attainment of the FTA is generally on course and the member States that are slightly behind schedule in tariff reduction have pledged to completely reduce tariffs on intra-regional trade by the target date of 31st October 2000. The slower than expected reduction of tariffs has been attributed to a number of reasons. The most frequently cited reasons are:

- the possible loss of government revenue as a direct consequence of tariff reductions;

- the fear of de-industrialisation arising from some member States' industries failure to compete with more technologically advanced or more efficient producers in other member States; and

- the need to offer some form of protection to infant industries.

Although, there have been notable increases in trade flows through intra-COMESA trade, this still represents a small proportion in comparison to trade between COMESA member States and third countries. For example, the proportion of intra-COMESA trade in relation to total trade averaged at 5.9% over the period between 1992 and 1996.

This also means that with the low level of intra-COMESA trade, tariff reductions among member States may not significantly affect their revenue base. Coupled with the trade creation effects of liberalisation and the attendant increased economic activity, it is anticipated that tariff reductions will actually lead to higher levels of disposable incomes and improved standards of living amongst the populations of the member States.

Based on the current position, if Zambia had to implement the full COMESA tariff reduction programme, the impact on customs revenues earned on COMESA imports would be minimal. According to the revenue impact study conducted in 1999, revenue losses are estimated at K7.3 billion. Further the 2000 budget estimates a loss of only K1.2 billion this year as a direct result of FTA implementation in October. These losses should also be viewed against the benefits of available BOP support, which is dependent on Zambia achieving visible progress with the tariff reduction programme. For example, the European Union have pledged 6 million Euros which can be disbursed immediately the COMESA targets are adhered to in the reduction programme.

The amount is approximately equivalent to three (3) year income streams of customs revenue presently being earned on COMESA imports. The benefits of implementing the CBI tariff reduction programme can therefore be felt almost immediately. A reduction in the COMESA tariff would also improve prospects for Zambia to increase its exports to COMESA and improve its balance of trade position. According to government projections, the volume of total imports is estimated to grow by 13.2% in 1999, 7.2% in 2000 and 6.5% in 2001. This translates to an average growth of about 9% over the 3 year period. Thus, much of the revenue losses due to COMESA tariff reductions would be more than compensated for by increased collection of import VAT on increased volumes of trade.

Study on the Competitiveness of Selected Zambian Industries

This study aimed to establish Zambia's comparative position and identify the key factors that are presently hindering and/or facilitating her involvement in regional trade. Emanating from the study findings, COMESA is now considering implementing similar studies in all COMESA countries. The methodology of the Zambia study has been adopted for the Tanzania study which is currently being conducted.

Scope and Objectives of the Competitiveness Study

As the elimination of tariffs is across-board, it is feared that final goods may end up being produced more cheaply in some countries than in others due to differences in factor costs. Whilst mechanisms for the protection of genuine infant industries are provided for in the COMESA Treaty, the fears of de-industrialisation need to be addressed. Most importantly, there is need to address the fears and concerns of the member States on the effects of the FTA and its ability to result in the achievement of the objectives of the Common Market. Through this process, there has been consensus on the need to examine, more closely, the nature of difficulties faced by Zambian industries in competing with other producers in the region.

Zambia Case Study – Problem Statement

From 31st October 2000, Zambia will be expected to comply with the Protocol established by the FTA and allow goods emanating from other COMESA member States to enjoy zero tariffs, i.e. offer 100% Preference. Whilst Zambian industries have confirmed their support of the principle behind the establishment of the FTA, their concern has been on the factor costs that they face which render their products uncompetitive.

Local industry consider that the "playing field" is not level as their regional competitors enjoy a much more favourable environment which enables them to produce and export to Zambia at a much lower cost. Zambian industries have therefore argued that the FTA will offer regional competitors an even much more favourable market in Zambia to the disadvantage of local industries.

This study was therefore commissioned to determine whether the FTA will harm Zambian industries by assessing two inter-related issues, namely: Firstly, the extent to which the FTA would affect the competitiveness of Zambia's local industries. Secondly, establishing the impact of the FTA on the cost and flow of imports from COMESA member States that will land on Zambia's local markets.

Representatives from ZAM and ZNFU also directly participated in the fieldwork data gathering exercise. As such, the execution of this study was a joint effort of IMCS and representatives of the industrial associations indicated above.

In the recent Budget Speech for the year 2000, the Minister of Finance and Economic Development alluded to the impending COMESA – FTA implicitly accepting that Zambia will implement the Protocol and offer zero tariffs on goods emanating from other COMESA member States but **"on a strictly reciprocal basis"**.

Zambia's External Trade Balance with COMESA

Trade data for 1998 was analysed to establish the make up of Zambia's main trading partners and sensitivity to the COMESA markets. COMESA markets accounted for only 15% of the total value of Zambia's imports in that year. On the other hand, Zambia's exports to other COMESA countries accounted for 22% of the total.

South Africa is by far the most dominant source of imports for Zambia, i.e. accounting for 46% in 1998. Trade with overseas markets was also higher than that with COMESA. These results indicate that COMESA has remained a smaller market compared to traditional overseas partners and South Africa.

Based on the above results, COMESA markets are presently not likely to influence significantly, Zambia's external trade balance, as is the case with South Africa. It can also be inferred that Zambia would be more affected if South Africa was to be a member of COMESA given the dominant position and skewed trade balances that presently exist.

South Africa has been Zambia's main source of raw materials for the manufacturing sector and finished consumer products. Trade with overseas markets has mainly concentrated on raw materials such as base, metals (i.e. copper and cobalt), precious stones and agro- products (i.e. fresh flowers and vegetables). On the other hand, COMESA countries have been an important market for Zambia's semi processed goods and manufactured products.

A further analysis of Zambia's trade with other COMESA countries was analysed over two years, i.e. 1997 and 1998. The results indicated that, Zimbabwe was the main source of imports and provided the largest market for Zambia's exports.

Overall Conclusions & Recommendations

The study established that COMESA-FTA would generally expose local industries to increased competition from Zimbabwe, which has a stronger manufacturing sector. With regard to other COMESA member states, Zambia already enjoys positive trade balances and should be able to increases its market share. Overall, the FTA will not disadvantage Zambian industries that are efficient and use more of the local material resource base in their production activities. For such industries, the FTA should, in fact improve their competitiveness in regional markets.

The findings from this study and many others indicate that the liberalisation of Zambia's trade regime has put the country in a better position to compete, than at any time in its history. Zambian producers should be able to compete effectively against COMESA imports even under zero tariff rates. However, some producers will be uncompetitive in the face of free trade. The key factors that would impact on their competitiveness relate to the following:

(i) domestic tax regime, including customs tariffs and VAT

(ii) inconsistent tax administration

(iii) inconsistent government policy on trade and industrial development

(iv) poor infrastructure

(v) lack of a proactive or aggressive management at the firm level

(vi) inadequate marketing strategies

(vii) relatively higher costs of energy and transport.

It is clear that the competitiveness of Zambian industry cannot be addressed by "laisez-faire" trade policy alone but through an integrated package of industrial and trade policies. These policies must focus on mitigating the impact of factors that inhibit Zambian industry from adjusting and improving productivity.

3. *ACHIEVEMENTS OF CBI IN POLICY REFORMS*

3.1 FOREIGN TRADE

Import and Export licensing

All import and export license requirements were abolished except for a small negative list.

Non-Tariff Barriers

Zambia has abolished all conventional NTBs. However, there may still be a few NTBs related to Phyto-Sanitary and Sanitary requirements and product standards. These are however negligible compared to what Zambian exporters face in Zimbabwe and South Africa.

Intra-Regional Tariffs

The government has undertaken to implement the COMESA zero duty in October 2000 but **strictly on a reciprocal basis.** Zambia currently offers 60% preferential tariffs.

External Tariffs and CBI Harmonisation

Current tariffs are within the CBI proposed structure and a study on the Harmonised External Tariffs (HET) has already been done and submitted by the TWG, and now requires follow up.

There is still need for some follow-up detailed analysis of the implications particularly against Zambia's main trading partners.

Trade Facilitation

All the measures set out for trade facilitation have been implemented, such as the COMESA harmonised transit charges and the Single goods customs & excise declaration document.

3.2 Payments

Financial Sector Reform

The financial sector reforms have been done in conformity with the CBI and IMF Structural Adjustment Programme.

Foreign Trade Instruments

These have been partly implemented but with the demise of the Export and Import (EXIM) Bank, government is yet to develop new foreign trade instruments. However, business houses are able to use the recently launched Export Financing Facility under the World Bank's Enterprise Development Project.

Exchange Controls

Exchange controls and restrictions in Zambia have been removed and the financial market is now fully liberalised.

Exchange Rate

The exchange rate is market determined but due to various economic factors, the Zambian Kwacha has depreciated from under K100 in early 1992 to between K2,600 and K2900 to US$1 as at April, 2000.

3.3 Investment

Investment Approval and Licensing Procedures

Procedures have been simplified and done to CBI requirements.

Investment Code

The Zambia Investment Act was passed by Parliament and the Zambia Investment Centre was created to facilitate investments. However, the Investment code has been subjected to several adjustments and is still undergoing review.

Harmonisation of Investment Regime

The process of harmonisation is still on going and the Roadmap has already been developed.

Movement of Persons and Employment Permits

Reforms on this issue have not yet been fully implemented.

Membership/ Participation in Investment Protection Agencies

Zambia is a member of the Multi-lateral Investment Guarantee Agency (MIGA) and investments in Zambia are protected by an Act of Parliament.

3.4 CBI Status

Status On Addendum To The Letter of CBI Policy

The Addendum to the letter of CBI Policy has not yet been drawn up. However the two ministries of Finance & Economic Development (MOFED) and; Commerce, Trade and Industry have already held initial talks to address this.

The TWG Secretariat has already drafted and submitted a letter to MOFED outlining what is required and it is hoped that this matter will be completed soon.

Status On The National Roadmap On Investment Facilitation

The Investor Roadmap was completed in 1999 and transformation of the Zambia Investment Centre into a “one stop shop” is yet to be effected.

4. ***OTHER ISSUES***

Transformation Of The Zambia Investment Centre Into A One-Stop-Shop For Investment Promotion And Facilitation

It is recognised that the implementation of the Cross Border Initiative will require fundamental changes and adjustments to internal structures and systems. It is suggested that more effort be placed in improving internal efficiencies of Government and other national institutions, before legal provisions are prescribed to enforce decisions. The Investment Centre has, over the past several years, established good liaison arrangements with most of the relevant Government ministries and Local Authorities in the facilitation of investors.

A number of the tasks that the Investment Centre was required to do in the context of CBI have been done, but more work is required. The Investment Centre is expected to assume a central role in the promotion and facilitation of investment in Zambia, but the institution will require additional support, in addition to that from Government, to enable it carry out the tasks as envisaged in the CBI. There is the immediate need to provide:

- additional staff
- additional resources (computers and transport) to enable it provide efficient and timely services to investors that seek such services.
- transform the Investment Centre into a one-stop shop

In August 1999, the Cabinet approved in principle that the Investment Act be revised and the Zambia Investment Centre should be restructured into a "One-Stop-Shop".

Overall Conclusion

The CBI has played a positive role in the East and Southern African economic sub region. The capacity of the TWG Secretariat to conduct specific policy research and reviews has been enhanced and is now been utilized by government and regional bodies especially as COMESA approaches the Free Trade Area. It has therefore increased the capacity for both the public and private sectors in trade and investment. As the future CBI agenda evolves, the past eight years will now be translated into COMESA, SADC and the IOC expanding local capacity to implement deeper regional integration successfully.

More importantly, the CBI has provided a forum and policy framework that can address at a regional level the structural difficulties that countries in the region face as they reform their economies and participate in the process of globalisation.

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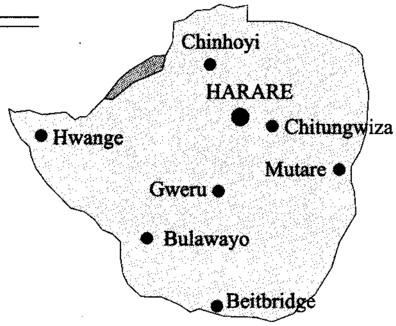
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HARARE
Chitungwiza
Hwange
Mutare
Gweru
Bulawayo
Beitbridge

Zimbabwe

1. OVERVIEW OF THE CBI IN ZIMBABWE

First involvement in CBI

Zimbabwe was involved in the Cross-Border Initiative (then Regional Integration) from its inception in 1992. The CBI came at the inception of Zimbabwe's own Economic Structural Adjustment Programme (ESAP) whose objectives coincided, in large measure, with those of the CBI.

The Initiative was viewed as a non-bureaucratic channel for implementing measures agreed at the formal regional institutions levels COMESA (then PTA), SADC (then SADCC) etc. The most attractive aspect of the Initiative stemmed from the apparent flexible donor approach to funding the CBI programmes perceived as separate from the normal aid programmes. A specific expectation was compensation for revenue loss as a result of reducing tariffs under CBI or a reward for implementing reform measures. This aspect was interpreted as being implicit in the donor's commitment to fund the Initiative.

Ongoing perceptions of the CBI process within the country

The Technical Working Group (TWG) is perceived by the public and private sector alike as a useful non-partisan forum for discussing national and regional integration issues. However, being a non-formal organisation, achievements of the CBI have proved difficult to measure. The feeling in some quarters is that the CBI should be formalised to enable more accurate assessment of benefits.

The government has acknowledged that work carried out by and through the TWG has contributed significantly to the policy formulation process. From this point of view, a continuation of the TWG would be beneficial. The private sector's appreciation of the CBI, on the other hand has been waning over the last few years. This is partly because government's dominance in TWG meetings has reduced the Initiative to another bureaucratic process where decisions are never taken and partly because no direct benefits of CBI to the business sector have been demonstrated. Both are agreed, however, that studies and other CBI initiatives are useful in highlighting issues of relevance to the integration and globalisation process.

Specific elements of the CBI that have been particularly useful

Through the TWG, the Initiative has succeeded in bringing together public and private sector in a non-biased forum. This has had the effect of facilitating freer debate. Although this cannot be measured in quantifiable terms, this process has had input into a variety of national and regional issues. Particular examples include input into developing the Zimbabwe position vis-à-vis the SADC Trade Protocol and exercises by the Attorney General's Office to identify legislation that needs reviewing in order to comply with recommended regional integration measures and WTO requirements.

The TWG initiated or facilitated a number of studies, seminars and workshops, outlined elsewhere in this report, which sensitised both the public and private sector about regional integration and globalisation issues. These events have impacted widely giving birth to other related developments.

Relationship between CBI and the regional integration institutions

Zimbabwe is a member of both COMESA and SADC. CBI has gradually developed a more amicable though non-formal relationship with both regional organisations although relations were generally perceived to be closer with COMESA than with SADC. Zimbabwe preferred to be guided by the COMESA time-table of tariff reductions rather than develop a separate CBI time-table. It is acknowledged in some quarters that the CBI has helped in bringing understanding of regional integration issues which have given more focus to both COMESA and SADC.

However, the new funding arrangement through COMESA has generally been perceived as a "take-over". This perception may well bring division among regional integration organisations. The future relationship between the TWG and COMESA is uncertain at present. The feeling is that henceforth TWG programmes are likely to be viewed as belonging to COMESA and in this respect, the forum will lose its 'quiet' non-partisan effectiveness.

General conclusions and comments on the CBI and TWG

The Zimbabwe TWG has debated at length on the usefulness of CBI and the TWG. The general conclusions have been that the TWG should be retained because it is a unique forum for articulating national, regional and global regional integration issues. However, the point of disagreement centres around the reporting structures that should be put in place now that the co-sponsors no longer have a pro-active role. The TWG has undertaken to develop its view on a possible new structure in future meetings. Unfortunately, only one meeting has been held so far this year.

2. ACTIVITIES OF THE TWG

2.1 Overview of TWG meetings since beginning of the Initiative

a. Regularity of TWG meetings

The aim at the start of the Initiative was to hold meetings at least every six weeks. In practice 4 – 6 meetings were held each year although 1997 saw a total of 7 meetings held. The number of meetings in 1999 were significantly reduced while 2000 has so far seen only one meeting held.

b. Usual composition of members attending

At the outset, public sector representation (government ministries and departments and quasi-government organisations) dominated the Technical Working Group. The private sector was represented by the Confederation of Industries, Chamber of Commerce and the banking sector. Private sector representation gradually diminished to one, the Chamber of Commerce. At the start of the Initiative, the public sector was represented by the Ministry of Industry & Commerce (who were also the first TWG Chair), the Reserve Bank, Ministry of Transport, the Department of Customs & Excise, the Attorney General's Office. The Ministry of Finance (who became the Chair in 1994), joined the group later.

c. Summary of main issues discussed over the period

1993

Discussion in what was, in effect, the TWG's first year of operation centred around the following issues:-

- Promotional activities needed in order to publicise the Initiative.
- Efforts to gather consensus around the Common Programme of Action (CPA)
- Discussion and clarification of Terms of Reference for the TWG. The main business of the meetings involved allocation of responsibilities to TWG members as guided by the Terms of Reference.

1994

- **Letter of Policy (LOP).** Discussion to facilitate the drafting of the Letter of Policy dominated several meetings. Many versions of the proposed document were discussed before finalisation. There was some reluctance on the part of the authorities to make firm commitments in terms of overall liberalisation. This delayed the finalisation of the Letter of Policy. This reluctance was evident throughout the life of the Initiative and discussions to up-date the LOP were a recurrent phenomenon.
- **Project Implementation Committee (PIC).** Discussions to develop the (PIC) also took centre stage not just in the identification of appropriate ministries but in the planning of the first meeting.
- **Tariff Study.** A suggestion to conduct a study to assess revenue loss as a result of tariff reductions was discussed and approved. Terms of Reference for the study were developed and possible consultants to undertake the study were identified

1995

- **Tariff Reductions Under CBI.** There was extensive discussion on tariff reductions under CBI where emphasis was made that this would be done on a reciprocal basis. An indicative framework for doing this was provided.
- **Export Processing Zones.** The need to monitor this development was emphasised and from that point, the TWG actively monitored developments.

- **Immigration.** A senior immigration officer attended one of the meetings by special invitation to clarify the criteria for granting work permits and residents' permits to investors.

1996

Meetings during this year were dominated by suggestions to carry out studies and related workshops and by discussions of draft reports arising out of the various studies. Recommendations were made to carry out the following studies and workshops:-

- **Study to Determine the Competitiveness of Zimbabwe Industry in the Region.**

- **WTO Study and workshop.**

- **Study to Draft an Investment Code for Zimbabwe.** Consensus to undertake this study was reached after several suggestions had been considered.

Other issues to dominate discussions included:-

- **Common External Tariff Study and Workshop.** This was being carried out by COMESA.

- **Tariff Commission.** Discussions also zeroed in on the impending Tariff Commission and its expected role.

1997

Discussion on follow-up action required on various studies carried out during 1996 dominated a number of the 1997 meetings.

· **Study to Determine the Competitiveness of the Zimbabwe Industry in the Region**

There was considerable debate on how best to follow-up recommendations of this study including the possibility of setting up a productivity centre.

· **Study to Draft an Investment Code for Zimbabwe**

There was no consensus on the best way to 'construct' the Code following the study. Differing views (including those of the authors) were often over-ridden by the prevailing economic conditions.

· **WTO Notifications.**

This study was suggested to answer some of the issues raised in the study on the Impact of the Uruguay Round on Zimbabwe. It was noted that officials involved in the Notifications exercise need in-depth knowledge of the issues and the procedures involved.

It was eventually resolved to hold one workshop to discuss findings of all 3 completed studies in order to assist the TWG formulate follow-up action. (The workshop was duly held in June of the same year.)

· **WTO – Study to Assess Impact on Zimbabwe.**

There was also detailed feed-back on the WTO negotiating meeting held in Singapore. It became apparent that a variety of other WTO aspects need to be further clarified, one issue of note being the procedures and criteria for WTO Notifications.

· **Letter of Policy** was discussed again and the concern that co-sponsors appear to be shifting funding conditions was expressed. The EU confirmed that funding was linked to Balance of Payments support and that funds would be released provided the tariff rationalisation programme is moving towards the reform "road map".

· **SADC Trade Protocol.** There was discussion on the compatibility in relationship to CBI arrangements. Fears of possible operational problems were expressed given the existence of different regional groupings with varying time-tables for achieving a Common Market. This discussion gave rise to the suggestion that a study be carried out aimed at assisting the Zimbabwe government formulate its position vis-à-vis the SADC Trade Protocol. (This study was eventually carried out under the umbrella of the Ministry of Industry & Commerce and GTZ funding. Its findings have been used by the Ministry of Industry and Commerce as a basis for negotiations.

· **Harmonised External Tariff Study.** The Terms of Reference for this study were discussed and finalised and selection of consultants commenced.

· **Third Ministerial Meeting.** The TWG was involved in the preparation for this event which took place in Harare.

· **TWG Membership.** Suggestions were made to expand TWG membership to include more private sector members as well as other key departments. The desirability of appointing a Deputy TWG Chairperson was also mentioned. The first suggestion was followed up with limited success. The latter suggestion yielded no results.

· **CBI Strategic Planning meeting.** There was a report-back from this meeting which took place from 20 – 21 November. The meeting had reviewed the achievements of CBI to-date and concluded with 3 possible options for the Iniative:-

- Close down Initiative and consider CBI objectives achieved
- Continue with present agenda
- Continue with expanded agenda

The TWG was challenged to consider the future of the CBI under those suggestions and come up with ideas.

1998

The meetings discussed and oversaw the production of the Harmonised External Tariff Study. Findings were discussed at a special meeting with government who undertook to take into account findings of the study in future tariff reviews.

Key findings of the WTO Notifications Study were presented to the TWG and possible way forward plotted which included suggestions for a workshop.

Discussions to up-date the Letter of Policy featured again triggered by concern over the suspension of Foreign Currency Accounts (FCA's). The government representatives were non-committal about possible reversals.

The Zimbabwe Investment Centre (ZIC) detailed plans to conduct a study to identify the various steps undergone by potential investors in search of approval for investment projects with a view to streamlining some operations. It was noted that this development was in keeping with the recently suggested Road Map for Investment Facilitation. The TWG discussed Terms of Reference and suggested that local consultants work with FIAS consultants.

The TWG were also given a presentation on the changing role of the COMESA Clearing House and its proposed replacement.

1999

The Road Map for Investment Facilitation and Addendum to the Letter of Policy and the SADC Trade Protocol dominated the 1999 meetings. The meeting also committed some time to discussing the CBI Evaluation.

2000

The one meeting so far this year, dwelt on the production of the Addendum to the Letter of Policy, considered recommendations of the 4th Ministerial meeting and its implications for the future of CBI and the TWG. The meeting considered the pros and cons of the new funding arrangement through COMESA and concluded that was not ideal, as it could divide regional groups and detract from the hitherto non-aligned status of the CBI.

d. Problems encountered

Voluntary membership to the TWG sometimes hampered commitment particularly at higher levels within organisations. After the first few years, it became obvious that the CBI was not considered a priority by most high ranking officials and TWG meetings would be delegated to junior members of staff, often at short notice and without adequate briefing. However, at times, high ranking officials could not attend due to genuine prior business commitments.

In the latter years, government dominance of TWG meetings increased. This had the effect of thwarting discussions as meetings degenerated into platforms for explaining and, at times, outright defending government policy.

2.2 Overview of sensitisation activities

Sensitisation activities undertaken by the TWG had two objectives:

a. Activities to sensitise various stakeholders on the objectives of the Cross Border Initiative.

b. Activities which stemmed from work undertaken by the Technical Working Group and aimed at sensitising the business community and government officials on various issues relevant to the economy. These studies were mostly later followed by seminars or workshops.

c. In terms of the first category, four seminars were held as follows:-

1993

Two seminars were held one each in Bulawayo and Harare. Both were designed to sensitise the government and private sector on the objectives of the Initiative. The event also aimed to, on the one hand, solicit high level commitment particularly from government and on the other, to generate interest within the private sector. The seminar was also used as a forum for obtaining information on the potential volume of regional trade and investment and questionnaires were used for this purpose. This information was meant to assist the TWG in its deliberations and to convince the government on the need to liberalise in order to realise the potential for trade and investment in the region.

Both seminars were well attended and the objectives met, to a significant extent. Momentum for the Initiative was maintained at a high level for a long time after these two events.

1996

The second set of seminars were again held in Harare and Bulawayo and were organised along similar lines as the first two. The aim, on this occasion, was to provide an up-date on the CBI and re-kindle interest in both government and the private sector. These events, although well attended showed signs of wariness to the of Cross Border Initiative. It became obvious that the CBI was, at best being mis-understood and, at worst not being viewed seriously, largely because of its informal status.

c) Sensitisation activities under this category took 2 forms:

iii. Studies

iii. Follow-up workshops or seminars

i. <u>Studies</u>

The TWG initiated studies outlined below which aimed at clarifying and analysing issues as they affect both Zimbabwe and the region.

· **Study of the Impact of Removing Tariffs in Terms of the Cross Border Initiative – the Zimbabwean Case.**

The study was commissioned to assess potential revenue loss to Zimbabwe as a result of removing tariffs in accordance with CBI objectives. The study carried out an in-depth analysis of Zimbabwe's imports from the CBI member countries with a view to assessing the potential for trade on one hand, and the likely costs to be incurred by Zimbabwe when tariffs are reduced under the CBI programme.

The study carried out an assessment of Zimbabwe's imports from CBI participating countries and other COMESA members states, which indicated the higher levels of Zimbabwe's imports from these countries, had been growing at a faster rate than from the rest of the world and South Africa. The study demonstrated that the structure of import duty revealed that the bulk of Zimbabwe's imports from other COMESA countries are raw materials and/or intermediate goods – imports that are likely to promote industrial growth in Zimbabwe rather than decrease it.

__Conclusions__

The study concluded as follows:-

- Zimbabwe stood to have significant gains from competitive imports from the region. It argued that the expected trade creation benefits from the countries in the region, which will cease the opportunities to export to Zimbabwe as result of the removal of customs duties, will equally benefit Zimbabwean exporters as they will also be targeting these markets. The domestic manufacturing sector in particular stood to gain from the competitive industrial raw materials and intermediate goods needed by its sub-sectors.

- There would be minim the findings of this was cautious particularly on the part of government who felt it painted a "glowing picture" which is difficult to substantiate. However, they undertook to take the findings into account in their tariff review exercises.

· **WTO : Implications of the Uruguay Round on Zimbabwe**

The study examined the possible consequences of the Uruguay Round and the establishment of the World Trade Organisation for the agricultural, manufacturing (including clothing and textiles) and services sectors of the Zimbabwean economy. A particular aim was to establish whether Zimbabwe, as a developing country stood to lose or gain by membership to the WTO. The study also sought to:-

- recommend action needed to implement an internationally acceptable anti-dumping mechanism for Zimbabwe

- lobby for the establishment of an institutional framework for the dissemination of WTO related information and regulations within Zimbabwe and

- to ensure that Zimbabwe presents a united national position in its future negotiations under the WTO as well as provide inputs for preparations of the negotiating meetings.

__Conclusions__

The study highlighted commitments made by Zimbabwe at the Uruguay Round, e.g. binding of its duty rates on various agricultural and manufactured imports and commitments made with respect to various services. It clarified Zimbabwe's position on the issue of agricultural subsidies. With respect to manufactured goods, the study said that the country's own reform programme had done more to open up the economy than will result under the WTO expectations. The study finally concluded that the Uruguay Round will have limited impact on Zimbabwe's domestic market in terms of opening it up to international competition because, as a developing country, Zimbabwe was only required to make limited commitments due to the GATT principle of non-reciprocity between developed and developing countries. On the regional export market front, the study claimed that reforms in those countries would be the determining factor rather than the WTO regulations, whilst conceding that some preferential treatment would be lost in developed markets.

Results

This study was instrumental in clarifying the WTO, its objectives and implications. It also triggered discussion on what Zimbabwe needs to do to position itself in the WTO context. The study was closely followed by a seminar to explain the requirements under the WTO and a workshop to discuss sector specific issues as outlined above. The standing committee on WTO chaired by the Ministry of Industry and Commerce was consolidated and expanded following this development. It is felt that national debate on WTO has been enhanced albeit much needs to be done to equip those involved in both negotiations and implementation.

· Study on World Trade Organisation (WTO) Notifications

A direct off-shoot of the above study, this study was conducted to identify various legislation with regards to WTO Notifications and the procedures for doing so. The study led to a workshop later in the year targeting personnel in key departments. This was immediately followed by a week-long technical training programme for the same key officials.

The study and subsequent workshop and training programme contributed to greater understanding of subsidies and countervailing measures. The exercises also enabled Zimbabwe to "take stock" of its position with regards to Notifications obligations.

· Study to Determine the Competitiveness of Zimbabwe Industry in the Region.

The study examined technical factors of competitiveness, examined the Zimbabwean case both prior and within the Economic Structural Adjustment Programme (ESAP). It highlighted Zimbabwean industries short-comings in terms of competitiveness and outlined what needs to be done by both government and industry in order to achieve optimum competitiveness. These included:-

- Putting in place fiscal policies (without resorting to tax increases which effectively punish the producers). The study called for a policy regime that is sensitive to discipline.

- Promoting the existence of domestice competition so that the local market can be a testing ground for potential exports. The argument was extended to the provision of utilities.

The report also suggested the setting up of productivity centre in order to enhance skills training.

It touched on competitiveness of Zimbabwean industry in overseas markets.

Results

The study gave industry and its line ministry (Industry & Commerce) benchmarks with which to measure its competitiveness. This was followed by a workshop to facilitate discussion and clarify issues. The Ministry of Industry and Commerce and the Confederation of Zimbabwe Industries were challenged to follow-up on specific issues raised. The possibility of setting up a productivity centre was monitored by the TWG for a while but no progress was noted. There are current plans of introducing a Competition Commission.

- **Study to Draft An Investment Code for Zimbabwe**

The study was intended to chart the course for the drafting of an Investment Code the country. Currently, Zimbabwe is governed by Investment Regulations rather than a Code which is more binding.

The study reviewed and up-dated the existing investment regulations in Zimbabwe having regard to current domestic, regional and international developments. It recommended that purely administrative rules be superseded by appropriate legislation which spells out the specific rights of foreign investors and legal safeguards for their investments rather than drawing new legislation in order to put into effect an investment Code. The Code would be published in two sections, one section dealing with the relevant legislation (which is permanent) and the 2nd section dealing the macro-economic issues (which are subject to change).

The report was submitted to the Cabinet's Committee on Legislation for approval before it can become law. However, the authorities have not made a decision regarding how to treat pre-1993 investors. Under the current regulations, pre-1993 investors cannot fully remit funds when dis-investing. This issue is likely to remain unresolved until clear policy has been developed.

• Study on Harmonising External Tariffs (HET)

This study was commissioned in response to the recommendation that CBI implementing countries examine the feasibility of implementing harmonised external tariffs against third countries. The study, completed in April 1998, was working within a time-frame that envisaged total removal of tariffs by the end of 1998. The following were expectations of the CBI road map for tariff reform:-

- The removal of all tariff barriers on intra-regional trade by 1998
- Immediate elimination of non-tariff barriers on all trade; and
- Harmonisation of external tariffs by having not more than three non-zero rates, weighted average of not more than 15 percent and maximum rate of between 20 and 25 percent by 1998.

The study:-

a) Reclassified products in CBI categories, namely; raw materials, capital goods, intermediate goods and final goods;

b) Analysed revenue consequences of harmonising external tariffs and eliminating tariffs on intra-regional trade;

c) Assessed the effect on revenue of implementing the proposed HET under various scenarios; and

d) Established revenue loss due to existing official duty exemptions.

The study concluded that introducing CBI HET rates will lead to a reduction in venue by an average 10.7percent. However, it argued that the lower tariff levels proposed under the CBI/HET system can be a powerful economic tool and must not be viewed as a means of revenue collection only but should target wider objectives. A tariff cut which might appear to reduce revenue may well increase it if it leads to expansion of economic activity.

The study, however, recommended a tariff reduction path that would incur the least revenue loss in the first stage, one which would also give industry an opportunity to grow. The study, however, also recommended further studies in the following areas were needed, as these fell outside the scope of the consultants' Terms of Reference:-

- Study the magnitude of revenue leakages arising from false declaration of value and incorrect classification;

- Detailed study on the impact of HET on revenue collection and industrialisation;
- Study to synchronise various CBI countries' HET study in order to determine the way forward.

Result

This report was cautiously received, particularly by the finance ministry. They have, however, indicated from time to time that they are taking its findings into account in the tariff then taking place.

iii. Seminars

Three Seminars took place under this category and all followed the larifying many issues.

1997

WTO Notifications Workshop

This workshop was a direct result of the 1996 event and was also preceded by a study to identify requirements and procedures for notifying under WTO. This was a targeted event and brought together key government ministries and other departments. Departments which attended included:-

- The Ministry of Industry & Commerce (Committee involved in WTO matters)
- The Attorney General's Office
- The Standards Association of Zimbabwe
- The Ministry of Finance
- The Ministry of Foreign Affairs
- Industry's representatives
- Sector Representatives
- The Commercial Farmers' Union
- The Ministry of Agriculture

An expert from the EU facilitated the workshop and clarified issues related to Notifications including clarification on subsidies, countervailing measures and related issues.

Training of Key Officials in Notifications

The workshop was followed by a week-long technical training of key officials on notifications requirement. It was recommended that this type of training should continue to include other departments not reached on that occasion. Apart from the directly TWG initiated studies and events, the TWG has had input into other regional integration processes and investment issues. The more outstanding cases include assistance to the Zimbabwe government to clarify its position vis-à-vis the SADC Trade Protocol and the ZIC Study to identify the administrative barriers to investment.

3. ACHIEVEMENTS OF CBI IN POLICY REFORM AREAS

3.1 Foreign Trade

At the start of the Initiative Zimbabwe was in its 2nd year of implementing an Economic Adjustment Programme (ESAP) whose objectives coincided in, a number of areas, with some of the objectives under the CBI. Any benefits accrued cannot, therefore be wholly attributed to the CBI.

a. Import/export licensing

Import licences were completely liberalised in 1994 and an open import system introduced. Import licences are required for products on a very short negative list which has been retained for health and security reasons. Generally, there have been no controls on exports. Export permits are issued on a few items related to food and minerals in order to ensure that the stock levels are monitored and to ensure compliance with health and sanitary requirements of the export markets. Zimbabwe is not expected to review this position.

b. NTBs

It is difficult to claim measurable success on this but Zimbabwe has made efforts to reduce NTB's. For instance Zimbabwe has ensured that there are no quantitative restrictions on imports. In addition, specific efforts are being made under the auspices of the SADC Standardisation, Quality Assurance, Accreditation and Metrology (SQAM) Programme to reduce technical barriers to trade.

c. Intra-regional tariffs

As outlined elsewhere in this report, Zimbabwe has followed the COMESA timetable of tariff reductions in its trade with COMESA and CBI countries and has generally been on target. The country has committed itself to the implementation of zero tariffs by October 2000.

d. External Tariffs - and CBI harmonisation

An HET Study was conducted in 1998, however, the government have stated they are not yet in a position to implement its recommendations.

e. Trade facilitation

A variety of measures outlined in the Common Programme of Action to facilitate smoother trade largely stem from measures put in place by COMESA. These include:-

Implement COMESA

Harmonised Transit Charges

Zimbabwe has operated, based on these for a number of years.Introduce single goods declaration document- Zimbabwe has introduced one customs bill of entry - the ASYCUDA system is in use.

3.2 Payments:

Financial sector reform

Reform in this sector has been tackled in the following areas:-**Monetary Policy Reform** which has facilitated a shift from direct to indirect methods of control where open market forces interventions prevail.

Interest Rates have been deregulated and are now market determined. Interest rates of the Post Office Savings Bank (POSB) (government owned) and of the Building Societies have also been partially deregulated.

New Instruments have widened the scope of Building Societies' operations, for instance NCD's.

New Entrants: Provision has been made for new entrants into the financial sector. There are now five Commercial Banks, six Finance Houses, ten Merchant Banks, five Savings Banks (POSB), and several insurance companies' pension funds.

b. Foreign trade instruments*(Some of the reforms outlined below have been reversed due to economic conditions prevailing in the country.)* Prior to the commencement of the Reform Programme in 1990, exporters had to surrender all their foreign exchange to the Reserve Bank of Zimbabwe. Foreign exchange requirements would then be met from allocations. At the onset of the Reform Programme in 1990, the government introduced an Export Retention Scheme (ERS) which allowed exporters to rein in some of the export proceeds for their own use. The retention rate started from as low as 5% in 1990 and progressively increased to 100% in July 1994. The ERS was discontinued and replaced by the system of Foreign Currency Accounts (FCA's)

The introduction of (FCA's) led to the development of an inter-bank market which allowed for a system of payment and exchange without the involvement of the authorities. Up until 1994, two exchange rates were quoted, the Reserve Bank quoted rate and the market determined rate.Since then market determined rates are quoted in Zimbabwe. (However, the exchange rate has been artificially held at its current levels since the Zimbabwe Dollar crushed in 1997). Zimbabwe accepted Article VIII of the IMF Articles of Agreement in 1995. The current account was fully liberalised for transaction purposes and dividend remittability is now 100% for new investment. The capital account liberalisation commenced on a cautious and phased basis.

3.3 Investment:

a. Investment approval and licensing procedures

The Zimbabwe Investment Centre (ZIC) was set up in the early stages of ESAP (1991) as a one-stop investment facilitator. However, the one-stop facility is only in terms of providing information and approval of investment projects. The Centre does not have the authority to grant the necessary permits and licences following approval. This process remains fragmented. ZIC has made efforts to influence granting of licences by developing closer links with the relevant authorities who are represented on the investment projects approval committee. The authorities include the department of immigration, utility authorities etc.The project approval process has, however, improved significantly from an open-ended time-frame to a maximum of 10 days.

b. Investment code

The Investment Code still has to be developed. Currently Zimbabwe is guided by Investment Regulations which came into effect at the same time as ZIC. A study to draft an investment code was completed in 1996 and its recommendations are being considered for legislation. Among the key issues being considered is the remissibility of funds for pre-1993 investors. Post-1993 investors have full remissibility.

c. Harmonisation of investment regime

This is expected to be tackled under the Road Map for Investment Facilitation once approved.

d. Movement of persons and employment permits

Residents' permits are granted automatically for individuals investing over US$1m. Individuals investing over US$300 000 are given 3-year permits. In terms of other business persons, Zimbabwe ratified the first phase of the COMESA protocol albeit it is implementing this on a selective basis. Bona fide business persons can obtain visas at major entry points.

Membership/participation in investment protection agencies

In addition to being a member of MIGA and OPIC, Zimbabwe has signed bilateral investment agreements with one more country since the inception of CBI bringing the number of such agreements to 10.

3.4 CBI StatusStatus on Addendum to Letter of CBI Policy

A draft Addendum to the Letter of CBI Policy is currently under consideration by the Minister of Finance. No substantive progress can be expected until after the elections as the finalisation of the document hinges on clear policy issues.

b. Status on preparation of national Road Map on Investment Facilitation

Initial discussions have been held on the possible way forward. However, no formal work has been commissioned. As is the case with the Addendum to the Letter of Policy, progress hinges on clear policy issues which is unobtainable at present

APPENDIX I

STUDIES AND ACTIVITIES UNDERTAKEN IN THE CONTEXT OF THE CBI

YEAR	COUNTRY/ REGION	TITLE	CONSULTANT
1991	CBI region	Constraints to intra-regional trade, investment and payments in Eastern and Southern Africa and the Indian Ocean region	Imani Development
1992	CBI region	First workshop of TWGs, Mauritius[1]	Imani Development
1992	Burundi	Constraints to intra-regional trade, investment and payments in Eastern and Southern Africa and the Indian Ocean region at the national level	Dr P Nyamoya
	Comoros		Wilton Consultants
	Ethiopia		Dr S Yemenu
	Kenya		Dr N Ng'eno
	Madagascar		Wilton Consultants
	Malawi		Business Development Africa
	Mauritius		Wilton Consultants
	Namibia		NEPRU
	Rwanda		Mr J M Mbaguta
	Seychelles		Wilton Consultants
	South Africa		Mrs N Hill/Prof. G Maasdorp
	Swaziland		Dr X Guma
	Tanzania		Prof. R Mabele
	Uganda		Dr S Katabaazi
	Zambia		Dr G Mudenda
	Zimbabwe		Imani Development
1992	CBI region	Second workshop of TWGs, Mauritius	Imani Development
1993	Burundi	Follow-up studies at the national level, covering, inter alia, listing laws and	Dr P Nyamoya
	Kenya		Dr N Ng'eno

YEAR	COUNTRY/ REGION	TITLE	CONSULTANT
	Madagascar Malawi Mauritius Namibia Rwanda South Africa Uganda Zambia Zimbabwe	regulations needing amendment in terms of the CBI; estimating levels of intra-regional trade and investment flows; reviewing regulations on private investment, identifying actions required for implementation of CBI measures, identifying institutional requirements in the context of implementation of the CBI measures.	Wilton Consultants Business Development Africa Wilton Consultants NEPRU Mr J M Mbaguta Mrs N Hill/Prof. G Maasdorp Dr S Katabaazi Dr G Mudenda Imani Development
1993	CBI region	Meeting of senior officials, Brussels	
1993	CBI region	First CBI Ministerial Meeting, Kampala	
1994	Kenya Malawi Mauritius Seychelles Uganda Zambia Zimbabwe	Amendments to national laws and regulations to give effect to CBI measures	Mr D Ameyo Mr E Singini Mr N Beekarry Mr G Dodin Mr L Tibaruha Mr E Chipimo Mr B Patel
1994	Comoros Madagascar Seychelles Seychelles Seychelles Uganda Zimbabwe Zimbabwe	Assistance with preparation of letter of CBI policy Assistance with preparation of letter of CBI policy Assistance with preparation of letter of CBI policy Study on net transitional costs of implementation of the CBI Study on tax reform implications of implementing CBI measures Study to assess the impact of regional market development on the economy of Uganda with special emphasis on the manufacturing sector Study to determine the impact of removing tariffs in terms of the CBI Assistance with preparation of letter of CBI policy	Dr P Ramsamy Dr P Ramsamy Dr A Lennblad Mr B Rassool/Dr A Lennblad Ms D Tirant/ Mr J Rankin Dr S Katabaazi Dr D Ndlela Imani Development
1994	Indian Ocean region	Meeting of Indian Ocean TWGs	Indian Ocean Commission

YEAR	COUNTRY/ REGION	TITLE	CONSULTANT
1995	Burundi Madagascar	Technical assistance to TWG and PIC Technical assistance to TWG and PIC	Mr P Nyamoya BAPIM
1995	Burundi Madagascar Malawi Seychelles Tanzania Zimbabwe	Amendments to national laws and regulations to give effect to CBI measures	Mr M Nibitanga Mr Y Ratrimoarivony Mr J McGrath Mr B Rassool Mr L Mmasi Imani Development
1995	CBI region	Second CBI Ministerial meeting, Mauritius[1]	Imani Development
1995	Indian Ocean region	Meeting of Indian Ocean TWGs	Indian Ocean Commission
1995	East Africa region	Meeting of the East African TWGs, Arusha	Mr L Mmasi
1995	Comoros Kenya Madagascar Namibia Swaziland Tanzania	Assistance with preparation of letter of CBI policy Preparation of paper for Ministerial meeting Assistance with preparation of letter of CBI policy Assistance with preparation of letter of CBI policy Assistance with preparation of letter of CBI policy Assistance with preparation of letter of CBI policy	Dr P Ramsamy Dr N Ng'eno Dr P Ramsamy Mr P Morawetz Mr P Morawetz Dr P Ramsamy
1996	Kenya Namibia Seychelles Swaziland Tanzania Uganda Zimbabwe	Technical assistance to TWGs and PICs	Mr M Munyaka Dr E van der Linden/Gaoses Mr B Rassool Mr M Hall Mr L Mmasi Dr S Katabaazi Imani Development
1996	CBI region	Third workshop of all TWGs, Mauritius	Imani Development
1996	East Africa region	Meeting of East African TWGs, Nakuru	Mr M Munyaka

YEAR	COUNTRY/ REGION	TITLE	CONSULTANT
1996	Indian Ocean region	Assistance with preparation of letters of CBI policy and implementation of CBI measures	Mr J P Duvert
1996	Indian Ocean region	Meeting of Customs officials and other officials to discuss tariff liberalisation and harmonisation	Imani Consultants (Mauritius)
1996	CBI region	Meeting to discuss ESARIM proposals, Brussels	Imani Development
1996	Kenya	Business Plan for proposed Regional fund for Trade Development	Mr M Munyaka
1996	Kenya	Commercial Paper Programme	Mr M Munyaka
1996	Madagascar	Follow-up activities related to implementation of CBI measures	Mr J P Duvert
1996	Madagascar	Study on air transport policy	Mr R Sithanen
1996	Namibia	Assistance with renegotiations of SACU	Dr E van der Linden/Gaoses
1996	Seychelles	Study on identification of projects for possible funding under CBI	Mr B Rassool
1996	Seychelles	Study on substitution of trades taxes by import tariffs and sales taxes	Mr B Rassool
1996	Zambia	Feasibility study on establishing export processing zones in Zambia	Independent Management Consulting Services
1996	Zimbabwe	Study on the implications of the Uruguay round agreements on the Zimbabwe economy	Mr M Humphrey, Mr A Hofisi, Dr R Mabeza-Chimedza
1996	SACU region	Study on the impact of the proposed EU-SA Free Trade Agreement on the	Imani Development
1997	Kenya Namibia Seychelles Swaziland Tanzania Uganda Zambia Zimbabwe	BLNS Technical assistance to TWGs and PICs	Mr B Kagira Dr E van der Linden/Gaoses Mr B Rassool Mr M Hall Mr L Mmasi Dr S Katabaazi Mr J Kasanga Imani Development
1997	SADC region	Facilitation of meeting of representatives from SADC region	SADC Secretariat
1997	East Africa	Study on harmonisation of External Tariffs in East Africa[1]	Mr G Mwau, Prof. S.Tulyamuhika, Economic and Social Research Foundation

YEAR	COUNTRY/ REGION	TITLE	CONSULTANT
1997	East Africa	Meeting of TWGs	Dr S Katabaazi
1997	Indian Ocean region	Meeting of Indian Ocean TWGs	Indian Ocean Commission
1997	Indian Ocean region	Study on harmonisation of External Tariffs in the IOC countries	Imani Consultants (Mauritius) Ltd
1997	COMESA	Assessment needs of Private Sector Organisations in the Indian ocean region[2]	Dr P Ramsamy
1997	COMESA	Participation in study on the future role of the Clearing House.	Dr D Hudson, Mr M Mansoor, Mr M Bennett and Mr R Hess
1997	Kenya	Development of Business Plan for Kenya Export Development Fund	Mr B Kagira
1997	Kenya	Various papers for national workshop	various
1997	Kenya	Review of investment laws	Mr B Kagira
1997	Namibia	Consultative Forum on Competition Policy	TWG
1997	Seychelles	Study on promoting cross-border investment	Mr B Soundy
1997	Seychelles	Study on harmonisation of External Tariffs	Mr C Morrin, Mr B Rassool
1997	Uganda	Study on impact of foreign exchange liberalisation	Dr S Katabaazi
1997	Uganda	Local regional seminars in 8 locations	Dr S Katabaazi
1997	Zambia	Workshop on EPZ feasibility	Independent Management Consulting Services
1997	Zambia	Study on harmonisation of External Tariffs	Independent Management Consulting Services
1997	Zimbabwe	Workshop on results of studies undertaken by TWG	TWG
1997	Zimbabwe	Study to draft an investment code	Ms R Mazula / Mr N Nyaguse
1997	Zimbabwe	Study on WTO notifications	Mr D Ruhukwa
1997	CBI region	Meeting for TWG Chairpersons and resource people to review draft synthesis paper	Imani Development
1997	Zimbabwe	Study on harmonisation of external tariffs	FETA Services/Techfin
1998	Comoros Kenya Malawi Mauritius	Technical assistance to TWGs and PICs	Ms Z Dahalane Mr B Kagira Mr J McGrath De Chazal du Mée

YEAR	COUNTRY/ REGION	TITLE	CONSULTANT
	Namibia Seychelles Swaziland Tanzania Uganda Zambia Zimbabwe		Dr E van der Linden/Gaoses Mr B Rassool Mr M Hall Mr L Mmasi Dr S Katabaazi Mr J Kasanga Imani Development
1998	CBI region	Third Ministerial Meeting	Imani Development
1998	CBI region	Fourth Regional TWG meeting	Imani Development
1998	COMESA	Needs assessment study for future role of the COMESA Clearing House	Mr F Read, Mr M Mansoor, Mr T Rajaona
1998	COMESA	Follow-up work on development of AGF and RESA	various
1998	SACU region	Further study on the impact of the proposed EU-SA Free Trade Agreement on the BLNS	IDS
1998	SADC	Financial assistance to SITCD for funding a workshop on regional industrial policy	SITCD
1998	Kenya	Various papers for national workshop	various
1998	Kenya	Revisions to paper on Kenya Export Development Fund proposal	Mr B Kagira
1998	Namibia	Business-to-business meetings	Trend Line
1998	Seychelles	Study on implementation of COMESA Tariff reductions and alternative revenue sources	REPIM
1998	Tanzania	National seminar on regional integration	IMAIS
1998	Tanzania	Local regional seminars in 6 locations	IMAIS
1998	Tanzania	Business plan for Tanzania Export Development Fund	IMAIS
1998	East Africa	Meeting of East African TWGs	IMAIS
1998	Uganda	Local regional seminars in 8 locations	DMCI
1998	Zimbabwe	Study and workshop on notification requirements under WTO	Mr D Ruhukwa
1998	Zimbabwe	Regional workshop and technical assistance re WTO notifications	Mr G Platton

YEAR	COUNTRY/ REGION	TITLE	CONSULTANT
1999	Comoros Kenya Malawi Mauritius Namibia Seychelles Swaziland Tanzania Zambia Zimbabwe	Technical assistance to TWGs and PICs	Ms Z Dahalane Mr B Kagira Mr J McGrath De Chazal du Mée Dr E van der Linden Mr B Rassool Mr M Hall Mr L Mmasi Mr J Kasanga Imani Development
1999	Regional	Study on the impact of trade liberalisation under the CBI on domestic industries	Prof. C. McCarthy
1999	East Africa	Meeting of East African TWGs	Mr B Kagira
1999	CBI region	Fourth Ministerial Meeting	Imani Development
1999	Kenya	Study on Private Sector Business Associations	Integrated Development Consultants
1999	Kenya	Study on decline of specific Kenyan export products to regional markets	Integrated Development Consultants
1999	Tanzania	Local regional seminars in 2 locations	IMAIS
1999	SACU region	Assistance with seminar on impact of EU-SA FTA	BIDPA
2000	Rwanda	Assistance with preparation of Letter of CBI Policy	Mr J Musonda
2000	Zambia	Regional Integration awareness seminars in 9 locations	IMCS
2000	Kenya	Preparation of National Investment Facilitation Programme	Integrated Development Consultants
2000	Kenya	Background paper on the Implications of the East African Customs Union on the Kenyan Economy	Integrated Development Consultants

Notes: [1]*Funded by World Bank* [2]*Framework contract only funded expenses, not fees*

APPENDIX II

TWG AND PIC CONTACT DETAILS

COUNTRY	NAME	TEL NO.	FAX NO.	E-MAIL
Burundi:				
- PIC Chairman	Dr M. Sinamenye Governor, Bank of Burundi	257-222744	257-223128	
- TWG Chairman	Mr Cyprien Sakubu, Ministry of Commerce and Industry	257-2133447/8	257-213446	sakubu@cbinf.com
- Secretariat	Mr Prime Nyamoya	257-222096 257-225531	257-221341 221391	ogi@cni.cbinf.com
Comoros:				
- PIC Chairman	M. Assoumany Aboudou Minister of Finance	269-74 41 75	269-74 41 40	
- TWG Chairman	Mr Ibrahin Mohamed Soule	269-732140 744140	269-744140	
- Secretariat	Mme Zalihata Dahalane	269-736076 744163	269-732222	zal.daha@snpt.km
Kenya:				
- PIC Chairman	Hon. K N K Biwot Minister of East African and Regional Co-operation	254-2-227411	254-2-252777	
- TWG Chairman	Mr Z N Mwaura, Deputy Chief Economist Ministry of East African and Regional Co-operation	254-2-338111	254-2-219365	
- Secretariat	Mr Bernard Kagira	254-2-543351	254-2-211701	aedc@users.africaonline. co.ke
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. Cassim Chilumpha Minister of Finance	265-782199 265-782533	265-781679 781521	
- TWG Chairman	Mr Patrick Kamwendo, Deputy Chief Economist Ministry of Finance	265-782199 784824 826209	265-781679	
- Secretariat	Mr. J.C. McGrath	265-630612/584	265-622992	johnmcgrath@malawi.net

COUNTRY	NAME	TEL NO.	FAX NO.	E-MAIL
Mauritius:				
- PIC Chairman	Hon. R. Bheenick Minister of Economic Development, Productivity and Regional Development	230-2013575 230-2012673	230-2113095	medrc@intnet.mu
- TWG Chairman	Mr D. Dusoruth, Officer in Charge, Regional Co-operation, Ministry of Economic Development, Productivity and Regional Development	230-201-1633	230-2115363	medrc@intnet.mu
- Secretariat	Mr Pierre Dinan	230-202-3000	230-208-0086	multico@intnet.mu
Namibia:				
- PIC Chairman	Hon. Bernard Esau Deputy Minister of Trade and Industry	264-61-2837329	264-61-253866	
- TWG Chairman	Ms Paulina Elago, Director, International Trade Ministry of Trade and Industry	264-61-2837331	264-61-253865	pelago@iwwn.com.na
- Secretariat	Mrs E van der Linden	264-61-259060	264-61-233629	trendline@mweb.com.na
Seychelles:				
- PIC Chairman	Hon. J. Michel Vice President and Minister of Finance and Communications	248-382000	248-225265	
- TWG Chairman	Mr T. Jones, Director General, International Relations, Ministry of Foreign Affairs	248-224688	248-224845	mfapesey@seychelles.net
- Secretariat	Mr M Nalletamby	248-225131	248-225414	nalletamby@hotmail.com
Swaziland:				
- PIC Chairman	Hon. Lufto Dlamini Minister of Enterprise and Employment	268-40-43201	268-40-44711	
- TWG Chairman	Mr Myekeni Vilakati Principal Secretary Ministry of Enterprise and Employment	268-40-43201	268-40-44711	
- Secretariat	Mr M Hall	268-42-20080	268-42-20080	raddon@realnet.co.sz
Tanzania:				
- PIC Chairman	Hon. Daniel Yona Minister of Finance	255-51-111174/6 112854	255-51-117790 110326	
- TWG Chairman	Mr G Mgonja Deputy Permanent Secretary Ministry of Finance	255-51-113334	255-51-110326 117790	
- Secretariat	Mr L. Mmasi Mr T Mworia	255-51-114469 111903	255-51-114099	imais@cats-net.com

COUNTRY	NAME	TEL NO.	FAX NO.	E-MAIL
Uganda:				
- PIC Chairman	Hon J. Mayanja-Nkangi Minister of Finance	256-41-230290 232370	256-41-250005	
- TWG Chairman	Mr K. Muhakanizi Commissioner Ministry of Finance, Planning and Economic Development	256-41-230290 232370 234700/9	256-41-250005	finance@imul.com
- Secretariat	Dr Evarist Mugisa	256-41-232657 256-75-717140	256-41-232657	equamgt@infocom.co.ug
Zambia:				
- PIC Chairman	Minister of Finance	260-1-250544 250593	260-1-251078	finance@zamintnet.com
- TWG Chairman	Mrs Irene Tembo Acting Director of Trade	260-1-221475	260-1-226673	
- Secretariat	Mr J Kasanga	260-1-227889/90	260-1-227891	imcs@zamnet.zm
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 263-4-774232	rfaranisi@gta.govt.zw
- Secretariat	Mr K. Atkinson	263-4-774233/5		imani@ecoweb.co.zw

APPENDIX III

Chairman's Summation: Third CBI Ministerial Meeting

Harare, Zimbabwe, February 19-20, 1998

1. Discussions during the two days affirmed the considerable progress in the implementation of the *CBI Agenda*, the contribution it has made in promoting sound economic management and the creation of a policy and institutional environment conducive to the promotion of private investment and trade among the participating countries.

2. There was a concern about the lack of participation by South Africa in the *CBI* process. It was noted that South Africa's current trade policy restricts access of *CBI* countries to South African market, thereby creating unsustainable bilateral trade deficits with South Africa. The slow pace of *SACU* renegotiations is also a concern for Namibia and Swaziland. It was hoped that an expeditious ratification of the *SADC Trade Protocol* would ease the current situation. The meeting resolved to continue the dialogue with South Africa on its *trade liberalization*.

3. Some *CBI* countries felt that the *CBI Agenda* on *trade liberalization* should be flexibly interpreted taking into account specific country circumstances.

4. The discussion particularly noted the contributions made by the *TWG*s in the formulation and implementation of the country-specific actions. Experience suggests that the *TWG*s have facilitated broader policy dialogue between the private sector and the concerned governments. There was a consensus that the *TWG*s should be sustained and further strengthened. The proposed *CBI website* could facilitate interaction between the *TWG*s. This could provide a valuable *neighborhood effect* in the form of exchange of technical expertise among the *CBI* participants. This could further enhance homegrown competence. It was also suggested that *TWG*s should be broadened to include organized labor so as to facilitate labor market reform as an essential step in promoting investment.

5. The discussions have also confirmed the need to stay the course with the evolving agenda. The meeting recognized that despite obvious progress, *trade liberalization* is not complete and *tariff reform* needs to encompass *other duties and charges*. Failure to do so has the potential to negate the progress so far. The discussions indicated a concern about the potential revenue impact of such reforms. However, there is evidence from the experience of the *CBI* trail blazers that such reforms are fiscally sustainable even in the short term in the context of overall taxation reform and elimination of *exemptions*. This is also desirable over the medium term for efficient investment and acceleration in growth.

6. The same would be true of *investment deregulation* and related issues such as *residence* and *work permits*. These are all within our reach. All it requires us is to shed our fear of the unknown, and a resolute will to view the private sector as the engine for vigorous growth. The discussions reflected a consensus in favor of completing actions on *investment deregulation* by end-1998. We propose that the same should be held also for *residence* and *work permits*.

7. The issue of adequate regional networks for communication and transportation was raised by several delegations. The partners would address this issue in the context of their bilateral lending programs.

8. The volume and timeliness of donor support was raised as an issue. Clarifications were offered that balance of payments needs of the *CBI* participants which have undertaken the relevant reforms, have been met by the *co-sponsors* as a group. In addition, there has been a substantive flow of grant-funded technical assistance. It was further clarified that preparation of *LCBIP* alone is not enough to receive bop support. The *LCBIP* has to be anchored in an appropriate macroeconomic framework

9. Because of extended discussion on other matters, the issue of *financial sector reform*, as proposed in the *Synthesis Paper*, did not come up for discussion. I believe this will be a very worthwhile effort for non-*SADC* countries, in parallel with a similar effort already underway for *SADC* countries.

10. There was a desire on the part of the regional institutions who have all endorsed *CBI* process for a greater role in existing *CBI countries* to implement the *CBI Agenda*. The participating countries, in cooperation with the regional institutions, need to promote *CBI Agenda* in their periodic discussions. Exchange of information was emphasized by several delegations today. As we indicated yesterday the proposed Web site will help the process. We will seek the cooperation of Regional Institutions in this regard.

11. In the light of our discussion yesterday, I perceive a clear consensus that *CBI* has taken roots. There is also a long way to go and the evolving agenda as identified in the *Synthesis Paper*, needs to be pursued. It is thus premature to call a closure on this very worthwhile venture. We, therefore, resolve to continue.

12. Due consideration should also be given to further broaden the participation within the region (e.g., Mozambique) as a way forward to facilitate the much-avowed objective of economic integration. The principle of *self selection* will ensure that countries of their own volition and state of economic management will decide on such participation. The co-sponsors will facilitate this.

13. In conclusion, I express my deep satisfaction at the substantive and very encouraging deliberations of these two days and express my support and confidence in the path ahead. We have resolved to implement the *Action Plan* adopted at this meeting. We also resolve that the next ministerial meeting be held in a year's time and a meeting of the *TWG*s in six months to consider the *Road Map* for *investment facilitation*. Finally, I would like to thank the secretariat and the interpreters for helping make our deliberations a success. Thank you.

CBI THIRD MINISTERIAL MEETING PARTICIPANTS LIST

HARARE, ZIMBABWE 19-20 FEB. 1998

Country	Names Participants	Position	Address	Telephone/Fax	e-mail address
Burundi	Mr. M. Sinamenye	Governor, Bank of Burundi	P.O. BOX 705, BUJUMBURA	257-222-744/ 257-223-128	
	Mr. Sigejeje	Secretary General, Chamber of Commerce and Industry	P.O. BOX 313	257-222280 / 257-227895	
	Mr. C. Sakubu	Director. Private Sector Development	P.O. BOX 6138, BUJUMBURA	257-213-447/257-213-446	PPSD@WorldBank.org
	Mr. P. Nyamoya	Consultant, TWG Secretary	B.P 2085, BUJUMBURA	257-222-096/257-221-391	
Comores	Mr. Issihaka Mahamoud	Secretary General, Ministry of Finance, Chairman TWG	BP 324, MORONI, COMORES	269-744141	
	Mr Mohamed S. Ibrahim	Chief Inspector of Customs	BP 1048 MORONI, COMORES	269-732140	
	Mr Mogne Said Mugni	Private sector	AV. DE LA LIGNE DES ETATS ARABS	269-732971	
Kenya	Hon. C.P.K. Arap Kirui	Ass. Minister of Finance	P.O BOX 70928, NAIROBI	254-2-338111/219303	
	Hon. S.Ole Ntutu	Ass. Minister of East African and Regional Co-operation	BOX 30510, NAIROBI	254-2-227411	
	Mr S. Wa Sanja	Under Secretary, Ministry of Finance	P.O. BOX 30007, NAIROBI	254-2-338111	
	Mr. J.G. Tuamwari (SP)	Dep. Chief Economist, Ministry of East African and Regional Co-operation	P.O. BOX 30510, NAIROBI	254-2-227411/252777	
	Mr R.N. Omusi	Sen. Trade Officer, Kenya National Chamber of Commerce and Industry	P.O BOX 47024, NAIROBI	254-2-220866/7- 340664	
Madagascar	Mr A.R. Randrianarivony	Secretary General, Ministry of Finance and Economic Planning	101-ANTANANARIVO	261-202-220-423/234-530	
	Mr A. Rajaobelison	Director General, Economic Planning	B.P674 ANTANANARIVO 101	261-202-220-284/228-508	
	Mr R. Ramanana	Director, Technical and Research, Customs Department	DIRECTION DES DOUANES (DTE)	261-202-227637	
	Mr Leonnel	Dir. of External Trade, Ministry of Commerce and Consumption	P.O.BOX 593 ANTANANARIVO 101	261-202-229-872/231-280	

Country	Names Participants	Position	Address	Telephone/Fax	e-mail address
Malawi	Hon. J. Malewezi (SP)	Vice President & Minister of Finance	P.O. BOX 30049, LILONGWE	265-782777/781521	
	Dr Maxwell Mkwezalamba	Chief Economist,Malawi Chamber of Commerce and Industry	BOX 258 BLANTYRE	671-988/671147	MCCI@EO.WN.APC.ORG
	Mr P. Zimpita	Senior Treasury Economist	BOX 30049, LILONGWE	265-782199/781679	
	Mr G. Kabango	Divisional Chief , Reserve Bank	BOX 30063, LILONGWE	780 600	
	Mr B. Sambakunsi	Economist, National Economic Council	P.O. BOX 30136, LILONGWE 3	265-782-300/782233/ 782224	
	Mr. J.C. McGrath	Consultant, TWG Secretary	BOX 2598, BLANTYRE, MALAWI	265-630612/584/622992	johnmcgrath@malawinet
Mauritius	Hon. R. Bheenick	Minister of Economic Development & Regional Co-operation	PORT-LOUIS	230-201-3575	
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APPENDIX IV

CBI Fourth Ministerial Meeting

Grand Baie, Mauritius, October 18-19, 1999

CHAIRMAN'S SUMMATION

The discussions have confirmed the considerable progress that has been made by participating countries since the CBI's inception in all four policy areas: exchange systems;trade liberalization and facilitation; strengthening of domestic banking and payment systems; and investment regulation. These measures have contributed to improved performance in trade and growth and have laid many of the conditions necessary to increase investment flows and sustain high performance over a longer period.

However, much remains to be done. There are many elements of the reform agenda which still have to be completed.

We have focused specifically during these two days on measures to stimulate investment. By enthusiastically endorsing the Road Map for Investment Facilitation we have committed ourselves to a series of actions to improve the environment for both foreign and domestic investors. The emphasis has been on attracting foreign direct investment, but it has been clear from interventions that this will only result if our own nationals are satisfied with domestic conditions for investment and take the lead.

As representatives of both public and private sectors, we have all:

- Recognised that essential conditions for attracting investment must be met including : peace, political stability; good political and corporate governance; macroeconomic reform and stability; trade liberalization; market integration; exchange system liberalization ;investment deregulation ;and policy consistency. The sustained implementation of these policies and measures will go some way to create an environment in which flight capital will return.

- Identified areas in which actions are needed to increase investment that may take time to be formulated or bear fruit, including: tax reform;legal and judicial and institutional reform; capital market development; human capital development; credible privatisation;improved infrastructure; and investment promotion; and

- Agreed to establish programmes for Immediate Actions to increase investment involving: accelerated implementation of CBI trade reform agenda; investment promotion; selective legal and judicial reform; selective tax reforms and an Africa Achievement Award scheme.

It has been clear from our discussions that precise measures will differ from country to country but, in all, there is a need for actions in all these areas.

Time and again, the question of the image of the region was raised. Press comment is often felt to be unfair; investors often held outdated perceptions which did not differentiate between countries or recognize recent improvements. The best way to address such concerns is through improved performance. But the regional dimension is important. Just as countries can be badly labeled by the errors of their neighbours, so can they gain credibility from their successes. Such measures as the proposed African Achievement Award scheme can also help correct misperceptions. Private sector participants have also again emphasised the importance of political stability and social peace.

While recognising the substantial support that the co-sponsors have provided for the reform process, many participants stressed the need for continued assistance to implement the measures and to help address any fiscal consequences. The co-sponsors have also indicated a willingness to extend their support for such measures. They detailed several new initiatives such as the AIG-African Infrastructure Fund, the proposed African Guarantee Facility, the enhanced HIPC Initiative, the EU SADC Investment Programme, PRIDE, the new EU support programmes for COMESA and EAC and the ADB Multinational Projects Fund.

We also discussed the way ahead. In particular:

• We agreed to explore ways to establish a high-level forum of countries in the region that will promote broader regional cooperation and development. As a first step we agreed to form a working group chaired by Mauritius, comprising Kenya, Namibia, Mauritius, Uganda Zambia, Zimbabwe, and if possible another country, to develop the concept further. The working group will report by the end of February 2000. We also agreed on some guiding principles. The forum should be a think-tank rather than a new institution, providing a neutral space which would transcend the boundaries of existing regional arrangements. It should also build on existing institutions like regional business groups and the Technical Working Groups.

• Participating countries will in future take a larger stake in the direction and organisation of the CBI with the cosponsors in a supporting role.

4TH CBI MINISTERIAL MEETING, GRAND BAIE, MAURITIUS, 18-19 OCTOBER 1999

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	Mr N. Gorjestani	1818 H. Street, Washington D.C.	202 473 3343	202 477 2977	ngorjestani@worldbank.org
Others					
GCA	Mr T. Dinka	1750 Pennsylvania Ave, Suite 1204 Washington, DC, 20006	(202)458 4043	(202)522 3259	tdinka@worldbank.org
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APPENDIX V

REGIONAL MATRIX ON IMPLEMENTATION OF CBI MEASURES

Summary of Country Matrices as at April 2000

Codes:
1 = Fully implemented
2 = partially implemented
3 = arrangements for implementation in preparation
4 = arrangements for implementation not yet identified

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	1	1	1
	Abolish NTBs	1	2	1	2	2	2	2	2	2	2	2	1	2
	Eliminate tariffs on intra-regional trade	2	2	1	3	2	2	2	3	3	2	2	2	2
	Abolish export licensing	1	1	1	2	1	1	3	1	1	1	1	1	2
	Open up trade in services	1	2	1	2	2	2	2	1	1	1	1	1	3
	Harmonise external tariffs	2	2	3	2	2	3	3	3	4	2	1	2	2
Trade Facilitation	Implement harmonised transit charges	1	n/a	1	n/a	1	n/a	3	n/a	3	2	1	1	1
	Introduce single goods customs declaration document	3	n/a	1	n/a	1	1	1	4	3	1	1	1	1
	Introduce bond guarantee scheme	4	n/a	3	n/a	4	n/a	4	n/a	3	3	3	3	3
PAYMENTS														
Domestic Payments and Settlements	Complete financial sector reform	2	1	1	1	2	1	4	2	2	2	1	1	2
	Introduce foreign trade financing instruments	1	4	1	2	2	1	4	1	1	1	1	2	2
	Remove impediments to entry by foreign financial institutions	1	1	1	1	1	1	1	1	1	1	1	1	2
Exchange Systems	Remove restrictions on current account	1	1	1	1	1	1	2	4	2	1	1	1	2

SECTOR/AREA	MEASURE	Bur	Com	Ken	Mad	Mal	Mau	Nam	Sey	Swa	Tan	Uga	Zam	Zim
	Remove capital account restrictions	4	3	2	4	2	1	2	2	2	2	1	1	2
	Establish unified, inter-bank, spot exchange markets	4	4	1	1	2	1	1	4	2	1	1	1	1
INVESTMENT														
Investment regime	Simplify investment approval procedures	3	2	1	1	2	2	1	1	3	2	2	2	1
	Remove investment licensing requirements	4	2	1	1	4	4	1	2	1	2	4	4	3
	Publish investment code and regulations	1	1	3	1	1	2	1	2	3	1	1	1	2
	Harmonise investment regimes	4	4	3	4	3	2	1	4	3	3	3	2	4
Immigration	Remove visa requirements at regional level	2	2	2	3	2	2	2	1	2	2	1	2	2
	Improve processing of residence and employment permits	1	2	2	1	2	2	1	2	2	1	1	2	2
Other	Join MIGA and similar bodies	1	3	1	1	1	1	1	1	1	1	1	1	1
	Conclude double taxation agreements	2	2	2	2	2	2	2	2	2	2	2	2	2
	Develop cross-listings on regional stock exchanges	4	4	2	4	3	2	2	3	2	3	2	2	2
INSTITUTIONS														
	Continue TWG activities	4	1	1	2	2	1	2	1	1	1	1	1	1
	Strengthen business organisations	3	2	3	2	2	1	2	2	4	2	2	2	2
	Give greater involvement to private sector in regional integration activities	2	1	1	4	2	1	1	2	3	2	1	2	1
PROJECT DEVELOPMENT														
	Agree LCBIP	2	1	1	1	1	1	1	1	1	1	1	1	1
	Draft Addendum to LCBIP	3	2	1	3	3	2	3	3	4	1	1	2	2