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CONCEPT PAPER

For

**PRIVATE ENTERPRISE DEVELOPMENT
in SUB-SAHARAN AFRICA**

As Submitted To

**THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF NEW INITIATIVES**

By

THE CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE

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I. EXECUTIVE SUMMARY

- ▶ The Center for International Private Enterprise (CIPE) is proposing to the Office of New Initiatives of the Agency for International Development a three and a half year program for a maximum of \$3,511,323 to promote business and entrepreneurship development and a better legal and regulatory environment to encourage private business formation and growth in Africa.
- ▶ CIPE would use its particular ability to design, develop and manage a program of ten to fifteen projects in cooperation with private sector business organizations and independent public policy institutes in sub-Saharan Africa.
- ▶ CIPE has demonstrated its unique capability through its program of technical expertise and direct grant support to indigenous business organizations and public policy institutes in Africa and around the developing world. (See **Attachment A: CIPE Projects in Africa** and **Attachment B: CIPE Projects in the Developing World**).
- ▶ The three and a half year grant with USAID for CIPE projects in Africa will focus on a program of work divided into two phases:

Phase I -- Design stage; needs assessment; identification of potential organizations and projects; identification of priority countries.

**Strategy: Advisory Team
 Needs Assessment**

Timeline: April 1, 1992 through September 30, 1992

Phase II -- Projects undertaken in cooperation with local organizations and continuation of Advisory Team

Strategy:

1. **Entrepreneurship Development**
2. **Institute for Business Association Development**
3. **Commercial Law**
4. **Private Sector Initiatives for Economic Growth**
5. **Informal Sector Initiatives**
6. **Informal Sector Conference**
7. **Journalism Training**
8. **Impact of South Africa on region**
9. **Business and Economic Education**

Timeline: October 1, 1992 through September 30, 1995

II. BACKGROUND

Democracy's advance throughout the world has been truly remarkable during the decade of the 1980s. In the 1960s and 1970s, a lonely band of countries held to the values of liberal democracy and, even in the industrialized world, democratic values were under great pressure. Beginning in the Americas, country after country has established democratic forms of government or announced its intention to do so. Today, only a handful of nations cling to authoritarian values while Marxism, once seen as the great alternative to liberal democracy, is widely discredited by the simple phrase, "It didn't work."

If the 1980s has been the decade of democratic transition, the 1990s must become the decade of consolidation and change. Although democratic systems have proved to be more durable than once thought, the transitions in many countries are threatened by poor economic performance and lack of participatory institutions. For democracy to flourish, effective market-based economic systems must meet citizens' needs and aspirations. Indeed, it was the lack of economic performance which, combined with political repression, have discredited statist and Marxist alternatives in Central and Eastern Europe. While democracy offers the hope and promise of a better life, democratic governments must prove themselves able to manage the economy in a way that fulfills those promises.

Over the past two years Africa has entered a difficult period of transition and structural adjustment. The costs of change are obvious but the benefits appear to be remote. Nearly all of the work on structural adjustment programs has pointed out the need to sell the program to the public and to build support. That finding also emerges clearly in CIPE's recent comprehensive 32-country Survey of Economic Reform. As the countries of Africa move ever deeper into the process of change, it becomes even more vital to educate and communicate with the public, and to reach potential entrepreneurs and the youth with necessary skills and positive messages about the workings and benefits of a democratic market-oriented system.

However, it has been shown repeatedly that change is most effective when it originates locally, and that building support for private enterprise can best be done from within a society. This is one of the crucial roles of the emerging private sector business associations and organizations. With external technical assistance and support, private sector groups can mobilize large scale support for the transition programs and can ensure that these programs truly benefit the emerging private business and entrepreneurial sectors.

Sub-Saharan Africa

The past year has been one of promise for Africa. The events in South Africa and central and eastern Europe will have a far-reaching effect in the continent, as autocracies and one-party systems continue to be challenged, and single-party governments permit a move to multi-party systems. Political instability and economic uncertainty will be a given for many years to come, as governments come to terms with the change. Nevertheless, economic reforms and structural adjustment programs have begun to have an effect, however subtle. While the tide may not have turned completely, there is a sense that we will see the private sector gain momentum in the 1990s.

From 1984 to 1987, CIPE tested several approaches in Africa. Since 1988, and increasingly in 1990 and 1991, our activities have become more targeted, as we identify the most effective ways to work within the existing systems. In cooperation with the U.S. Agency For International Development (USAID), CIPE proposes a series of projects to strengthen private sector institutions, which is universally acknowledged to be a determining factor in whether or not economies can flourish. Equally important, and as an integral part of that strengthening, CIPE would continue to support economic reform efforts in the policy environment which are essential for private sector-led growth. To date, the private sector has had very little experience in effectively advocating their positions to government. It is increasingly important for this group to find a strong voice, and to develop effective links to the decision-making sector of the governments.

There are numerous barriers to establishing stable democracies and viable market-oriented economic systems in Africa. Tribalism, for example, continues to be a source of friction, and has traditionally been used as the excuse for retaining one-party systems. A number of more specific needs, however, have been identified by private sector groups as needing immediate attention.

- ◆ The difficult years since independence have left their mark on the enabling environment for private enterprise. A new, market-oriented regime of rules and regulations is being created. Technical assistance and support for the economic analysis and drafting of new laws or regulations are needed as well as advocacy programs that build support for reforms among legislators, opinion leaders, and the public.
- ◆ Business development programs are needed to train aspiring entrepreneurs. Economists and technicians must be educated to carry out the reforms and manage the market institutions.
- ◆ Mechanisms must be established to capture the private sector's growing role in the economy. Programs must be developed to identify the scope and needs of the emerging private sector and new initiatives must be designed to meet those needs.
- ◆ Finally, economic and business organizations must be established and sustained. Throughout the region, the reemergence of a civil society composed of business associations, unions, civic and other private organizations is essential to the development of viable democratic systems.

Potential investments in Africa

On December 26, 1991 an article that appeared in the Washington Post reported that U.S. firms were once more showing new interest in investing in the African continent. Forty American companies took part in a tour of four West African countries that month, 17 other firms participated in a trade mission to Angola, and several dozen high-level American executives held talks with Nelson Mandela to discuss opportunities for investing in South Africa. The names of the companies that participated in these ventures are well-known, and include Coca-

Cola Africa, Tarpon Resources, Ingersoll-Rand, McDonnell Douglas Corp., Morgan Guaranty Trust, Lazare Kaplan, General Motors Corp. and General Electric Co.

As Daniel Montana, a California investment banker with extensive experience in the former communist bloc says, Africa offers more immediate prospects for profitable investment than Eastern Europe. "Everything is in place -- a legal system, basic transportation and communication." He went on to say that a similar infrastructure will not be ready in most of Eastern Europe or the former Soviet Union for five to 10 years.

While this cannot be interpreted to mean a flood of investments are on their way to Africa, it can certainly be used to argue that the tide is turning at last.

Democratic transitions

As reported in the January 1992 issue of *African Business*, Africa is currently undergoing the most important changes since independence. Over the last two years, pluralist elections have been held in: Cape Verde, Sao Tome e Principe, Benin, Mali, Cote d'Ivoire and Zambia, while Kenya, Guinea-Bissau, Burkina Faso, the Congo, Niger, Cameroon, Madagascar and Angola are beginning to move toward democratic transitions.

In some cases changes are being engineered or at least powered by pressures from outside, from external donors such as the IMF and World Bank and others. In others it is pressures from inside the country, frequently linked to poor economic performance, as well as the influence of changes in neighboring countries, that are stimulating the transitions.

For whatever reasons the change is occurring, however, it will not presage true and permanent democracy unless economies are able to keep pace. Unless the private sector is able to develop quickly, the danger of losing the opportunities now being presented is high.

III. The Center for International Private Enterprise -- Capability Statement

The Center for International Private Enterprise, an affiliate of the U.S. Chamber Of Commerce, was established in 1983 to promote private enterprise and market-oriented economic reform, essential elements of the democratic transition. As one of the core grantees within the National Endowment for Democracy, CIPE has been working over the last nine years to develop strategies and techniques that address market-based democratic development.

CIPE's mandate is to advance private enterprise and market institutions that contribute to democratic development. CIPE's goals and objectives are to promote the legal and institutional structures necessary to establish open, market-oriented economies and to foster independent private voluntary business organizations and freedom of association. In addition, CIPE aims to increase business participation in democratic political and policy processes and to build support among public officials and the public for the private sector's crucial role in economic growth.

CIPE's overall global strategy addresses the principal obstacles to democratic, private enterprise-based systems in developing countries.

CIPE has two approaches to accomplishing its goals and objectives. The first is a program of grants and technical assistance for business associations, public policy institutes and educational centers in developing countries. Since 1983, CIPE has provided grants and technical assistance for over 170 projects in 41 countries.

The second method is a series of in-house communications and educational programs for business leaders, government officials and opinion leaders. CIPE recently published the third issue of a new magazine, *Economic Reform Today (ERT)*. *ERT* focuses on the day-to-day world of economic reform, the successes and failures and, in particular, the lessons learned. Our intent is to provide practical information, particularly to decision-makers. CIPE also holds international conferences on public policy on key issues, such as the CIPE/USAID conference on the informal sector held in Pakistan in 1989.

Another major in-house initiative is the *Market-based Structural Economic Reform Survey*, a comparative study of reform in 32 countries funded by the National Endowment for Democracy and The Pew Charitable Trusts. The survey provides hands-on information on the reform processes in the targeted countries and draws conclusions about the relationships among economic reform programs.

Over the years, CIPE programs have made significant contributions to organizations and their efforts to bring about change in economic policies and advance the role of the private sector in their respective countries. Some of our success stories, which have been used as models and replicated throughout the world with CIPE funding, are described in Attachment B.

IV. Program of Work

CIPE envisages a program of work carried out over three and a half years and divided into two phases. A two stage approach will allow both CIPE and USAID to make adjustments during the design phase of the project, which will ensure its success. The anticipated cost to USAID would be a maximum of \$3,511,323 (see Attachment C, Budgets).

Phase I -- Design stage; needs assessment; identification of potential organizations and projects; identification of priority countries.

**Strategy: Advisory Team
 Needs Assessment**

Timeline: April 1, 1992 through September 30, 1992

Phase II -- Projects undertaken in cooperation with local organizations and continuation of Advisory Team

Strategy:

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- 2. Institute for Business Association Development**
- 3. Commercial Law**
- 4. Private Sector Initiatives for Economic Growth**
- 5. Informal Sector Initiatives**
- 6. Informal Sector Conference**
- 7. Journalism Training**
- 8. Impact of South Africa on region**
- 9. Business and Economic Education**

Timeline: October 1, 1992 through September 30, 1995

PHASE I

► Advisory Team

First, CIPE will set up an Advisory Team of no more than ten experts on the African private sector, including two to three members of the African Business Roundtable, two to three established high level business executives and representatives of NGOs.

The purpose of this Team would be to set and refine project and country priorities, as well as to modify, as needed, the design of the long-term project. They would both determine demand and local capacity, and would review the need for proposed projects.

On a larger level, the individuals of this Team would serve as pressure for positive change within their own countries, promoting change on a regional level, much as chambers of commerce do on a national level.

An important issue to be addressed immediately by this Advisory Team are the Regional Centers that have been proposed by a group of east and southern

African private and public sector representatives. Before pursuing this, CIPE proposes a careful assessment of the demand for such a center, as well as the capacity of the region to support it, both financially and technically. Two examples of such an assessment recently done by a CIPE consultant are attached as Attachment D.

Some possibilities for the Advisory Team (not yet contacted about this project) include:

? Dr. Ed Bbenkele, Executive Director, SADCC Regional Business Council
(Botswana)

Mr. Kuria, President, Kenya Association of Manufacturers (Kenya)

Mr. Dominic C. Mulaisho, Editor-in-Chief, Southern African Economist
(Zimbabwe)

? Dr. Jumu Mwapachu, Managing Director, J.V. Group (Tanzania)

Dr. Mima S. Nedelcovych, U.S. Executive Director, African Development
Bank (Ivory Coast)

? Moctar Sow, President, Conseil national du Patronat du Senegal (Senegal)

Dr. John D. Sullivan, Executive Director, CIPE (U.S.)

Dr. Ernest Wilson, Director, Center for Research & Development,
University of Michigan (U.S.)

Meetings would be held, in Africa, twice during the initial six month start-up period, and annually thereafter.

In addition to the Advisory Team meetings, a needs assessment would be initiated. This assessment would primarily serve to determine both the capacity and the needs of business associations and chambers of commerce in selected countries in Africa. From this assessment is expected to come information that will shape Phase II, as well as serve as a resource for the USAID missions in those countries.

PHASE II

CIPE's first priority in Africa is the strengthening of private sector institutions. One way we are going about this is to look at ways to support bridging vehicles, such as chambers of commerce and other business associations that link public and private sectors. For various historical reasons, these groups in Africa are still fairly tentative and have a narrow base of support.

Secondly, CIPE will set as a priority economic reform efforts essential for private sector-led growth. That is, CIPE supports effective and broad political participation for all individuals and groups, and transparent and responsive government procedures.

And a third priority is to increase the capacity to collect and disseminate information necessary to the private enterprise system. This includes a particular attention to investigate the policy changes in South Africa, and how those policies will impact on other countries in the region.

In cooperation with the Advisory Team, we will work toward institution-building first, and promoting the policy dialogue second, with business and economic education third. Our experience shows that institution building is best accomplished through membership development and the introduction of basic chamber concepts, and then the development of programs and activities to maintain membership, development of income generating activities and the training of chamber staff and members. Once the institution is on firm footing, the policy dialogue can be initiated, through legislative training, or a legislative advisory service.

The types of project that are anticipated during Phase II are as follows:

1. Entrepreneurship development

A recent CIPE project in Botswana was designed to enhance entrepreneurship through building up regional offices of the Botswana Chamber of Commerce and Industry, throughout Botswana. The objectives of the project were to:

1. Create a national business network;
2. Develop communications between all commercial/industrial centers throughout the nation;
3. Provide services, technical assistance and training to rural businesses;
4. Assist the government of Botswana in their stated efforts of job creation and rural development;
5. Promote local entrepreneurial development;
6. Participate in foreign investment development and;
7. Educate and inform the general public on the role of business in the scheme of national development.

This project could be duplicated in other parts of Africa, given the existence and identification of a local association capable of working in cooperation with CIPE.

Another entrepreneurship development project took place last year with a group of Romanians. Eight English-speaking instructors were brought to the U.S. for a two week training program. A U.S. consultant worked with CIPE in developing a course to teach the instructors how to train entrepreneurs in Romania. Issues that were covered in the course were:

- * Introduction to Private Enterprise and Market Economics
 - Global economic perspective
 - Romanian economy, size, structure, employment, profits
 - Relationship between government and private enterprise
 - Wealth in market economies
 - Role of government: regulation in a free market economy
- * Entrepreneurship, Competition, Risks and Rewards
 - Dynamics of change
 - Opportunities, myths and realities
 - Entrepreneurial character
 - Risks and rewards
 - Venturing out
 - Case studies
- * The Fundamentals of Starting a Successful Business
 - Highlights of the domestic environment
 - Legal framework supporting private enterprise
 - Scope of opportunities and resource requirements
 - Step by step guide to successful start-up, including developing a business plan
 - Using the Romanian registrar of companies' services to establish and develop a business
- * The Art of Making a Business Grow
 - Know the market
 - How to develop and use a business plan
 - Knowing when and how to raise funds
 - Back to basics -- management skill review
 - Market and sales planning
 - Accounting and record keeping
 - Negotiating in a free market
 - Communications and networking
 - Practical aspects of taxation
- * How Entrepreneurs Cope with the Challenges and Opportunities of International Business
 - International Trade: export/import
 - Foreign investment

Subsequently, a U.S. consultant accompanied the trained instructors back to Romania with the selected course materials and arranged for their translation. Courses have been set up, including scheduling of classes and recruitment of students, in order to reach as many potential entrepreneurs as possible.

A similar entrepreneurship development class has been planned for later this year. Eight instructors from Czechoslovakia will be brought to the U.S. for a two-week period of training and development of course materials. An intensive business training course designed by CIPE will cover the following broad topics:

- * Market economics
- * Policy environment
- * Entrepreneurship
- * Business management

A similar course could be scheduled, to train instructors on site in Africa.

2. Institute for Business Association Development

In many parts of the developing world and especially in Africa, the business community is not well represented in the political or democratic process. Trade and professional associations, chambers of commerce, and small business groups tend to lack the resources and expertise needed to play a full role in the democratic process. CIPE has run institution building programs in Latin America, South Asia, and the Philippines. Typically, these projects train association executives in the techniques of advocacy and communications, membership recruitment, and management.

In November 1991 a workshop was hosted by the SADCC Regional Business Council in Gaborone, Botswana. The workshop trained participants in the concepts of market economics, trends in regional economic and integration programs and financial management in order to identify and define major organizations and management weaknesses in their chambers of commerce, and taught techniques for strengthening their ability to analyze and advocate policies, to improve services to members.

This workshop was enthusiastically received by the participants, all of whom encouraged CIPE to organize similar workshops for other countries, as well as follow-up workshops with more advanced and tailored material for the participants at the first one.

CIPE proposes a continuation of these workshops, in cooperation with an existing training center based in Cameroon, or with the same U.S. consultants that worked on the Botswana workshop.

3. Commercial Law

The legal issues surrounding "doing business" need to be addressed on a comprehensive level, including issues such as incorporation and contracts. Given the lack of staff structures to support the elected Parliaments in most developing countries, CIPE has supported an innovative, non-partisan solution, beginning with the Dominican Republic, where Carlos Despradel pioneered the concept of the legislative advisory program. The Center for Economic Orientation, under his leadership, analyzes bills on economic issues such as taxes, international trade, and the governmental budget from a market economics point of view. The results are put into plain language for publication and distribution to legislators, journalists, and other opinion leaders. Over the last several years, Despradel's own score card shows that

the Center's views have influenced over sixty percent of the bills that they analyzed.

Given this track record, CIPE has replicated the program in 14 other countries, including Latin America, Asia and Central and Eastern Europe. In addition, CIPE is currently considering a proposal from an economic institute in Ghana to begin a legislative advisory service there early this year.

CIPE programs bolster the ability of public administrators and mid-level bureaucrats to replicate and maintain success in the formulation and implementation of sound economic policy reform at the provincial and national levels. Programs emphasize the transfer of "know-how" and the practical "how to's" of economic reform.

Legislative advisory services will be encouraged, given the existence of competent and viable institutes.

Occasional workshops and conferences on economic reform and public policy advocacy will be held to build upon *Economic Reform Today*, the *Economic Reform Survey* and the CIPE network of grantees involved in policy reform and advocacy worldwide.

Specialized courses will be developed for parliamentary staffs, advisors and targeted government and ministry officials in the region. Discussion topics will include the role they and their institutions play in the transition to market economies and democratic governance as well as the role of private voluntary business organizations in the transition and reform process.

4. Private Sector Initiatives for Economic Growth

Late in the fall of 1991, CIPE co-hosted an important conference with the Kenya National Chamber of Commerce & Industry, called the Private Sector Initiatives for Economic Growth conference, designed to create a five country effort to enhance the structural adjustment process based on private sector input and support.¹ The project's intent in Phase I, which culminated in a conference in May 1990, was for public and private sector representatives in each of these countries to draw up position papers outlining their views and recommendations on their country's structural adjustment programs with special emphasis on incentives to promote the private sector. At the second conference in November 1991, participants presented papers on their country's progress since May 1990, including new legislation and expanded dialogue between the public and private sectors.

A great deal of interest has been expressed by participating countries in having this PSIEG project continue. The consensus seems to be that the conferences would continue to add members, rather than replicating it with other groups of countries. The location of the annual conference would shift, as would the secretariat.

¹ See Attachment A for more detail on this project.

5. Informal Sector Initiatives

One of the most successful CIPE projects has come from Hernando de Soto and his Peruvian Institute for Liberty and Democracy, an organization which has been funded by USAID. For five years CIPE partially funded de Soto's programs on advocacy and implementation. De Soto's focus is on the vast, informal economy made up of business people who have been forced to work outside the legal economy by a wall of red tape. The Institute demonstrated that it can take up to 289 days to legally register a new firm in Lima, as opposed to four hours in Miami. Thanks to de Soto's projects, over 30,000 individuals gained titles to their homes for the first time. Business licensing procedures have been streamlined and new procedures have been adopted by the government to simplify the rules of the game for the business community. These accomplishments are documented in *The Other Path*, de Soto's Latin American best seller that has transformed the way people think about democracy and economics in the Americas. Similar projects are now underway in over a dozen countries.

Several candidates from the African continent have come forward, interested in developing projects in their own countries to begin the process to "formalize the informal."

6. Informal Sector Conference

In 1987, CIPE and USAID co-sponsored a major international conference on the informal sector in Washington DC. Over 150 business and political leaders from 35 countries participated. In 1989, CIPE and USAID replicated the conference in Pakistan for all of South Asia.

CIPE proposes to organize a third conference on the Informal Sector, this time centering on Africa. The objective of this conference would be to generate public and private support for market-oriented reforms that take into account the characteristics of the informal sector, and to stimulate within the continent individual projects that will incorporate the informal sector approach to reform economic policy.

7. Journalism training

Frequently, reporters in the developing world only have familiarity with non-market economics. CIPE has supported programs for journalists in Mexico, Nigeria, Thailand, Malaysia, and Pakistan, to create a more balanced free press. The evaluations of CIPE-funded journalism programs show that, properly structured, the courses are objective and generate improved, critical coverage of economic issues.

Working in cooperation with local business groups and universities, training programs in market economics will be scheduled for journalists from throughout the region to introduce them to market economic principles and their application to improve their critical analysis and coverage of economic and business-related issues.

8. Impact of South Africa on region

Increasingly, the economic ramifications of the political changes in South Africa are of concern to businesses in the front-line states and beyond. There is a dearth of information on what changes in South Africa's legislation will mean to her neighbors.

In recent months, CIPE has been approached by two candidates who have proposed working with CIPE to organize a project to address this problem. Not only would one of these candidates "keep on top of the situation," more importantly, they would publish a journal or newsletter that would serve as a much-needed source of information on the changes, to be disseminated to business associations, chambers of commerce, universities, and ministries in the region.

In addition, CIPE proposes a conference or a series of workshops, in order to keep this issue highly visible.

9. Business and Economic Education

Developing the next generation is one of the keys to sustainable, long-term economic development and a prerequisite for democratic stability. The U.S. Chamber of Commerce has a long history in developing business and economic education programs to stimulate entrepreneurship and build knowledge of the economic system.

CIPE has adapted these economic education programs for use throughout Latin America, in Thailand, and, most recently, in Central and Eastern Europe. In each case, the courses are evaluated to make sure that they meet the needs of the people. In Mexico, several thousand new small businesses were established through the CIPE-funded program.

Similar program could be developed within the African context.

V. PROGRAM EVALUATION

Since its founding in 1983, CIPE has placed a concerted emphasis on project evaluation. CIPE believes that the lessons learned both good and bad about any CIPE-funded project will contribute to an excellent track record in picking and developing only the best projects for grant funding. In 1991 the General Accounting Office (GAO) conducted an evaluation of the National Endowment for Democracy (NED), CIPE's primary funding source. Although the report was somewhat critical of NED's procedures and programs, the findings on CIPE were very positive, as the quotes below drawn from the report indicate:

"CIPE has been the only core grantee to conduct evaluations of past projects to justify its annual funding proposals to the board of directors. other core institutes have not provided a similar analysis of "lessons learned" from past projects and have not conducted program evaluations."

"...only one evaluation - a CIPE evaluation - adequately measured project results according to endowment procedures."

"we found that only one core institute, CIPE, had a formal annual plan that established program goals and priorities."

*Promoting Democracy: A Report To Congress By The U.S.
General Accounting Office, March 1991*

CIPE is confident that it can provide measurable qualitative and quantitative results of African projects funded by USAID. First, any pass-through of USAID funds through CIPE to local organizations in Africa would only be extended with an appropriate evaluation mechanism tied to each specific project activity.

In addition to the component parts of the project, CIPE would like to provide USAID with a picture of the total project in terms of "lessons learned," results and outcomes both good and bad that will point the way for future endeavors in the area of legal and regulatory reform. An exhaustive list of lessons learned and some aggregate picture of the success or failure of different approaches would be provided as part of this evaluation.

ATTACHMENT A -- CIPE PROJECTS IN AFRICA

Kenya National Chamber of Commerce and Industry

Late in the fall of 1991, CIPE co-hosted an important conference with the Kenya National Chamber Of Commerce & Industry, called the Private Sector Initiatives For Economic Growth conference. It was designed to create a five country model effort to enhance the structural adjustment process based on private sector input and support. The project countries were Mauritius, Tanzania, Kenya, Botswana and Zimbabwe, with Namibia and Mozambique included as observers. The project's intent in Phase I, which culminated in a conference in May 1990, was for public and private sector representatives in each of these countries to draw up position papers outlining their views and recommendations on their country's structural adjustment programs with special emphasis on incentives to promote the private sector.

At the second conference in November 1991, participants presented papers on their country's progress since May 1990, including new legislation and expanded dialogue between the public and private sectors. For example:

- * in Botswana, price control regulations were abolished in favor of market forces; shop hour regulations were abolished; licensing requirements were liberalized; and the dialogue between the public and private sectors was greatly enhanced.
- * In Tanzania, the state marketing boards and cooperative unions were liberalized in July 1990, opening up the purchase of agricultural commodities; and the prime minister of Tanzania requested that a leading private sector representative prepare a paper on "the role of the private sector in the Tanzania economy."

Kenya also reported some significant gains, and Zimbabwe and Mauritius reported some small but important gains.

Botswana Chamber of Commerce and Industry

Botswana is one of very few political and economic success stories in sub-Saharan Africa over the last three decades. Economically, Botswana has realized a remarkable annual growth rate of 13% since independence in 1966. During that time, per capita income has surged upwards from \$110 to \$2,250. However, as of 1989, diamonds still accounted for more than half the GDP and 75% of the exports. The diamond industry employs only 6% of the work force and it is estimated that two thirds of Botswana's 1.3 million people still rely on subsistence agriculture.

In CIPE's first grant to BOCCIM, the Executive Council of BOCCIM appointed a Task Force to establish a regional office network made up of representatives of six outlying chambers of commerce and two trade associations. The Task Force approached local and rural business organizations in two regional locations to become branch offices of BOCCIM in exchange for the opportunity to be a key link in the national network.

In the second project, BOCCIM will host a national conference bringing together leaders from the private sector, politicians, government representatives, union leaders and international donors. To develop an entrepreneurial culture among the Batswana by building the skills and know-how to successfully develop the economy, BOCCIM will offer basic business training seminars throughout the country, continue maintenance and assistance visits to small business members; and continue a credit access program. And to consolidate the progress that BOCCIM has made in becoming the premier business representative, BOCCIM will provide direct assistance programs and entrepreneurship development to regional chambers.

SADCC Regional Business Council

SADCC was formed in 1979 to harmonize development plans and reduce the region's dependence on South Africa. An affiliated group, the SADCC Regional Business Council, in November 1991 held a Regional Workshop on Institution Building and Policy Dialogue for ten senior staff of chambers of commerce, and ten representatives from the national business associations, in the SADCC member countries. SADCC and CIPE jointly organized the workshop.

Two consultants from the U.S. designed the workshops and served as instructors. The workshop trained participants in the concepts of market economics, trends in regional economic and integration programs and financial management in order to identify and define major organizations and management weaknesses in their chambers of commerce, taught techniques for strengthening their ability to analyze and advocate policies, and to improve services to members. The objective of the project was to improve the capability of business organizations to become effective advocates for market oriented economic policies, enhance the effectiveness of the ten member chambers of commerce and to create a basis for regional cooperation and eventual economic integration of business communities in South Africa.

Namibia National Chamber of Commerce & Industry

Namibia's economy is closely linked and dependent on South Africa. The government is working toward creating a new economic structure that will further Namibia's independence and growth. Namibia has several characteristics that create excellent potential for economic development. Despite the progress that has been made and opportunities that exist, there are many obstacles to the realization of Namibian goals. These include continuing racial tension, a large number of unemployed ex-combatants and Swapo's inexperience in governance. There is also a lack of credible information regarding important economic and political legislation, a void in the private sector's political participation in democratic processes and insufficient promotion of the growing interest in a market economy and private enterprise.

In a first CIPE grant, NNCCI contracted a consultant for six weeks to provide technical assistance in technical assistance in reorganizing NNCCI. The consultant advised on measures to increase membership and prepare a strategy and action plan for NNCCI.

In a second CIPE grant, NNCCI intends to develop an independent research facility, to be entitled the Economic Development Department, in order to become an authority on the national economy and economic policy and fulfill its obligations to the growth of a strong private sector, an open market economy and democracy. The Department will allow NNCCI to become more proactive and concentrate specific efforts towards policy reform analysis and recommendations; business development; and compilation and dissemination of economic data.

Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture

Nigeria went from boom to bust in under a decade as oil prices fell from their late 1970s peak, and the government of the day discovered that it was living beyond its means. Since the early 1980s, the economy has been in distress, kept afloat by a succession of external debt rescheduling and aid. The coup which brought President Ibrahim Babangida to power in August 1985 seemed a turning point. A radical economic reform program was introduced the following year, while Mr. Babangida made a commitment to returning the country to civilian rule in 1992. As the return to civilian rule approaches, the legacy of the current government is in danger of being that of an economy weakened by a heavy and unjustified spending program. As recent events bear witness, Nigeria's development is not so dependent on higher export earnings, but on transparent and accountable government.

In this context NACCIMA is continuing its press training program. The management of information and communication of economic views are an integral part of economic development planning and implementation. NACCIMA's program will develop the skills of the media in analyzing and evaluating economic and business data effectively, reorienting them in support of private initiative and enterprise, assist in the deregulating agenda of the Nigerian government and help encourage transparency and accountability of the government, so crucial for democratic development.

Matchmaker Services

Since Nelson Mandela's release from prison in February 1990 and the subsequent unbanning of black liberation political parties, South Africa has made steady progress towards dismantling the laws of apartheid. The ANC and the government have begun negotiations, paving the way for a future constituent assembly and constitutional reform. As a result, many people in South Africa, as well as outside observers, are cautiously optimistic.

Matchmaker Services is a small business association whose purpose is to match up small entrepreneurs with larger businesses. The CIPE grant to Matchmaker will allow them to identify and hire essential key full-time staff; initiate office procedures and systems, in particular a system of financial management and accounting; and to finalize and carry out a work plan for Matchmaker's first year of independent operations.

Institute for Democratic Alternatives for South Africa

This project creates an opportunity for the major business, labor and political organizations in South Africa to carefully review -- and in some cases develop --

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coherent economic policy options focussing on the role of foreign investment in a post-apartheid South Africa. Sixteen organizations representing a broad spectrum of South African society, including the major political parties, business associations, and trade unions have agreed to participate in the project. Included will be the ANC, COSATU and Inkatha.

The project will consist of a workshop to identify some of the points of agreement and disagreement, and a conference, now scheduled for late April 1992, at which each of the organizations will have an opportunity to present its positions. Following the workshops, IDASA will publish a report that will explain the proceedings, containing a complete draft of the agreed-upon aspects of a foreign investment code, and identifying any elements of the code where consensus was not achieved and additional negotiations are required.

ATTACHMENT B -- CIPE PROJECTS WORLDWIDE

Center for the Study of Democracy

The development of private enterprise in Bulgaria is seriously hampered by the legacy of the Communist era. The Center for the Study of Democracy, an independent research and policy analysis institute established at the end of 1989, will carry out a research and advocacy program to support policy recommendations on privatization and small business development. The objectives of the project are the enactment of specific laws to speed privatization, support private enterprise by educating a target group of government officials and opinion leaders, and build understanding and support for privatization and small business development among the public, business community and government officials.

The project will be carried out by a team of researchers and policy experts from leading Bulgarian institutions. The research phase will be followed by a national and quota opinion polls. Midway through the project, an international seminar will be held on the problems of privatization and small business development.

The Center will also hold lectures and publish a policy overview towards the end of the project. A final national opinion poll will be conducted to compare opinions on the same issues raised at the beginning of the project. In the final stage a major policy recommendation paper will be published to be presented to the president, council of ministers and the parliamentary commission on economic policy.

Association of Czechoslovak Entrepreneurs (ACE)

ACE, established in December 1989, is one of Czechoslovakia's first voluntary organizations representing private businessmen since the revolutionary changes in the country. ACE's principal goal is to create the conditions conducive to the development and operation of private business. CIPE is currently supporting two ACE projects.

1) *Entrepreneurship Education Program:*

After forty years of a centralized economy, there are virtually no entrepreneurs with either training or practical experience in managing a business. Nevertheless, there is an enormous number of Czechoslovakians with a strong desire to start a business. Through technical and financial assistance from CIPE, ACE will address this need by offering intensive orientation courses for Czechoslovakian entrepreneurs to be given by a group of instructors who will be trained in the U.S. The objective of the courses will be to foster public understanding and support of the transition to a modern, market-based economy and encourage the formation of private businesses by equipping individuals with a basic understanding of market economics, the role of the entrepreneur and how to start a business.

2) *Legislative Advisory Service:*

Since ACE's inception, it has been heavily involved in the economic reform process and economic and business advocacy is still one of ACE's highest priorities. The legislative advisory service will allow ACE to institutionalize its advocacy activity and make it an ongoing effort. The objective of this project is to advance specific legislative activities and to encourage the growth of a market economy. In order to meet this objective, ACE will produce six single-issue reports, in newsletter format, which state the nature of an economic or business problem and analyze its impact on entrepreneurs. The reports will provide a public policy strategy leading to legislation and policies supportive of the growth and expansion of the Czechoslovakian private sector.

Center for Economic Research and Graduate Education (CERGE)

CERGE, a research and educational affiliate of Charles University in Prague, is addressing the privatization issue through a project whose goals are to refine and improve Czechoslovak privatization legislation and regulations, educate managers of state-owned enterprises responsible for developing privatization plans on alternative implementation measures, privatization techniques and lessons learned in other countries. Finally, through this project, CERGE will build support for privatization by keeping the general public informed about the process.

With CIPE support, CERGE will hold a series of ten seminars for up to 150 government officials, legislators and managers of state-owned enterprise. The seminars will be videotaped for broadcast on television. In addition, private meetings will be arranged between the foreign experts and senior level government officials focusing on detailed technical assistance. Finally, CERGE will publish a newsletter to keep the seminar participants and practitioners in the U.S., Asia, and Europe informed of developments.

Slovak Society for Foreign Enterprise (SLOVEX)

SLOVEX is a business association created in December 1989 whose main objective is to promote foreign trade and investment in the Czech and Slovak republics. SLOVEX realizes that if the transition to a market economy and democracy is truly going to take hold, misconceptions must be replaced with an accurate and thorough understanding of private enterprise and market systems.

Through a communications and outreach program, SLOVEX will provide accurate information about the functioning of a private enterprise system, build support for the transition to a market economy by communicating information about business, entrepreneurship and economic reforms to the general public, and mobilize entrepreneurs to participate in the political process. With support from CIPE, SLOVEX plans to air programs on television, radio and via newspapers to the public. The programs will focus on views of entrepreneurs on legislation, obstacles to entrepreneurship, how to start a business, economic reforms and interviews with foreign businessmen.

National Association of Entrepreneurs (VOSZ)

Although VOSZ began as a part of the Hungarian Chamber of Commerce, it has since gained the right to establish itself as an independent organization, achieving legal status in 1988. As a new organization, VOSZ is beginning to put together its own projects and despite its relative newness, thousands of private firms have become members of this growing organization.

One of CIPE's highest priorities in Central and Eastern Europe is fostering business participation in economic reform. Under a second CIPE grant, VOSZ will prepare six "issue alerts" in the form of newsletters. These will provide information and analysis advocating business and economic legislation and policies crucial to the long-term growth and stability of private firms. The "issue alerts" which will be distributed to VOSZ members, legislators, the media, government officials, and other opinion leaders, will propose legislation rather than just comment on pending bills. The objective is passage of legislation that furthers Hungary's transition to a market economy and institutionalization of the role of business in the public policy making process.

Foundation for Small Enterprise Economic Development (SEED)

SEED is a private sector, non-profit organization founded in early 1990 whose primary goal is to provide assistance to small businesses by building a small business support network in Hungary to help encourage the growth of this sector. SEED recognizes that the long-term future of the economy under a market system can be enhanced by the effective incorporation of entrepreneurship education into school curricula at all levels.

SEED is carrying out a project that will help the younger generations who are entering the working world understand the importance of entrepreneurship and equip them with the knowledge and skills to become successful entrepreneurs. In 1990, SEED developed a pilot entrepreneurship education course which is now being tested in fifteen secondary schools. This year they plan to offer the course in 200 schools to reach 7,000 students. In preparation, and with CIPE support they will hold a training of trainers workshop for 15 teachers, adapt, translate and print teacher's guides, and hold a teacher training workshop for secondary school teachers. Eventually, SEED will expand this program to other age groups and types of schools, in order to reach large numbers of students to enhance their understanding of entrepreneurship and encourage new business formation.

Romanian Institute for Free Enterprise (RIFE)

RIFE is a new non-profit organization in Bucharest promoting the transition to a market economy through research, education and advocacy. Through a grant from CIPE, RIFE will publish a monthly economic journal and set up a business information center. The objective of the journal is to foster understanding and support for the economic transition by educating the Romanian public about market economics and advocating specific economic policies. Fifteen thousand copies of the journal will be distributed to businesspeople, government, media and other opinion leaders as well as the general public. The business center will provide

entrepreneurs with the information and education they need to succeed in their businesses.

Latin American Economic Research Foundation (FIEL)

FIEL is implementing a program of economic support to Argentina's local governments on issues of deregulation and privatization to demonstrate that decentralized and private provision of basic services is not only possible but more efficient and less costly for society than the current centralized, statist structures. As such, FIEL is conducting a diagnosis of the existing public services in three provinces and preparing step-by-step proposals for their privatization or deregulation. In addition to presenting its reports to each local government, FIEL will hold meetings with bureaucrats and develop specific informational and promotional materials to target politicians, governors and the press to explain the proposed privatization process and garner political and public support for the reform program.

Confederation of Bolivian Businessmen (CEPB)

The CEPB will establish a Congressional Analysis Program which will assume responsibility for the preparation of monthly cost-benefit analyses of the main pieces of economic legislation under consideration in the Bolivian Congress which will have an impact on Bolivia's national and regional development. The CEPB will collaborate with Bolivia's private sector regional federations to develop joint strategies and identify important work areas. One thousand (1,000) copies of the legislative reports will be distributed to legislators, executive branch officials, business and labor organizations, the armed forces, universities and public opinion leaders. The legislative issues most likely to be covered include bills on privatization, decentralization, the stock market, social security reforms, modifications to the tax code, and financial system reform.

Federation of Private Entities of Central America & Panama (FEDEPRICAP)

FEDEPRICAP will carry out a regional economic reform program designed to contribute to the economic integration of Central America and Panama and set an agenda for the formulation and implementation of public and legislative policy that will unite the nations into a regional economy of scale. The main product of the program will be the monthly publication and distribution of a ten-page legislative bulletin which will analyze the specific legislative and/or administrative changes that will be required in each country to harmonize trading regimes and achieve regional integration. Every three months, FEDEPRICAP will convene a meeting of the representatives of FEDEPRICAP's 12 member organizations to review work completed and select legislative issues to be treated in future analyses.

The Latin American Institute of Doctrine & Social Studies (ILADES)

ILADES will provide impartial and empirical economic information and advice to the Chilean Congress to improve the decision making capability of legislators on business and economic issues and create a sense of accountability to the public on the part of the legislature. During the grant year, ILADES will prepare 17 cost-benefit analyses on proposed economic legislation and include

recommendations and modifications to the issues under discussion. The reports will be distributed to legislators, government leaders, business and labor organizations and public opinion leaders. Seminars and discussion panels with legislators and other interested parties will provide a forum to discuss the issues contained in the reports.

Institute for Freedom and Development (ILD/Chile)

ILD/Chile will demonstrate how the Chilean private sector is able to increase the amount and quality of public services that have traditionally been reserved for the state. Under its grant, ILD/Chile will write an eight chapter book documenting the results of policies that Chile has applied in the following areas of national activity: social security, electricity, public transportation, education, telecommunications, municipal services and health care. Eight national workshops will be held for legislators, government officials, union leaders, journalists and academics to discuss the particular issues contained in each chapter, and the program will culminate with an international seminar for public policy leaders, government officials and labor and trade unions to present and discuss the findings of the book.

National Association of Private Enterprise (ANEP)

ANEP's legislative advisory program will encourage public and government interest in privatization of state enterprises and deregulation of the Salvadoran economy, promote business participation in the policy process, and enhance the growth of democracy in El Salvador. During the year, ANEP will produce 16 legislative reports which summarize proposed economic legislation, calculate the economic costs and benefits of the bill, and propose modifications to the legislation. Among the legislation most likely to be analyzed will be bills on privatization, capital markets, financial sector reform, labor legislation and regional integration. A permanent Legislative Assembly-ANEP committee will evaluate proposed legislation. The reports will be distributed to 600 legislators, key policy makers, public and private sector decision makers, academics and public opinion leaders.

Superior Council of Private Enterprise (COSEP)

COSEP will encourage the transformation of Nicaragua's statist economy into a more market-oriented one, and in doing so, strengthen the country's nascent democracy by involving the private sector in public policy advocacy. COSEP will prepare 12 cost-benefit analyses of existing laws and regulations that adversely affect the investment climate as well as study new economic bills under consideration. COSEP will also research issues that should be proposed by the Legislative Assembly in order to foster private investment and export promotion. COSEP will make available to all legislators a data base of reports, analyses and comparative legislation from other countries as reference material. In order to multiply the impact and diffusion of information contained in the reports COSEP will hold press conferences, panel discussions and seminars for opinion leaders and decision makers to debate the issues presented in the reports.

Paraguayan Foundation for Cooperation and Development

The Paraguayan Foundation will advocate specific legislative actions that encourage economic reform and stimulate the growth of an open market economy in Paraguay and educate decision makers and the public on the principles of private enterprise, economic freedom and competition and their role in modernizing the nation's economic and emerging democratic structures. The Paraguayan Foundation will prepare 18 legislative reports on draft bills, analyze their impact and recommend action. The distribution of the reports to 500 legislators, government leaders, private sector organizations and the media will be complemented by the broadcast of television and radio programs and the organization of panel discussions and seminars to discuss the economic issues treated in the reports.

APOYO Institute

APOYO will produce and distribute 1,000 legislative bulletins monthly which analyze and recommend action on specific economic legislation under consideration by the Peruvian Congress and its Regional Assemblies. Pending the introduction of new bills, the issues most likely to head the legislative agenda include: tax reform, public administration reform, trade reforms, the labor market and reform of the financial sector. APOYO's program seeks to improve the quality of economic legislation produced and passed in the Peruvian Congress in order to contribute to the country's economic development, particularly within the private sector. Moreover, APOYO will expose new economic issues in order to assist legislators in generating a legislative agenda more conducive to economic development.

Press Development Institute of Thailand/Press Foundation of Asia Malaysian Press Institute/Press Foundation of Asia

As both these Asian Tigers speed rapidly towards Newly Industrialized Country status the press remains unequipped and inadequately trained to understand the process and institutions integral to a market economy as well as the role of private enterprise and the private sector in economic development and growth. To fill this gap CIPE has funded two press training programs to be executed as separate projects in 1991-92 by the Press Foundation of Asia based in the Philippines.

Center for Policy Research (CPR)

The Center for Policy Research (CPR) in Colombo, Sri Lanka has been awarded a grant to fund a Legislative Advisory Program to provide non-partisan, cost-benefit analysis of bills to be presented to Parliament. Reports may also focus on issues which parliament may not be considering but which CPR believes should be addressed. Reports will be distributed to members of parliament, academia, bureaucracy, journalists and other opinion leaders. Special briefings will be held for media representatives to coincide with the first and other key reports to ensure that journalists understand the content. The project is due to begin in November of this year.

Turkish Democracy Foundation

As a country straddling Europe, Asia and the Middle East, Turkey is a strategic country watched closely by its neighbors. Its political and economic successes and failures, as it goes through the process of transition, are a model for other countries in the region contemplating the same road.

In the mid-eighties, Turkey instituted a structural adjustment program designed to introduce the market system. The process of economic reform and movement towards democracy began almost concurrently in 1987. One of the pillars of the structural adjustment program was the dismantling of the State Economic Enterprises through privatization. But this policy objective remains largely unattained primarily due to resistance from trade unions, journalists, the academic community and the bureaucracy that has vested interest in not dismantling its power base.

The Turkish Democracy Foundation proposes to conduct an eighteen month project on privatization in Turkey focusing on a public discussion on the pros and cons of privatization with the objective of removing the public's misconceptions about the process and its impact. The project objectives are to build support for privatization and make policy recommendations to eliminate obstacles affing the implementation of th privatization program.

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ATTACHMENT C - BUDGET

AID FUNDS - Africa
PROPOSED BUDGET

GRANTEE EXPENSES	Phase I 6 mos.	Phase II Year One	Phase II Year Two	Phase II Year Three	CUMULATIVE TOTAL
SALARIES	\$27,500	\$55,000	\$60,500	\$66,550	\$209,550
Executive Director 10%, Program Officer 50%, Program Assistant 100%					
BENEFITS & TAXES	2,720	5,440	5,983	6,582	20,724
SPACE & UTILITIES	2,093	4,186	4,604	5,064	15,947
COMMUNICATIONS & POSTAGE	1,499	2,998	3,297	3,627	11,420
SUPPLIES	267	534	587	646	2,033
EQUIPMENT					
Software etc.	556	1,111	1,222	1,344	4,233
Powermate 236 Plus	1,200	0	0	0	1,200
PRINTING	124	248	272	299	943
OTHER					
Professional Services	1,741	3,482	3,830	4,213	13,265
Administrative overhead	2,365	4,730	5,203	5,723	18,021
CONSULTANTS FEES					
20 days per year x \$308	3,080	6,160	6,160	6,160	21,560
TRAVEL & PER DIEM					
Travel					
Board/International	12,000	6,000	6,000	6,000	30,000
Board/Regional	15,000	8,000	8,800	9,680	41,480
Staff/International	24,000	12,000	12,000	12,000	60,000
Regional	1,500	3,000	3,300	3,630	11,430
Local	226	248	273	300	1,047
Consultant (1 RT US/Africa and regional)	6,000	2,000	2,200	2,420	12,620
Per diem					
Board/International	2,000	1,000	1,000	1,000	5,000
Staff/International	4,000	2,000	2,000	2,000	10,000
Consultant	1,000	2,000	2,000	2,000	7,000
CONTRACTUAL -- PROGRAMS					
1. Entrepreneurship Development	0	125,000	137,500	151,250	413,750
2. Institute for Business Assoc. Deve.	0	150,000	165,000	181,500	496,500
3. Commercial Law	0	100,000	110,000	121,000	331,000
4. Private Sector Initiatives	0	115,000	126,500	139,150	380,650
5. Informal Sector Conference	0	0	250,000	0	250,000
6. Informal Sector Initiatives	0	75,000	82,500	90,750	248,250
7. Journalism Training	0	95,000	104,500	114,950	314,450
8. South Africa -- Impact on region	0	75,000	82,500	90,750	248,250
9. Business and Economic Education	0	100,000	110,000	121,000	331,000
TOTAL PER YEAR PROJECT COSTS	\$108,869	\$955,134	\$1,297,731	\$1,149,589	\$3,511,323

Alternative Projects

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ATTACHMENT D - ANGOLA AND MOZAMBIQUE NEEDS ASSESSMENTS

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CENTER FOR INTERNATIONAL
PRIVATE ENTERPRISE

REPORT

Private Sector Organizations in Angola

Submitted by

Neil W. Currie,
Bridgewater, NJ

January 13, 1992

ANGOLA REPORT

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- IV. PRIVATE SECTOR ASSOCIATIONS
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 - ACIAH - Associação Comercial, Industrial e Agrícola da Provincia de Huila
 - ACOMIL - Associação Comercial e Industrial de Luanda
 - AIA - Associação Industrial de Angola
 - HORESIL - Associação de Industriais de Hotelaria (Hotel, Restaurant, Similar Establishments)
 - APPIL - Associação dos Armadores Industriais de Pesca Privada de Luanda (Fishing)
 - ASSOMEL - Associação de Mulheres Empresarias de Luanda (Women Entrepreneurs)
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ANGOLA REPORT

I. PERSPECTIVES FOR PRIVATE SECTOR DEVELOPMENT

Post independence Angola (1975-91) has endured a series of devastating forces. The transition from a Portuguese colony to independent state was complicated by decolonization, the implementation of an ineffective and deficient economic system and the disintegration of the nation. A 16 year civil war which ended in May, 1991 drained scarce human and financial resources throughout the period.

Immediately upon the Portuguese withdrawal from Angola, the private sector of the colonial period was absorbed by the new state which discouraged entrepreneurial ventures under a marxist regime. The failure of that regime to promote growth coupled with growing international pressures to seek a peaceful settlement of the civil war prompted the government to initiate legal and economic reforms that would guide the country toward sustained development and open the door to peace negotiations. The government expects the Angolan private sector to fill in the gaps of economic recovery as the state deregulates control and management of the factors of production.

In 1987 the government of Angola announced an ambitious economic and financial restructuring program which had two main objectives:

1. financial stability - reduction of inflation, balancing budgets, privatization, payment of foreign debt and balancing payments and strengthening the banking system.
2. reform of the economic system to increase productivity, improve allocation of resources and promote economic growth and development.

Starting in 1988 laws were enacted to define the sectors of the economy which would be reserved for public administration. New laws to regulate foreign investment were enacted and frameworks were defined for gradual deregulation of the economy. The economic restructuring began slowly with the Ministry of the Plan maintaining control over the market. Four years after the government announced reform, a peace agreement signed in May, 1991, marked the watershed for private sector development. Although not planned, peace came with accelerated deregulation of the economy. Price controls for most products were lifted and the transition to a market based economy gained power.

Politically the country is preparing for its first multi-party election in September, 1992. After the first shocks of maxi-devaluation of the Kwanza, lifting of price controls, the monetarization of salaries, the threat of bankruptcy, unemployment and possibility of hyperinflation has fueled public debate about how to proceed with restructuring but it is widely accepted that there is no alternative but to continue the transition to a market driven economy.

Policy has not been implemented as quickly or as smoothly as most of the business community expected. The government is not sending clear messages regarding the degree of deregulation that it wants or can sustain. The desire to change economic policy has not been easy to implement. The roles of government and private enterprise are being redefined regularly as both learn what a market driven economy means. Despite recent attempts to correct distortions in the economy, the informal sector continues to play a critical role in the supply and demand of consumer products as well as spare parts and raw materials for industry. The tentative nature of economic and political reform indicate that with the exception of minerals, it will be years before Angola becomes a viable investment alternative.

Running businesses in an emerging market economy requires new skills in the government as well as the enterprises. Business associations have been created in this environment in response to the need for credit, the need for getting through the maze of red tape to get a piece of the action, and the need to promote the interests of specific groups. The leaders of these associations are learning how to manage their businesses at the same time they are learning how to manage their associations.

The first business organization formed after Independence in Angola was the Angola Chamber of Commerce and Industry. It was created in 1983 and was the only legally recognized association of business people in the country until March, 1991 when a new law of associations was passed and new organizations were created to respond to the needs of the business community, public and private, in the provinces and in specific sectors (such as Industry, Agriculture, Fishing and Hotels).

All of the associations have start-up problems of handling survival and development at the same time. They all have pressure from other associations offering services to their members; members who want to know what they can get from the association; members who have lost interest in the association; government which is beginning to resent criticism without solutions; branches in the interior which are demanding services; and donors who want to give support but cannot find a solid base for investment.

Despite the difficulties in Angola, the trends are positive and

deserve support. Opportunities exist for developing business associations capable of participating in economic and social policy discussions. The organizations that exist in Angola were created by small groups of individuals who, for the most part, thought that as a group they could obtain scarce resources (financing, hard currency, approvals for imports/exports, supplies, etc.). These companies, private and public, did not (and most still do not) envision their role as policy advisors.

There are immediate opportunities for cooperation between CIPE and existing business associations in the following areas:

- public education regarding market economics
- education of government officials regarding new roles
- strengthening organizational capability to deliver services such as communications with members, educational programs for members, and public relations
- building capacity for policy research and advocacy
- coordination of private sector development projects with GOA and donors.

A report on each of the business associations follows. Contacts between CIPE and any of these associations should begin with small manageable projects that can help educate and hopefully contribute to the credibility of these associations while contributing to the sustainability of the associations from a financial and service standpoint.

There are similar needs in every organization I visited:

1. Communications
 - a. with members (two way)
 - b. general public education
 - c. policy advocacy with public officials and donors
2. Institutional strengthening
 - a. mission and strategic planning
 - b. professional staff building
 - c. financial controls and fund raising
 - d. information management
 - e. developing services to members
 - f. acquisition of modern office equipment

There may be opportunities to provide assistance through a consortium of associations with these needs. I discussed these thoughts with several of the people I interviewed and expect that they will be assessing these opportunities during the next few months.

GENERAL CONCLUSIONS

The timing of activities in Angola is extremely important. The elections coming in September are influencing activities in

policy changes and forcing economic shock treatments earlier in the year. There is an immediate need for technical assistance in assessing and recommending next steps in economic reform. The Chamber of Commerce is planning a national forum for policy review and reported that they would ask CIPE's help. While I expect the Angola Chamber of Commerce and Industry will also present a proposal for building its institutional capability to research and analyze data, other activities such as executive and volunteer workshops, guest speaker series (similar to the series of speakers that went to Romania in mid 1991), technical assistance in the area of membership communications are needed in the present climate of rapid and uncertain change in legislation, regulation, prices, etc.

ANGOLA REPORT

II. INTRODUCTION

Economic reform in Angola will take years as government prepares and leads political as well as economic change. The first wave of economic measures are taking effect but problems are already apparent. The major actions being implemented at this time are:

1. substantial devaluations of local currency,
2. deregulation of prices and wages,
3. opening of markets to import competition
4. introduction of incentives to stimulate exports of goods
5. opening access to foreign exchange
6. increased autonomy of public owned companies and banks
7. improving ease of entry into the marketplace and the development of small scale enterprises

Even if these measures do increase output and competition, the administrative and market mechanisms needed to distribute and finance operations will require years of development. During this period the country will continue to depend heavily on imports and government controls. The economy is still highly regulated and the factors of production are controlled by large state owned companies. Competition between enterprises is limited and the private enterprises (many continued throughout the independence period) operate at the will of the state in a virtual monopoly. Open competition is being delayed at this stage of reform as government allows and encourages enterprises to prepare for more competition. This structural adjustment will take years. Timing and sequencing of adjustments will require patience, commitment and improved dialogue, commitment, technical evaluation.

With the end of war there is great hope that the country can balance the budget, implement reforms and absorb the social impact of the transitions. This challenge would be difficult to meet in a stable situation but this is an election year. The temptation to print money will be very high to meet the government payroll. Unemployment is increasing. Emerging entrepreneurs who started businesses when the market was opening are closing their new companies, discouraged by the lack of disposable income and consumer uncertainty.

The role of business organizations in the present climate is changing along with the political and economic environment. The need for a vibrant private sector and the ability of the country to respond quickly to that need requires strong private sector

participation in the decision making that will determine how restructuring will be implemented. The established businesses are not accustomed to participating in policy decisions. Their only association, the Chamber of Commerce and Industry, was created by the government as a private association that would facilitate business (both public and private) access to government services such as authorizations for international travel and acquisition of imported goods, etc. Although the Chamber was independent and financed by its members, it relied upon the good will and maintenance of the status quo with government to serve its members well and was not expected to play a large role in advocating policy change on behalf of private enterprise.

The situation has changed. Existing businesses are threatened and new businesses are emerging. The Chamber as well as the other newly created associations find themselves with the opportunity to voice the needs of their members and lobby for change that the business community feels best.

Common problems in the business associations I visited are:

- absence of a strong sense of business ethics and long term view of private enterprise
- lack of a tradition of membership driven activity,
- inadequate and untrained staff,
- absence of organizational strategy,
- lack of clear mission statement understood by members,
- poorly prepared and untrained staff,
- budget deficits due to overspending, lack of non dues incomes and high levels of unpaid dues,
- reliance on one or two key figures for support and policy advocacy,
- tradition of reliance on outside direction,
- limited scope for membership hampers future growth.
- isolation from other countries experiences

Common strengths include:

- enthusiasm and influence of a small group of leaders,
- willingness of influential members to finance expenses,
- desire to play a larger role in the development of the country,
- belonging to associations was necessary for existing businesses and is still desirable,
- most organizations have remained outside of official party affairs.

ANGOLA REPORT

III. BACKGROUND

A. HISTORY

The length and nature of the Portuguese colonial system left a colonial legacy which continues to constrain Angolan economic development. Portugal held Angola for over 500 years prior to independence in 1975. The colonial system held indigenous labor in a forced labor condition similar to slavery until 1960. The Portuguese government held a virtual monopoly over investments in the colony and with the development of agriculture through forced labor the colony provided revenues and a ready market for the home industry.

In 1961 when fighting started there were over 325,000 settlers in Angola. Half of them were illiterate but the remainder occupied literally all of the skilled jobs and professions in the country. Angolans were not trained to assume professional positions.

The Angolan economic cycles followed the major exports starting with the slave trade to the West. Later came coffee traded with Portugal and oil to the United States. Traditionally the economy has been export focused with a particular product and a specific market. It has always imported a good part of its consumption and in several periods had balance of payment problems.

With the success of coffee exports the number of Portuguese settlers increased from 40,000 in 1940 to 300,000 in 1960. The quick growth of colonizers together with the winds of independence that were blowing across Africa created a climate for armed revolt in 1961. The Portuguese controlled the conflict and eliminated thousands of natives.

The economy received a boost with coffee production untouched, new military presence and increased immigration. An industrial base began to develop. The forced labor was revoked and local purchasing power increased while the beginning of oil exports further bolstered the economic growth of the 1960's. Several incentives were developed by Portugal to promote investments in Angola to strengthen its presence there. Local manufacturing increased at an average of 15% a year over the decade of 1960-70 yet the local industry production was nearly 100% consumed by the local market. Rapid industrialization was subsidized by the Lisbon government and when the favorable exchange rates used to import raw materials from Lisbon were adjusted, local industry suffered.

The colonial economy was dependent upon the Portuguese for raw materials, supplies, skilled labor, exchange and security. Wealth and social benefits of the colony were concentrated in the hands of the settlers. At independence the basic ingredients for continued economic growth fled from the country. The country was divided into three zones of influence by different independence movements and Luanda was isolated from the remainder of Angola.

In 1984 there were 400 public enterprises which accounted for 75% of employment in the country. There were 267 private enterprises and 19 mixed enterprises. Private enterprises were literally controlled by the state with ownership maintained by private individuals who remained throughout the independence movement. Angola has maintained a fairly open policy of allowing for private ownership and has encouraged foreign investment - especially in the oil industry.

B. PERSPECTIVES FOR THE FUTURE

The Angolan economy is unique in southern Africa. The effects of Portuguese colonization, a devastating civil war, the rapid development of the oil industry and the economic restructuring program make it impossible to use national statistics to compare the country with others or to help manage or predict the trends for the future.

During the 1970's the only sector which recovered pre-independence production levels was oil. The remainder of the economy experienced negative growth in production. The war is the main reason but it is not the lone factor for decline. Ending the war is an important step in creating conditions for growth.

The peace process needs to be consolidated. The joint military and political commission with the support of the United Nations peace keeping force and international observers are dedicating local and international resources to keep the process on track. The immediate objective is to hold elections in September, 1992. The reincorporation of the armed forces and police units is progressing under the same commission.

It is expected that the national accounts will shift the emphasis on war to internal security and the consolidation of the peace agreements leading up to elections and for several years after. Social problems will require immediate attention. A large number of unemployed and unskilled Angolans will find themselves disenfranchised by democracy, market economics and peace. The reincorporation of these refugees and soldiers will require resources and political sensitivity.

The government took the initiative to denounce marxism and central planning in 1988. This opened the door for peace

discussions between MPLA and UNITA and the implementation of an economic stability and restructuring program based on market economics. At the time of the announcement, private enterprises accounted for 38% of the GDP and 10% of formal sector employment.

Statistical measures of private enterprise participation in economic activities is less important at this point than the level of competition being promoted by government restructuring. State owned companies as well as private enterprises are beginning to manage their businesses without the interference or protection of the state. Productivity is beginning to replace planning in government circles. Privatization and "redimensioning" of state owned companies is slowly becoming a reality.

Agricultural production and retail trade have been privatized. Breakup of state farms, deregulation of prices, freer access to foreign currency and minimal price assurances will no doubt help increase agricultural output but continued government controls in transportation and distribution (as well as subsidized import of basic foods) still hamper competition and access to markets.

It is too soon to measure the impact of the economic reforms of November, 1991 but it is fair to say that the government is attempting to meet its economic reform goals through a series of gradual changes and restructuring mixed with shocks in monetary and wage policy that will support the development of market mechanisms.

The government commitment to reform seems to be strong. Perhaps they feel that there is no other alternative. During an election year with social and economic pressures mounting, recent deregulations in prices and exchange rate devaluations could easily result in unemployment, inflation and hardships. The timing and sequencing of continued reform is critical to the stability of the country. Direction and dialogue is critical to making the effort successful.

Although for the most part the existing private sector is more productive than the state owned enterprises, they have adjusted to government controls in exchange for protection against competition. The emerging entrepreneur in Angola is generally learning how to do business in a new environment.

The transition to a market economy began nearly four years ago. Many government officials I met voiced concern that it is not moving faster (especially in the restructuring of state owned companies and privatization of industry). The key factors that will continue to hamper progress are:

- a. lack of a tradition of market driven decision making
- b. scarce financial resources

- c. weak infrastructure in communications, transportation, electricity, water, education, etc.
- d. weak legal and institutional base for implementing laws and regulations that promote private enterprise
- e. scarcity of skilled resources in both public and private sectors
- f. weak private sector organizations
- g. ineffective court system

The evidence of an informal sector and the energy of the emerging formal private sector is encouraging. There is no doubt that the entrepreneurial spirit exists in Angola and with peace, political stability and proper legislation and incentives, capital investment will begin to return to the country.

The road map to economic recovery is not clear yet. Learning while doing seems to be the only viable approach. The barriers are severe but the country is resource rich and has potential for short term revenues that can help absorb the financial impact of recovery. As in the colonial era when coffee stimulated economic and industrial growth, agriculture, petroleum and civil construction industries will lead the recovery process.

ANGOLA REPORT

IV. PRIVATE SECTOR ASSOCIATIONS

1. Angola Chamber of Commerce and Industry - ACCI (Câmara do Comércio e Indústria de Angola)

HISTORY - created in 1983, the Angola Chamber of Commerce and Industry was the only business association in the country. It was comprised largely by state owned companies but has always had private enterprises in its membership. Since 1988 the percentage of state owned companies is decreasing and the Chamber has begun to support the development of provincial commercial associations where private ownership is even more common. The Chamber's role has been to facilitate contacts between members and government officials to obtain resources for members. One of the key services that the Chamber provided was cutting through government red tape to facilitate international trade (import of supplies, materials and equipment, authorizations for travel outside of Angola and access to foreign exchange). The President of the Chamber was Vice Minister of Commerce prior to the formation of the Chamber. It has always been independent from government financing but legally dependent upon the Ministry for final approval of the elected officials. This legal requirement has changed and the Chamber has modified its by-laws. A new board will be elected in March, 1992 under the new by-laws which will make the Chamber totally independent from government and political parties.

Some administrative confusion existed in the old structure where the President was an elected position. The President is not a business person and not a member of the Chamber. The top regular full time employee of the Chamber is the Executive Secretary who is also not a member of the Chamber. There has been increasing confusion regarding the roles of the President and the Executive Secretary.

Under the new by-laws it is clear that the President is a volunteer but it is still not clear that he/she must be a member.

BOARD - Under the new by-laws the structure of the Board to be elected in March will have a President, two vice-Presidents, representatives of all of the provincial associations affiliated to ACCI and representatives from the 8 sub-sectors identified by the general assembly (Heavy Industry, Light Industry, Agriculture, Commerce, Transport, Services, Construction, Fishing). The Board also has the General Secretary, an appointed position, as a voting member under the new by-laws.

See the following page for a chart indicating the existence of an administrative body called Conselho Restrito which is composed of the General Secretary, two Directors (appointed employees), and five members to be appointed by the BOARD. This will be a management committee that has not existed in the past.

STAFF - the Chamber staff will be divided into two departments, the Technical Department and the Administrative Department. The total number of employees is in excess of 20. See org chart on next page for more details on departments. The Chamber has received approval for starting a Business Club and managing the international fair grounds (previously a state owned company that is bankrupt). If they take over the fair grounds it will become an enterprise owned (at least partly) by the Chamber but not part of the Chamber staff.

PUBLICATIONS - No regular publications are distributed today. The annual report and minutes of meetings are on file but not distributed. I found that the minutes and notes from meetings were full of misinformation regarding the actual dates of meetings. The last annual general meeting did not meet as originally scheduled and it is not registered under the actual date of the meeting. The agenda of the first scheduled meeting is used when the topics discussed are quite different.

MEMBERS - there are approximately 250 dues paying members according to the secretary. The membership list was not available during my visit but is being prepared for CIPE and will be forwarded. This list will indicate public and private members and does not include the provincial associations as members because they do not pay dues.

BUDGET - the 1991 Budget was for K 46,000,000 (budget included in information package attached to this report). Converting to US Dollars is difficult due to recent maxi-devaluations but using the present K800 bank rate the total budget is approximately 60,000. Income from members is budgeted at 99% of expenses. Membership dues are a flat fee of approximately \$15 per month at the new exchange rates. There is a rather large budget surplus due to the expectation of foreign exchange purchases approved by the Ministry. The purchase of vehicles and equipments at a subsidized exchange rate is impossible unless the bank makes the currency available. Without the subsidized rates the purchase is impossible (prior to recent exchange devaluations the difference between parallel rates and official rates was 1,200 to 30).

OTHER INCOME - services to members is budgeted at less than 2% of the total revenues. Potential for opening the business club and administering the international trade fairgrounds exist but they will have separate budgets according to the ACCI staff. I asked about how their profits and losses will be registered in Chamber accounts and they indicated that still needs to be discussed.

FACILITIES - operating in offices that occupy parts of the first, second and third floor of a building somewhat removed from downtown Luanda, the Chamber is located in a building owned by the Ministry of Commerce. The top floor of the building houses a tourism department, part of the Ministry of Commerce. The Chamber has not paid rent or utilities until 1991 but has started and will continue to pay. One of the phones can receive calls but was not placing calls while I was there. The photocopier was utilized so much during a recent US/Angola Trade Mission visit that I was told it was broken. As it turns out, they ran out of toner and because it is purchased at regular foreign exchange rates, it was determined to be too expensive. The Chamber has requested approval of the Ministry to buy cars and equipment at the subsidized exchange rate and is waiting for funds.

POLICY ADVOCACY - The Chamber participated as co-organizer of the first UNDP sponsored Private Sector Conference. Until recently the Chamber was operating in a state controlled economy where both public and private enterprises depended totally upon the control of Ministers to obtain their currency, supplies and in great part their markets (internal and external). In this environment the Chamber's role was to iron out red tape and administrative wrinkles. It was not expected to advocate change and did not play that role. This environment is changing slowly as the government is opening selected markets to competition and has encouraged enterprises to prepare for market forces.

The President of the Chamber was called to the Ministry on the eve of the announcement of the last adjustment package (November, 1991) when he was asked for comments. At this point the cabinet had already approved the package and it was to be implemented within days. The Chamber, unable to react at that point, plans to organize a national conference to discuss the impact of that package and make recommendations for adjustments and provide a forum for dialogue regarding the next steps.

The ACCI is not systematically measuring what members think, want or need and it is not promoting its image as a credible policy unit. This is a policy issue that needs to be addressed by the newly elected board. The Chamber has the critical mass and potential to play a key role in policy. Working closely with the Industrial Association it could play that role more effectively. It is also the Angolan contact with SRBC for the SADCC region. Although instrumental in helping form provincial associations, ACCI has not supported those associations or dedicated resources to build a viable mechanism for playing the role of a national business council.

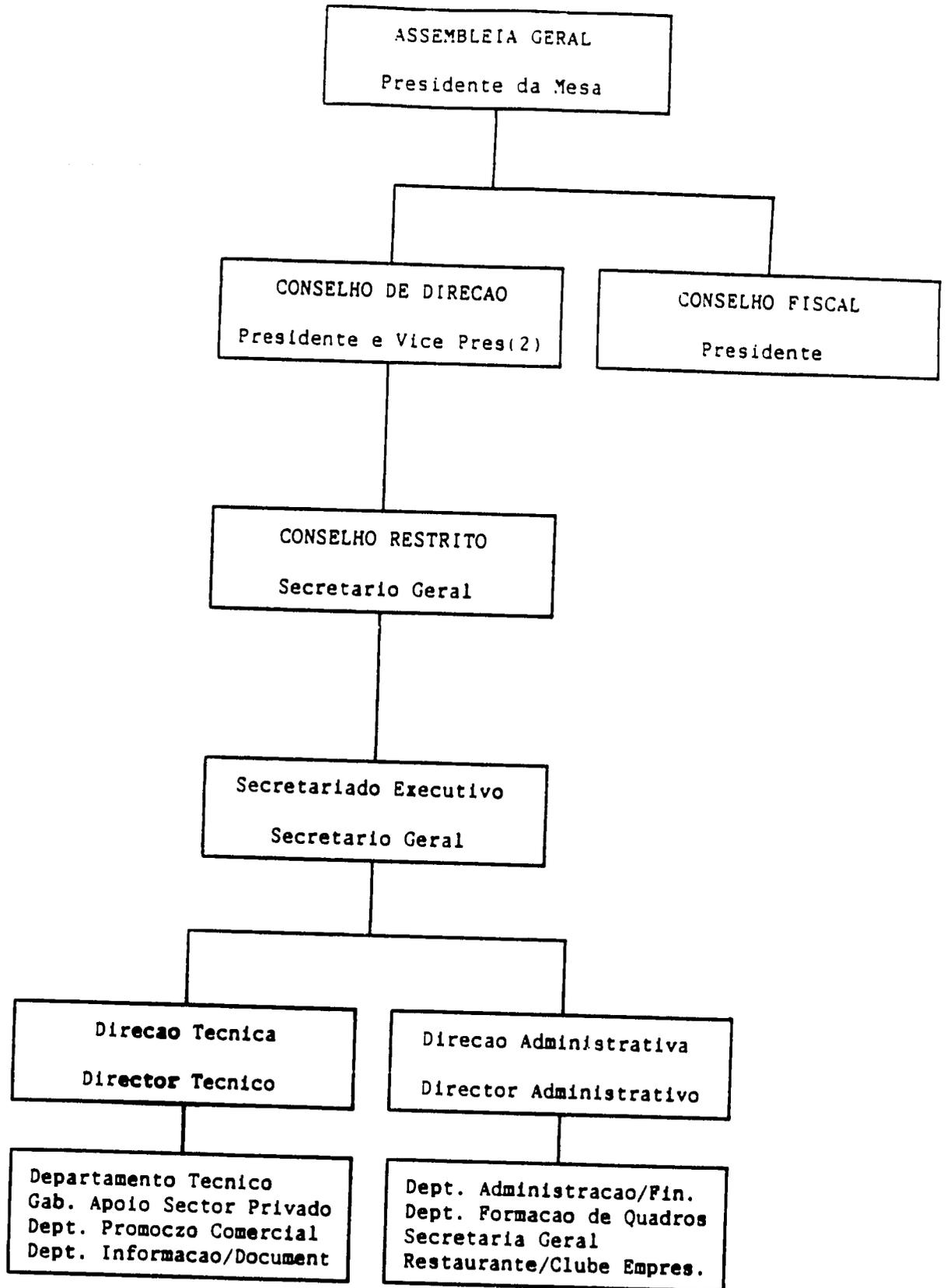
PROGRAMS - services to members has been the major mission of the ACCI. They are creating an information center with journalists analyzing and preparing information but there is no existing mechanisms for getting information to members nor is there a

mechanism for measuring what members need or want in the way of information. The major emphasis of the Chamber is in promoting trade - mostly international trade. There is a newly formed legal section which provides legal review and referral to members and one of the lawyers is heading a newly formed training wing that plans for the development of staff and offering courses to members. The program that ACCI wants help from CIPE to get going is called the Gabinete de Apoio ao Setor Privado. It will provide small and medium sized businesses with technical assistance in developing feasibility studies and project proposals for financial institutions. It will also be supported by the information center's ability to match investors with projects if funding can be found to build this capability.

OBSERVATIONS - Helping the Chamber with a national conference should be considered if the timing is feasible and they submit a request for assistance.

There was discussion of strengthening the Chamber and giving assistance to strengthen the Chamber's network of provincial associations. If this request comes I recommend that it be studied together with the newly elected Board after March. The Chamber needs help to trim its operations. The present level of activity is high but results are lacking. The staff is underpaid but is not productive due to several factors including the lack of strategic planning and direction and appropriate skills. In summary, no significant help should be given to create anything new at ACCI in the way of services or structure without serious attention to the organization as it exists today and what it wants to become in the near future. Based on the results of the last two years work, Mr. Santos does not agree with my observations regarding the ineffectiveness of the Chamber. He believes that with staff training, equipment and vehicles he could have done everything. In my opinion no matter who is elected as President and who is in the General Secretary position, the Board and staff need to go back to basics before extending themselves.

Angolan Chamber Proposed Organization



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2. Associação Commercial, Industrial e Agrícola de Huila

HISTORY - Created with the help of the General Secretary of ACCI, they had not completed their first year. The group that met with us in Lubango had prepared to meet by giving a review of their activities. The province has 1,400 registered businesses and commercial farms. They plan to reach as many as they possibly can. During the first year they have been able to attract the majority of the urban merchants. The reason they formed the association was to promote competition and open space for private operators, especially farmers, in the province.

BOARD - the board of 5 is elected for a three year term. They are meeting every week at this point and keep minutes of meetings.
STAFF - none

PUBLICATIONS - none

MEMBERS - 300 members have signed application forms and are paying dues at this time.

BUDGET - they do not have a formal budget for the first year of operations but are able to cover their expenses with dues. Expenses are low.

OTHER INCOME - nothing other than dues

FACILITIES - The Huila association is trying to recover the old colonial association's building which is now the headquarters for the party. The building is quite impressive located next to the government offices. They do not have their own offices at this time.

POLICY ADVOCACY - they write letters to the local and national government requesting assistance to solve problems of a general nature and specific to members. They are presently concerned about the availability of credit to their members and the large number of projects that are held up in the banks waiting for funding. They would participate in a national conference on the economy and impact of the recent restructuring package.

PROGRAMS - They have several program areas including:

- Agriculture
- Hotel and Tourism
- Commerce and Industry
- Support to small and medium enterprises
- Training of members in basic business skills

Their biggest success was promoting the province agricultural fair and exposition. Ideas for future projects include studies on unused installations in old industries; activities to increase competition; projects to improve the quality of products and packaging; studies and recommendations to quicken the procedures

for licensing; studies and recommendations on the problems with transportation of goods from producers to market; studies on credit facilities and incentives for small family businesses; educate members on how to get funds, what steps to take to develop a proposal for credit, (how to manuals perhaps). They also would like to have some ideas on how to improve their image as an association and become better known by the general public.

OBSERVATIONS - any assistance to the provincial associations should be channelled through ACCI after forming a plan for supporting the national network of associations. This plan should be developed jointly by the ACCI and the provincial associations to assure that ACCI's priorities will satisfy the province membership.

3. ACOMIL - Associação Comercial e Industrial de Luanda

HISTORY - Similar to other provincial associations, ACOMIL started with the assistance of ACCI. They started in 1990 and have had their first crisis as an organization. The Board was dissolved in a special general assembly after irregularities were identified in the Board representation and in financial controls. The present Board is an interim group elected by the members to restructure the organization, write a new constitution which reflects the changes in the Law of Associations and develop a budget for next years operations.

BOARD - an interim Board composed of 5 members is working on a new constitution. The draft of a new constitution calls for a board of 7 members elected every 3 years.

STAFF - They have a part time economist and lawyer on staff and use an outside accountant to do their books. The full time staff is a secretary and typist.

PUBLICATIONS - none

MEMBERS - 230 members existed prior to the last general assembly. 50% are commerce and 50% are industry and the majority perhaps 60% are private companies.

BUDGET - they estimate budget at \$14,000 in 1991. 100% supported by membership dues which have fallen off since the restructuring but will pick up again. Members pay a flat fee of \$5 per month.

OTHER INCOME - none

FACILITIES - they operate in an office space given by ACCI and use the ACCI phone (when it works). They do have basic office equipment - typewriter, files and desks but use ACCI meeting rooms when needed.

POLICY ADVOCACY - nothing has been done but this area is a major reason for the association's continued existence. At least they should meet on a regular basis to present their problems to government and to ACCI for action.

PROGRAMS - future activities should focus on credit, investment promotion, newsletter, and networking with other associations.

OBSERVATIONS - the interim board is taking its job seriously and is prepared to present its recommendations for approval and new elections by April, 1992. Any assistance should be channelled through ACCI as part of a national network program and should be pending completion of the elections and establishment of the new constitution.

4. Associação Industrial de Angola - AIA

HISTORY - recently formed by a group of public and private industrialists, AIA is the most active voice of industry in Angola. With little more than one year of existence AIA has achieved credibility with the government and with UNDP representatives that I met. They are perceived as spokesperson for enterprise in Luanda and have access to decision makers in the Ministries and in the banks. They are independent from ACCI and have worked in cooperation but there is no sense of affiliation on the part of either organization despite the fact that many of their members are common.

BOARD - Twenty members are elected for 3 year terms, they have four officers who meet on a weekly basis.

STAFF - a secretary and clerk staff the AIA office and they have budget for an executive secretary to be hired early in 1992.

PUBLICATIONS - none

MEMBERS - 204 members pay dues. 50% are state owned and 50% are private (estimate). Membership can be by company or by individual. All members have one vote.

BUDGET - 100% supported by membership dues which are a flat fee of approximately \$10 per month. The total budget is approximately \$20,000.

OTHER INCOME - donations were used to get started

FACILITIES - operations are in a temporary office space in the President's company. AIA is using borrowed equipment and furniture. They use each other's phones, faxes and telex for communications.

POLICY ADVOCACY- the most effective business organization in Angola for making a difference with policy. AIA has achieved credibility as a partner in the search for productive change in policy that impacts industry. It has helped organize the first national private sector conference sponsored by the UNDP.

PROGRAMS - continued dialogue to get what industry needs. Support for the acquisition of raw materials and supplies and access to credit will continue to be tops on the list.

OBSERVATIONS - AIA is new and is having the problems of an organization which survives based on the charisma of its President. They have not reported their first year of activities to the members due to the lack of attention to details. They have not hired staff to run the affairs of the organization and

they have not set priorities for action in 1992. Given the fact that they have access and impact on government decision making they deserve support for activities that will continue to build their credibility and capability to promote change. Activities promoted jointly with other sectors such as commerce and agriculture should be encouraged. I recommend that due to the fact that most of the industrialists also have interests in commerce and agriculture, cooperation between AIA and ACCI be encouraged in CIPE projects in Angola.

I am not as confident in AIA's organizational capabilities at this time and would not encourage investment in AIA for providing services to members without close examination of the structure to continue those services.

5. Associação de Industriais de Hotelaria - HORESIL
(Hotel, Restaurant and Similar Establishments)

HISTORY - Just as commercial associations existed in the colonial period, a Hotel Association existed in Luanda before Independence. It was abandoned and taken over by a state owned company. In 1991 it reorganized itself with some of the old leadership participating in the new organization.

The role of the association is similar to a cooperative buying society which buys in bulk to help keep members costs down and guarantee supplies. HORESIL's focus and the ability to provide valuable services to members has helped rebuild it. It is recovering the location that was used as the central supply service and will be forming a cooperative in the near future to return to its old level of purchasing and distribution to members. It is less than one year old and has already run a national conference and is rebuilding its base for financial security. The Board thinks that it will become a rich association due to the needs of its members but it will face hard times as the economy goes into recession.

BOARD - 10 elected members hold office for two years

STAFF - The General Secretary is also a member and he should be paid but isn't receiving any salary at this time. The President is also a volunteer. The staff at this time is four administrative clerks and secretaries but when operations at the coop begin the staff will increase because the operations will increase the number of members and the two organizations will work out of the same location.

PUBLICATIONS - HORESIL has published the papers of a national convention that they organized in 1991. They plan to have a regular publication as soon as possible.

MEMBERS - 530 Members, mostly private individuals, pay a flat fee of approximately \$7 per month for membership. The main reason for membership is to take advantage of bulk buying.

BUDGET - there is no budget for the first year of operations and there is apparently no one working on financial controls for the association. The budget is not a priority at this time. Most of the energy of the Board is in getting the cooperative unit operational. The association will become a "department" or service area of the coop.

OTHER INCOME - Hard to say at this point but it seems that there is not thought about other income from the association stand point. The other income will be the cooperative revenues but they should be separate. The cooperative will supply the association

with subsidies for operational expenses as far as I could tell.

FACILITIES - presently operating in office space of the general secretary's company they have just received the old association's facilities back. The facilities are ruined, full of garbage and needs total reform but they will be moving in during the early part of 1992. They have a phone and it works but most of their contact with members will be on a daily basis as they come to the warehouse to purchase supplies.

POLICY ADVOCACY - in the first year the national conference on hotel and tourism was organized by members of the association to focus attention on the industry. It was successful and has lead to HORESIL participating in several government commissions regarding tourism, hotel and restaurants. They plan to continue to promote the industry and its interests with seminars and workshops. They do not have plans for staffing to provide technical support to their industry at this time.

PROGRAMS - the cooperative unit and seminars head the list of programs. They would like to publish a monthly newsletter and have begun to study the issue with members who have the expertise.

OBSERVATIONS - the Board is dedicated to the industry and has a sense of association that is build on past experience. They are aware that the cooperative or operational aspects of the association should be conserved separately or the association will lose its identity. The fact is that the association started prior to the wholesaling activity and does have its own mission but it could be lost in the drive to provide services. The coop is a money maker. I do not recommend supporting projects that would strengthen the association with the exception of strengthening the association's ability to promote the interests of the industry which is mostly small restaurants, bars and discos. It is also limited to Luanda and the impact of this association's needs may be different from other provinces. Assistance should be channelled through ACCI if possible.

6. Associação dos Armadores Industriais de Pesca Privada de Luanda - APPIL

HISTORY - Formed in March, 1991 with some help from ACCI's Executive Secretary, APPIL's membership is 100% private enterprises. It began as the government allowed the formation of associations. It services members and is in the process of forming a separate company which will serve as a service center and marketing arm of their productive units. The offices of the association are in the building that will house the company - if they can find investors for the company.

APPIL was formed as a provincial association and its by-laws clearly indicate its objectives to serve members and cooperate with government offices responsible for fishing. The creation of a company owned by a group of members of APPIL is a response to members needs for services. The Board of APPIL is also involved with the administration of the company.

With less than one year of existence, APPIL's activities have been restricted to establishing an office and organizing services to members. They are heavily committed to getting the company going.

APPIL provided a copy of their by-laws for this report but have not developed a strategy or annual plan of action other than produce a project to attract financing for the corporation.

BOARD - Five members are elected for two year terms.

STAFF - the general secretary is a volunteer member of the association. There is a secretary on staff for clerical duties.

PUBLICATIONS - none

MEMBERS - The 55 members each have at least one boat with an inboard motor. Some have more than one. 35 of these members have joined in the formation of a corporation, "Armadores Reunidos, S.A.R.L."

BUDGET - The members pay approximately \$12 per month for membership and there are no other sources of regular revenue. The association operates in facilities that were given to them to start a company. That company will provide the necessary space and equipment for the association

OTHER INCOME - none at this time

FACILITIES - housed in the building that the company will use as headquarters for the fishing business. They have a telephone and minimal office equipment and furniture.

POLICY ADVOCACY - Thinking of representing more than just the bigger, national, private fishing companies, APPIL has approached the small, artisan fishers association to join them to speak to government about their common problems. They have not been successful in joining forces.

PROGRAMS- The Association is in the process of organizing 35 of its 55 members to form a corporation that will produce ice and provide a marketing branch for the private fishing industry. They would like to be more effective and allow them to hire people to produce newsletters, run training programs for members and their employees, and present papers to government suggesting measures to improve their businesses.

OBSERVATIONS - As an association they have joined together very much due to the lack of dialogue with government to provide the minimal requirements in infrastructure for their businesses. They have chosen to try to solve their problems by doing it themselves rather than pressing government to change. The organization will take a few years and some help to get themselves organized if they are going to succeed as an association. Getting the business started will take more time and resources than they presently have.

Assistance to APPIL at this point may not be the best use of CIPE resources due to the Board's priority in organizing the business and absence of evidence that the association has its own program in the area of communication and public advocacy.

7. Associação de Mulheres Empresarias de Luanda - ASSOMEL

HISTORY - A Provincial association formed by women entrepreneurs, ASSOMEL has existed for one year. They started in response to the need of members to be able to get the materials that they need to do business. In the case of ASSOMEL, affiliated to the Chamber of Commerce and Industry, they do not have a wholesaler branch or commercial activity. ASSOMEL assists members with government red tape to obtain the goods and services they need to do business.

Recent concerns in the membership relate to the impact of the last economic package of the government which is reducing disposable income and hurting business. The members are hairdressers, dressmakers, bakers and import/export businesses for the most part and they are all feeling a significant reduction in sales and profits.

BOARD - There are seven elected Board members for two year terms. The President, Vice President, Executive Secretary and representatives of four sectors.

STAFF - the Executive Secretary is volunteer and has three paid clerks to keep the association paperwork and communications.

PUBLICATIONS - none at the time (would like to have a newsletter)

MEMBERS - 200 members in Luanda divided into sectors such as hairdressers, dressmakers, bakeries and delicatessen, ship repair, services.

BUDGET - The budget is 100% membership dues supported. Dues are equivalent to approximately \$7 per month per member (exchange rates used are US\$1=K800). Every member pays the same flat fee. The forecast for 1992 is a drop in membership payments and a reduction in the budget. For the first year the budget was not formalized. The second year of operations should operate with a budget and the secretary is working on it.

OTHER INCOME - trade fairs are potential sources of income. The first one, 1991, did not have the objective of generating revenue but in the future it will be part of the plan.

FACILITIES - ASSOMEL's offices are in the ACCI building. They use the ACCI telephone and office equipment on occasion but have their own offices on a separate floor near the ACOMIL office.

POLICY ADVOCACY - the trade fair that they organized during the last MPLA party congress helped establish the association as viable and credible. Since then they have been called to different government meetings and have been corresponding with different Ministries, especially Commerce, to voice the needs and opinions of their members. They would be very interested in a

research project to study the effect of the November economic package.

PROGRAMS - trade fairs, visit to all members to do a needs assessment (under study at this time), seminars and training programs in general management for members and vocational training promoted by ASSOMEL for employees with specific technical needs. The largest problems of members is the supply of materials and this problem needs to be addressed.

OBSERVATIONS - ASSOMEL leaders are very dynamic and are dedicated to making the association work. They are not in good touch with the other women entrepreneur associations in the provinces and could benefit from help to form a national network. They have a well developed sense of association and need to get communications going with members (two way communications).

8. Associação Comercial e Industrial do Bengo - ACIBO

HISTORY - ACIBO started less than a year ago with the encouragement of ACCI. It is affiliated to ACCI. It is located about 100 km to the north of Luanda.

BOARD - The Board is elected for three year terms and is formed by the President, Vice President, General Secretary, and representatives of the sub-sectors. The first election has three sub-sectors and a fourth member is elected to make the total number of members of the Board an odd number (7).

STAFF - one part time clerk helps keep the office in order and the General Secretary is a regular full time position. The President, a volunteer, is the executive.

PUBLICATIONS- none

MEMBERS - 30 members signed the formation of ACIBO. They come mostly from retail trade but have farmers, ranchers and small industry as well. Most of the members have some agricultural activity as well as retail which their families help run.

BUDGET - no numbers were available

OTHER INCOME - donations helped get things started and will keep them going if dues do not cover the expenses.

FACILITIES - ACIBO operates in a side office in the president's business establishment. They have a few shelves and an old typewriter that needs repair. The phone is the President's number.

POLICY ADVOCACY - ACIBO meets regularly with the governor of the region to present the needs of the business community. They have a good relationship with government and have requested foreign exchange for the purchase of needed office equipment and a vehicle. Little was mentioned about what concrete results or what mechanisms exist for communicating with members, other associations and government outside of the province. ACCI does not hear from ACIBO. The problems in Bengo are related to communications and transportation as well as the supply of raw materials and equipment as well as credit.

PROGRAMS - still getting organized but would like to work on communications and training.

OBSERVATIONS - as in other provincial associations which are affiliated to ACCI, ACIBO is not receiving any concrete support from ACCI. The notion of a business council or national network of business people is attractive but may not be feasible if small

start up associations do not get assistance - technical as well as financial.

Bengo needs basic office equipment for operations but they also need to establish themselves as a viable service to members. Those services do not require a great deal of financing or structure but they do need technical assistance. As the organization builds credibility and experience it will be in a position to assure the long term self-sufficiency of the organization.

Any assistance provided should be channelled through the ACCI with the participation of other provincial associations.

9. União Nacional de Apoio aos Camponeses de Angola

HISTORY - Formed in 1990 as a confederation of peasant cooperatives and associations, UNACA is subordinate to the MPLA, the government party. It plans to change that situation and become independent of all parties in a special congress called for February, 1992.

BOARD - to be changed at the Congress, the Board meets at the Congress and nominates an administrative group, employed by UNACA to manage their affairs. The Central Council has 74 members.

STAFF - The central staff has 5 sections and provides services to Provincial and municipal staffs that are not tied to UNACA payroll but are compensated at local and regional levels by the regional associations.

PUBLICATIONS - ?

MEMBERS - There are 300,000 rural families that participate in 2,000 associations around the country. These associations are tied to the national network that culminates in the congress of camponeses and manages the affairs of UNACA. The funds come from the Ministry of Finance, Ministry of Agriculture, donations from international donors, and member fees. Each peasant contributes to the local chapters and cooperatives and they send a part of the fees to the national level to maintain UNACA.

BUDGET - did not discuss

OTHER INCOME - donations from Brazil (CONTAC), Portugal (AJAP), Sweden, Germany (Friedrich Ebert).

FACILITIES - the offices are in a building which appears to be the Ministry of Agriculture's but separate from all Ministries. Although the plumbing stinks (literally) the offices were well organized and equipped compared to most of the new associations that I visited in Luanda. They complained that they need more people, equipment, materials and vehicles to do their job well. This is true but they did not tell me what they are actually supposed to do for the peasants except to state that they are supposed to defend their interests and solve problems.

POLICY ADVOCACY - not clear what action is being taken or what successes have been achieved. They do have technical expertise to do studies and make recommendations.

PROGRAMS - energy is focused on February's Congress that will make UNACA independent from the government party (MPLA) and then the program priorities will be defined. They are mostly involved with helping get production to market and promoting training programs for the peasants in agricultural techniques, health and basic education.

OBSERVATIONS - even after the independence that will result from the elections in February UNACA will take a long time to find its way independently. I do not recommend that CIPE become involved with their programs at this time. There are many international organizations that can be tapped.

ANGOLA REPORT

V. INTERVIEW NOTES

1. Angola Chamber of Commerce and Industry - ACCI (Câmara do Comércio e Indústria de Angola)

Largo do Kinaxixi, n. 14 2nd floor
Caixa Postal 92
Luanda

Telephone - 344506/344541

Mr. Antonio dos Santos, President
Mr. João Zumba

Antonio was working in the Ministry of Commerce when the Chamber was created with the Minister's encouragement. He was part of the steering committee formed to establish the Chamber and was elected in the first general assembly. He said that the Ministry gave him a leave of absence without pay to take over the Chamber and next March with new elections he may return to the Ministry. He claims that his entire income is from his salary as President of the Chamber.

The Chamber has had a slow start since it was founded in 1988. The last General Assembly created a new structure and will have new elections in March, 1992 to change the way the leaders and administration manage the affairs of the Chamber.

There will be elections of the President, secretary and substitute for running the General Assembly which meets regularly once a year. The President, who is a paid member of the administration, will become a volunteer as the position of General Secretary will be added to the administration as the top paid executive. The elected Board will include representatives from eight companies that represent a particular sector of the membership and a member from each of the associations which are members of ACCI.

There will also be an administrative committee composed of three or four of the major companies (representing sectors), the technical department chief, the administrative department chief and the general secretary.

The Chamber has approximately 200 members and 23 employees. It will need help to achieve its goals which include:

- * organizational strengthening in headquarters, associations and branches around the country
- * training for staff in association management
- * training and education for members and their personnel
- * strengthening the information center to provide information to the members and provide inputs for policy advocacy
- * creation of a small business development center that will help small business develop projects and voice their concerns as well as to research the needs of the informal sector

He was not quite sure what the priorities would be shifting from trade promotion to training of staff and members.

The Chamber was invited to represent the employers in the ILO conferences every year since 1989. They received support from the government (which uses ILO funds) to send participants but only for a part of the time. Since the Union is a government union and the Labor Ministry is both responsible for the Union and represents the government, the Chamber finds it difficult to present its point of view - especially when they send 10 people each and are in Geneva for nearly 4 weeks and the Chamber sends 4 or five people for 10 days.

UNIDO's ITC has had a French Consultant visit the Chamber since 1990 but nothing but advice has been provided. There has been no help from outside the member's contributions and although the President is a paid position, it is more or less a token payment according to Mr. Santos who has been the President since the foundation of the Chamber. He has begun to invest as a partner in a few new ventures being formed in Luanda. He has lands that he plans register and begin cultivate and plant pasture. He is well known in the business community and treated as "Mr. President" in the street, government offices and at the local "Clube dos Empresários" on the top floor of the Banco de Comércio e Industria.

Although the Chamber has deposited the balance of each year's funds in a savings account, it has not had the authorization of the General Assembly to purchase hard currency to buy cars and equipment. Access to hard currency has been mentioned in both Michele Garrity's report and the ITC consultant's report and it was one of the first problems Antonio brought up. He also asked if CIPE would finance the purchase of cars for his staff to work. This was immediately after telling me that he met with his key staff which was asking for a raise to match the government's recent salary adjustments. His professional staff is said to be paid below the level of government salaries for similar jobs.

As for the purchase of vehicles the key question is what would the vehicles do? We talked about different ways to provide

needed services and still recover costs plus revenues. This was interesting to Antonio but I did not get the sense that it was part of their culture to plan. The department heads do not have plans and their budgets are not controlled by them. In fact it seems that there is not really a budgetary process yet. Antonio is aware that the smaller companies are going to find it hard to continue paying their dues if the economy continues to deteriorate - then he will have a hard time closing the year. It is a good time to start to manage the Chamber professionally but he needs ideas and help in implementation. The Chamber functions in office space given by the Ministry of Commerce. They sub-let offices to the Women's Association and the Industrial Association. The space is spread on three floors (2nd - 4th) and has two meeting rooms and ample office space for all sections. The plans for the information center and public relations would include more staff and equipment including computers and cars.

At this time there is a new computer sitting in the President secretary's office but she does not know how to use it. She is supposed to get training.

The President says that the Chamber needs equipment and furniture for the information center. It needs transportation - especially for visitors who are coming to Luanda where private taxi's do not exist. It needs to communicate more and more effectively with members and the government. It seems that when the Ministry of Commerce needs help in supplying consumer goods to different parts of the country it is using the Chamber's President to facilitate the transfer of goods from one section of the country to another. Problems with payments and lack of credit or confidence can be handled by the Chamber a little easier than the state owned companies.

Little thought has been given to how to pay for the overhead that these changes would bring. Part of the strength of the organization is the fact that in the first three years of operation they have been able to close their books with a positive balance. Although I was told that the operations are 100% member financed, part of the reason for our trip to the province was to help local producers to get their product shipped to other provinces where there is a scarcity. The expenses for the trip are paid for by different forces: the airplane for the trip was provided by the state owned oil company (the largest member of the Chamber), the producers who benefit from the transactions will pay a percentage of the sale to the Chamber (?). It is not clear how the costs are established. Antonio explained that it is cost plus a percentage -about 10-15%. In terms of accounting entries this is not clear to me. Antonio told me that this is not typically the role of the Chamber but it was clear that he and the representative of the Luanda Commercial Association were not new to this role.

Relationship CCIA/SRBC - Antonio said that he never got any PTA for participation in Kenya or in Botswana. He has complained repeatedly about the last minute communications and the difficulty for the ACCI to organize members to participate in programs at the last minute. He has not received his expenses for participating in Harare, yet the other countries have all expenses paid. SADCC has adopted Portuguese as a working language and this should apply to SRBC where most of their meetings require the Portuguese speaking countries to speak English or send an interpreter and translator. In general, SRBC is not serving the Chamber in Angola in any significant way. (Thinking back on Ed Bbenkele's comment on USAID refusing to pay for Michele Garrity's trip to Angola for her needs assessment, I wonder if the problem is not in the funding. It would take a super snooper to find out the truth and even then there are at least two true stories for every situation. It is fair to say that with a lack of funding and language difficulties Angola's participation in SRBC will be limited, at best.

The US State Department has a small team in Luanda. With the government's commitment to hold free elections in September, 1992 and the formation of several opposition parties there is hope that normal diplomatic relations will be established before the end of next year - hopefully sooner.

The Chamber has two lawyers working on legal processes and one doubles as training officer. The Information Center has two people, one was off in Portugal. They have an idea of what they need to be effective but have not thought about what results they can or should be giving. The commercial and trade section has 4 people. João, my guide, is the head. One was on vacation and the other in Portugal at the Industrial Association learning a bit about how to set up a trade promotion section.

Membership - by definition in the constitution of the Chamber, the international companies are not eligible for membership. This should be reviewed according to Mr. Santos.

2. Associação Commercial, Industrial e Agrícola de Huila

At the meeting we had representatives of the Chamber of Commerce and Industry of Angola, The Luanda Association of Commerce and Industry, the vice governor of Huila Province and representatives of the Ministry of Commerce. The president of the Huila association made a speech which included information regarding the association which has 300 members from a total of 1,400 registered businesses. He spoke formally, reading from a prepared speech which spoke well of the Chamber of Commerce and Industry of Angola which helped form the association earlier in the year. His executive committee meets every week to discuss problems and prepare letters to national and local government offices.

The major problems businesses face is distribution of local produce and availability of credit (problems are delays in processing and the high demands for collateral). Several of the businesses had spent money to develop projects and the banks were sitting on them.

They have several program areas including:

- Agriculture
- Hotel and Tourism
- Commerce and Industry
- Support to small and medium enterprises
- Training of members in basic business skills

Their biggest success was promoting the province agricultural fair and exposition.

Ideas for future projects include studies on unused installations in old industries; activities to increase competition; projects to improve the quality of products and packaging; studies and recommendations to quicken the procedures for licensing; studies and recommendations on the problems with transportation of goods from producers to market; studies on credit facilities and incentives for small family businesses; educate members on how to get funds, what steps to take to develop a proposal for credit, (how to manuals perhaps).

The suggestion that a meeting be promoted between the associations and government officials was welcome.

They also would like to have some ideas on how to improve their image as an association and become better known by the general public.

The Huila association is trying to recover the old colonial association's building which is now the headquarters for the party. The building is quite impressive located next to the government offices.

The main reason for the trip was to arrange for the purchase and shipment of agricultural production from Huila to Luanda. An exercise which seemed to be new for all of the players involved and required a group effort. It was hard to tell if the newness was the reason for such a large scale effort or if everyone was somehow getting a piece of the action. It was clear that of the six people who went to Huila in a Sonangol plane there were several who were going for the fun of it as well as to "help." The key player in the process was the president of the Chamber. He was asked to go by the Ministry of Commerce to put the pieces together. The Ministry did not cover any of the expenses for the trip which resulted in getting the President of the Luanda association together with traders in the region to put together a shipment of vegetables and fruits to Luanda. The President of the Luanda association, Ruy Costa, is a wholesaler.

When asked why the Chamber was involved the first answer was it had the contacts but the president said that it probably was not what the chamber should be doing. I don't think that he thought about the role of the Chamber as an association or what role he was playing in the market. He used personal influence to get the job done and as a result satisfied the Minister, the governor, the associations of Luanda and Huila.

3. ACOMIL - Associação Comercial e Industrial de Luanda

Office located in the Angola Chamber of Commerce and Industry
Luanda, Angola

Mr. Ruy Costa
Interim Director

A Commission of 4 members was present in a meeting where they shared information regarding the Association which was created in May, 1990 and has just gone through a difficult process of calling a special general assembly to dislodge the elected officers due to mismanagement of the affairs of the association and its finances. This was seen as a sign of maturity in the process but also an indication of the lack of experience of all of the members in running the affairs of an association.

The information shared indicates potential for impact in the region of Luanda where all business was centered after independence. The Association is a member of the Chamber of Commerce. It has 230 members that are equally divided between commercial establishments and small industry. All members have a license to operate. They are mostly paid up members and the interim commission is in the process of rewriting the statutes to avoid future problems and to change some of the language of the old organization to fit into the democratic environment of Angola in 1992. They gave me a copy of the new draft and asked for comments on the structure and language. All four members of the commission are business people.

The main programs they want to promote include a newsletter to all members, lobby with government to release the funds frozen earlier in the year when the Kwanza was devalued from 30/dollar to 700/dollar, the opening of the financial system to allow for investments, savings with real earnings, etc., and the development of a plan for moving the office from a small location in the Chamber offices to a proper place where their members can get services.

The meeting was held in the early evening at the Chamber of Commerce and they had been waiting for at least an hour for me to arrive from meetings with government officials. They were very interested and somewhat worried about how much they would have to pay for CIPE consultants because they had met with people from UNIDO who were ready to help but were going to charge for their services. It was not clear to them that the CIPE project would be for the collective well being of the private sector and for the association while UNIDO consultants would be working mostly on individual project development capabilities. The people in charge of the commission have a good mix of experience and ethnic groups. One is from the old administration, a black merchant who

has a strong idea of what the organization should be doing but little preparation. The leader of the group is a black merchant who has lived and studied in Eastern Europe and Portugal and has connections with the Chamber and apparently with the government. The Association is apolitical but the leaders are chosen in great part due to their connections and ability to resolve bottlenecks in the government offices.

The Association needs to sort out its problems, get its constitution rewritten and on to doing business. It is impossible to tell at this time what will happen. They must work through the Chamber which is unable to provide any real technical support but can and will continue to provide space and small services in this period of difficulty. Any requests from the Association should be channelled through the Chamber and implementation assured by the Chamber until the Association has had at least a year to get things going.

They are very interested in getting a newsletter ready to be published on a regular basis. This is something that the Chamber needs as well and it could be done in one project if they can get together and design a project.

4. Associação Industrial de Angola - AIA

Instalções da Cerval
Caixa Postal 1282
Luanda

Telephone - 380379
Telex - 3150 CUCA AN

Mr. Alfredo M. Ferreira Jr., 2nd Vice President
Mr. Walter Brock, Board Member

The President was not available for our meeting which had been scheduled earlier in my stay in Luanda but was canceled or there was a mix up between the Chamber and the Industrial Association. After meeting with the representatives of the Rotary Club, who are members of the Chamber and members of the Industrial Association, Walter Brock made sure that the meeting happened. The President of the Association was to be briefed by Walter and Alfredo.

We met at Alfredo's office. The AIA does not have permanent offices nor does it have office equipment, vehicle or full time paid executive secretary.

Alfredo is general manager of the state bakery EPAN. Walter Brock is a German born resident of Angola who owns and runs a private printing company. Walter is an influential "old man of industry" who has been involved in the Rotary for 25 years and has assumed a behind the scenes profile in the Association.

The association is really quite new. Copies of the by-laws, committee structure and membership were provided by Mr. Brock. It was created in 1990 and missed having its first annual meeting because everyone was too busy. They do have accounts and financial controls and are preparing for the meeting in January - about six months behind time.

The President has recently been seen with government officials voicing the opinion of industrialists. The membership is approximately 50% private enterprise but in Alfredo's opinion there is little difference between the needs of public and private companies in Angola today. The president and board members have been successful in getting government and bankers to listen and is getting results. The major concerns of members are in the acquisition of raw materials and parts. These concerns are due to government controls on exchange and approvals for imports but also due to the absence of credit facilities.

A second area of concern is the training of members to prepare them to face the new economy with competition and concerns with productivity and profit.

They are getting help from the UN and UNIDO to run conferences and seminars and expect to get hardware that they need. This is somewhat strange due to the fact that they do not have a budget, have missed their first annual report and do not have a program of action or plan for the next year.

OBSERVATION:

Although the representative from UNDP is inclined to support the Industrial Association due to its active dialogue with government, Alfredo was not a strong spokesperson for the Association and after our conversation I concluded that the force of the organization must be with the President and as in so many of the organizations I visited if the leader is not involved with activities the organization loses its impact. Mr. Brock's participation is similar to a facilitator and support for opinion makers but he has chosen a safer position of putting others in front. I recommend that further study be undertaken with the Industrial association if they request help in strengthening their organization but they are key players for private enterprise development and support. They should be involved with general educational or development projects such as the conference that UNDP ran, and plans to run, and the proposed conference that the Chamber of Commerce would like to put on in the spring. Many members of the Chamber are also members of the Industrial Association and they have cooperated in the past. It would be interesting to form a more regular and systematic relationship between them through a series of public events promoted and organized jointly.

5. Associação de Industriais de Hotelaria - HORESIL
(Hotel, Restaurant and Similar Establishments)

Mr. Tarique dos Santos Van-Dunen Aparisio,
President
Caixa Postal 381
Luanda

Telephone - 330608

The Association met with representatives of the hotels, restaurants and luncheonettes. They were critical of the Chamber of Commerce's positions regarding the recent package that has eroded consumer's disposable income to such a degree that their businesses will have to close soon. They have 530 members in a total registered business community of 620. 35% of their members are illiterate and need support. Most of their members have joined the association in the last year, although it did exist prior to independence and has a headquarters which the association is actively attempting to recover with a large deposit for their commercial activities.

The President is owner of several restaurants and is investing in more businesses. He is a volunteer. The General Secretary is a restaurant owner, very outspoken about his problems with the government's recent macro-economic adjustments. Emotionally he wants the government to reverse its path to favor the small businesses but rationally he understands that the measures are probably needed. (He is right about one thing, small businesses which have started in the last year by illiterate and inexperienced restaurateurs will most likely end up selling out. What he doesn't seem to understand is that others will appear) He is thinking of moving his investments to agriculture (where he is less experienced than in restaurants). He runs the affairs of the association out of his business office.

The association has provided members with a cooperative supply chain that is actually making money and it is being structured into a cooperative with a separate legal and administrative structure. The cooperative supplies members with food, materials, parts and equipment that they cannot afford to buy at parallel market rates. The issue of hard currency keeps the associations somewhat tied to their Ministries who have traditionally had the authority to approve the purchase of hard currency at lower than market rates. Without the cooperative, the association can think about promoting the interests and developing its member's managerial skills.

This year they put on the first symposium of the hotel industry. It was done by the association without any outside help and had training as well as promotional aspects. It was the best thing

that they did. It seems that the hotels will continue to survive during the next few months but with the next devaluation of the Kwana the restaurants will start closing down because of the triple whammy of lower disposable income, higher costs of operations and poor preparation for the crisis.

6. Associação dos Armadores Industriais de Pesca Privada de Luanda
- APPIL

Estrada da Samba Km 3
Caixa Postal 4028
Samba Grande
Luanda, Angola

Telephone - 351762

Mr. Mário H. Fonseca e Sousa
Secretary General

We met at the hotel and went to the state owned cold storage facility at the fishermen's dock. The problems with the state owned facility include the fact that they only operate at about 40% of the capacity due to broken equipment. When they operate, they only open at 7am and start to make ice that is sold in the afternoon instead of early in the morning to allow for early sailing. The Association is in the process of organizing 35 of its 55 members to form a corporation that will produce ice and provide a marketing branch for the private fishing industry.

We went to the Association headquarters which are also the facilities of the new corporation call Armadores Reunidos, S.A.R.L..

We met with 5 members of the association and discovered that they had formed the APPIL in March and now were more concerned about getting their company running than to get the organization going. They would like to use the corporation to make the association more effective and allow them to hire people to produce newsletters, run training programs for members and their employees, and present papers to government suggesting measures to improve their businesses.

The 55 members each have at least one boat with an inboard motor. Some have more than one. There is another association of artisan fishermen. APPIL has invited them to join in APPIL as an associate member. They have not responded yet but the board of APPIL will continue to offer cooperation.

APPIL has a copy of their by-laws but have not developed a strategy or annual plan of action other than produce a project to attract financing for the corporation.

As an association they have joined together very much due to the lack of dialogue with government to provide the minimal requirements in infrastructure for their businesses. They have chosen to try to solve their problems by doing it themselves rather than pressing government to change. The organization will take a few years and some help to get themselves organized if

they are going to succeed as an association. Getting the business started will take more time and resources than they presently have.

7. Associação de Mulheres Empresarias de Luanda - ASSOMEL

Located in the Angola Chamber of Commerce and Industry
Luanda

No phone

Ms. Maria do Carmo Assis do Nascimento
Vice President

We met at the Angolan Chamber's Board Room with the secretary and another member of the Board. The President of ASSOMEL was not in Luanda. The Vice President provided me with copies of their by-laws and a list of members. They are presently operating in space provided by the Chamber and when the Chamber phone works, they have been using that for communications but most of the time each of the members of the board use their own business and residential phones to make calls.

ASSOMEL began in response to the Ministry of Commerce's inability to process the requests for import licenses for women entrepreneurs who organized in March, 1991. They have not produced an annual report and have a "working" budget that helps maintain financial controls. They have 200 members who operate in areas such as beauty salons, bakeries, fashion and dress making, services and import/export.

The objectives are mainly social in nature, not specific services to individual members but lobbying for collective needs. They promoted a fair during the party congress in 1991 to demonstrate the level of sophistication of their members' businesses. The fair was successful in calling attention to ASSOMEL and its members. They even got good business going during the fair.

They would like to visit each of the members to find out what they want and what they need. Their members are nearly 100% literate and could be reached through newsletters. They also plan to promote a training seminar in general management and are seeking association with other organizations such as the Commercial association of Luanda to promote services and programs to members.

The biggest problem that their members face is the steady and reliable supply of materials and repairs or parts for their equipment. Part of the problem is access to foreign currency at the subsidized rates and lack of support from banks.

The changes announced in wage and exchange rate early in November will make it more and more difficult for their members to survive. The cost of materials has increased, access to currency and credit has not improved and customers are starting to spend less. They would like to train members to manage through hard

times and present their problems to government more effectively. ASSOMEL is a provincial association affiliated to the Chamber of Commerce. There are women entrepreneur associations in Huila and Benguela as well but there is no national organization. The Huila and Benguela associations have not affiliated to the Chamber.

8. Associação Comercial e Industrial do Bengo - ACIBO

Estrada da SAPÚ, N. 25
Caixa Postal 7
VIANA, BENGO
ANGOLA

Telephone 290351

Mr. Armando Bezerra Grande
President

I spent the day with representatives of ACIBO and the Bengo Provincial government. We started from the hotel at 7AM and drove the 90 km to Caxito, the capital of Bengo where we met with the vice governor quickly and started a tour of various installations in the province.

On the way I talked with one of the board members, Mr. Alfredo Antonio da Costa Jesus, he had returned to Angola to assume control of his family ranch. It was hard going because everything had been destroyed over the last 15 years. He hoped to get coffee planted and cattle but had run out of investment funds and needed credit lines which are not available. We also had Mr. Adão Manuel Rodrigues Maló, Ministry of Work Delegate in Bengo. He is advisor to the ACIBO Board and spoke most of the time. Later I found that he is also advisor to one of the largest local investors. On the way we passed the port area and old industrial areas near the port. Strikes were on at two plants and Adão explained that it was because of low wages. The new government measures are eliminating payment in "kind" and forcing employers to convert the value of goods into money. The conversion has not been done in good faith by many companies. The two on strike were state owned. Adão's wife was financial controller at one of them.

The association has over 30 members in commerce, Industry and agriculture. Most of them have commercial activities but the main source of their profits comes from agriculture. Industries are not in the majority but there is potential for small home industries. They formed the association in April, 1991 with the help of the executive secretary of the Chamber in Luanda.

Their offices are located next to the President's store and gas station. They have asked the provincial government for assistance in establishing a viable office and help with an allowance for purchasing a car. They explained that they could buy a car but the cost of hard currency in the market is prohibitive. The government is still using three kinds of exchange and the lowest would make it possible to purchase a car. The governor and the Minister of Commerce are very positive about

ACIBO and have dispatched the requests but there are bureaucratic problems in middle level administration.

They have one regular employee who manages the office affairs. This person did not go with us on our tour of the province.

OBSERVATION: During my tour we were accompanied by at least 30 people. Local government, ACIBO members and 10 armed police. One armed guard traveled in the truck ahead of ours and another behind. Power is a problem, communications and transportation difficult. They need everything, starting with a better understanding of what an association is and what it can do and they need exposure to the rest of the business community in the country. If they request help it should be coordinated through the ACCI office in Luanda where they are affiliated. Proposals for provincial support should be used to strengthen programs and services in all of the provincial associations linked through ACCI.

9. União Nacional de Apoio aos Camponeses de Angola

Caixa Postal 2465
Luanda, Angola

Mr. Ernesto Chicucuma
Secretary for Development and Productivity

We met at the UNACA headquarters. Four of the UNACA Directors were present and they submitted a written document with the history of the organization, statistics and a request for help in acquiring hardware and vehicles.

UNACA was formed at a national conference of camponeses in 1990. The camponese are organized by village and by region in a structure that is similar to the MPLA party structure. The congress in 1990 was called in part to formalize the national organization that speaks on behalf of the local and regional offices. There are approximately 300,000 families loosely tied to UNACA. They are affiliated to approximately 2,000 rural associations and cooperatives.

UNACA has called an extraordinary congress of representatives of the regions to modify its by-laws. Under present by-laws it is an affiliate of the MPLA party. The proposed change will make UNACA independent from all political parties. The leaders of UNACA expect that there will be representation of opposition parties in the Congress because they are elected by local level elections. This seems unrealistic to me.

OBSERVATION - although there may be potential for long term contributions to private enterprise development in UNACA it is too early to tell what the relationship will be between politics, political parties and the "campones" movement. I do not recommend that CIPE cooperate with UNACA at this time and for some time after their special meeting in February, 1992. Follow-up studies would be interesting if they do formally request assistance.

B. BUSINESS PEOPLE, COMPANIES , BANK MANAGERS

Banco de Comércio e Indústria

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Luanda, Angola

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Mr. Pedro Maiangala Puna
General Manger

Our meeting was with João Zumba of the Chamber of Commerce and Industry of Angola.

BCI was formed in June, 1991 with the help of the Grupo Espirito Santo (Lisbon) the Bank is 91% owned by the Ministry of Finance and 9% owned by 9 of the largest state companies. It is forecast for privatization with sale of part of the bank to Portuguese banks.

The BCI operates in Luanda and exclusively for commercial institutions. It has 1,200 clients and was formed as the Banco Nacional de Angola spins off its commercial branch and as an alternative to the BPC (Banco de Poupança e Crédito) a savings bank that has assumed commercial activities.

The two main missions of the bank are:

- to improve the image of the banking system of Angola outside of the country.
- to promote the economic development of all of the economic operators, public and private.

After 5 months of operations the bank has opened two branches in Luanda and will have 2 more by the end of the year and in January the forecast is to have branches in three of the major industrial centers and 3 more by the end of April, 1992. In June the operations were limited to national currency. In October the BCI opened its exchange and in December Import and Export Operations began.

The bank has agreements with Banks in Europe, North America, South America and South Africa. Commerce with South Africa is growing faster than anyone could have expected. The major banks in the USA are Chase and Citicorp. Historically contacts with Portuguese banks has been very strong and this continues to be the case today.

The bank uses the Associação Industrial de Angola (AIA) as its main contact with its clients and cooperates with the Chamber of Commerce and Industry when requested, usually to meet with foreign delegations. The AIA is more active in the process of identification of problems and the Commercial Director of the Bank consults regularly with the Association which is formed by the major companies in Luanda. It is not a member of associations as of yet but there is no restriction to associations.

The Commercial Division is divided into two departments - large clients and the small and medium sized clients. The absence of hard currency for projects is the major problem for both of the departments. Priorities being set focus on the purchase of raw materials for the existing companies and the rehabilitation of the old installations for the creation of new industries.

There is only one consulting firm active in developing projects for private companies as far as Mr. Puna knows. It is an engineering firm. Most of the time the credit analysts of the bank are involved in the development of the projects that seem to have potential but need substance. It would be good if the associations were to become active in assisting entrepreneurs in preparation of projects. The Bank has talked about a small and medium sized consulting group to assist clients but it is not formed yet. The Director hopes that it will become a reality before too long.

The BCI would support a national meeting between private and public sector representatives to discuss the impact of the recent economic changes and barriers to further economic development.

Banco de Poupança e Crédito

Largo Saydi Mingas
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Mr. António J. da Costa Neto, Manager International Division
Mr. Paixão Júnior, Director Credit Division

The Banco de Poupança e Crédito has a history that goes back to 1956 as the Banco Comercial de Angola. In 1976 it was nationalized and changed into the Banco Popular de Angola and functioned as a savings bank. In January, 1991 the bank was authorized by the Banco Nacional de Angola to operate as a full commercial and savings bank and in October it changed its name,

becoming BPC. It is owned by the Ministry of Finance.

The BPC has 29 branches and reaches nearly all of the provinces and all of the major commercial centers. It has a credit and administrative division but plans to restructure its commercial sector to decentralize the short term loans to the branch level and call the administrative division the commercial division. They do have a recently approved mortgage function which is just beginning to operate. They plan to invest in a new real estate company in 1992.

The bank is primarily a commercial bank with the savings function a secondary activity. The bank had less than US\$1 million in loans and US\$13 million in deposits. Its cash position in June, 1991 was 15 times the loan portfolio. The managers did not have an idea of the total number of clients or the breakdown of state companies vs. private. The major problem that the bank finds is identification of good projects, then the availability of hard currency through the central bank or through outside investors. The focus of the bank is on the rehabilitation of the old and abandoned industrial areas of the country. The development of a new entrepreneurial class is interesting to the two managers who met with us. They are interested in the Portuguese program for new entrepreneur identification and preparation. This same program was mentioned in Maputo by Hipolito Amela as a possible area for cooperation with CIPE.

The Bank will and does support public information forums. It is a member of the Chamber of Commerce and Industry of Angola and will support it as best as possible. The two directors are very interested in promoting some sort of training activity for the entrepreneurs.

Their public relations efforts with the private sector will begin with meetings to inform employers about the bank's program of action for 1992. The program is in its final stages of elaboration. The bank does put public information announcements in the local radio and television as well. The possibility of using associations to promote private enterprise and the training of clients in how to run a business is very welcome.

The Rotary Club of Luanda

Luis de Almeida, President
Joaquim Almeida
Walter Brock

We discussed the Rotary, its history in Luanda and needs. They were interested in CIPE and recommended that I meet with the Industrial Association. We met in the Chamber Board room and then I went to their dinner the same evening. They are 30 plus

members and are active in supporting education projects. The problem that they are facing in their businesses is the lack of serious government officials. Some are corrupt and some are incompetent but nothing that they promise is getting done. In many situations business people spend a day to meet with a minister to request assistance. They have to meet with the Minister to get his signature but even then they find that either the Minister himself changes his order or the administration is not executing. They cannot trust anything. It is getting to the point where the government is getting business people involved in deceit or false statements to the public. This week the President of the Industrial Association gave a statement to the press saying that credit lines were open for import of needed supplies and parts. That was over 5 days ago and nobody at the bank has heard anything from the Ministry of Finance allowing them to make loans.

These men lasted through the struggles for independence, the marxist regime and despite my impression that they should be happy with the recent changes, in some cases they were much better off with government protection of their inefficient operations. They are facing a transition period where they will be sitting ducks for imported materials and can no longer depend upon government officials protection. It is a difficult transition for the old guard.

Meeting with members of the Chamber of Commerce and Industry

Mr. Amaral Batista,
President
SERSUL, Ltda.
Rua Sociedade de Geografia, N. 10
Lubango, Angola

Mr. Batista is an economist who lived and worked in Luanda up until four years ago when he moved to Lubango (capitol of Huila Province). He started a consulting business to help companies get financing for projects. There is more work than he can handle. He works for private as well as state companies and has recently opened a rental car company and is investing in the projects that he is helping.

The problem he faces in his business is cash flow and skilled resources to execute projects. He would like to provide on going consulting. The business he helps look at the projects as a necessary step in obtaining credit but they are not using the projects in implementation. In many cases the funds that were available for agriculture were not applied in agriculture.

Mr. Antonio Ferreira Vieira Lopes
General Manager
Fábrica de Tubos de Angola, S.A.R.L.

Avenida 4 de fevereiro, 95
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Luanda, Angola

Telephone 290029

Mr. Lopes owns the steel tubing industry. Most of his material is imported and he has presses and machines for bending, cutting etc. With the new relaxation of regulations on prices, exchange rate and wages Mr. Lopes is happy that the government is going in the right direction.

His business will grow with agriculture and construction. The two industries that stand to receive the greatest incentives and foreign loans in the next year. He is very happy with the way things are going. A member of the Chamber of Commerce, he has never asked for anything except help in getting hard currency and approvals for travel overseas. He has never gone on a trade mission and buys from people who visit Angola because it has been so difficult and expensive to travel.

Mr. Francisco Silvio Cohen dos Santos

Rua Antonio Lencastre, N. 5
Luanda

Telephone 337894

Mr. Santos was scheduled to see me because he thought that I was an investor. We talked quickly and he showed me a project he wanted to finance. He wanted a foreign partner who could send him two tractors and other small farm implements for coffee plantation. A quick glance at his study revealed that it was incomplete and unrealistic. Common to the kinds of projects that I saw. When I told him that it needed more work he was slightly upset. He told me that he was an agronomist, economist and lawyer.

As he left, he said that he did have another project for a retail outlet and wondered if I would be interested. His search for money and the range of ideas that he has for investment is not atypical to the entrepreneurial spirit in Luanda. There are so many "good" opportunities that people spread themselves in all directions attempting to hit one or another but without the background or skills needed to convince an investor that they can implement. Foreign currency is a major problem for these people who need imported equipment, parts and materials to get started.

Mr. Mário Pizarro

Consultant, Administrator

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Mr. Pizarro organized the UNDP Private Sector Conference which had the support of the Ministry of Commerce, Ministry of Industry and the Chamber of Commerce and Industry of Angola. Mr. Pizarro's comments were made in an informal group meeting with Mr. Robb Smith of the IFC and Francis Nyirjesy from Equator Bank. The latter were in Angola undertaking a study of the investment climate in the country and Mr. Pizarro was hired to provide support due to his knowledge of the system and the people in the public and emerging private sector. Among other past activities, he is said to have been governor of the National Bank.

His comments included:

An official in a Ministry had become dissatisfied with MPLA and decided to leave his job and the party. He had not accumulated any wealth as a result of his position. He got a loan just prior to the devaluation of the Kwanza and now finds himself without resources to start his business. He will probably just spend the money and default on the loan. There is no future for him.

Unlike that man, many of the government officials are cutting deals in the sale of government companies or expecting to get kickbacks on the approvals of transactions. The scale of corruption seems to be growing as people begin to believe that privatization will become a reality.

Privatization is such a political problem that the government hasn't even called it by its name - it is called "redimensioning." There is no easy fix but the government is having a hard time because they have approached the topic without technical support and now have the World Bank and the IMF telling them they have to make the process transparent. The Ministry of Finance is counting on the various Ministries to take the process seriously and get things moving quickly but within guidelines which have not yet been agreed upon. Privatization was at first thought to mean selling companies to foreign investors - those investors are not buying.

The Chamber of Commerce was created by the Ministry of Commerce and Mr. Antonio dos Santos was selected by the Ministry to head it up. It is still attached to the Ministry. He was skeptical about the Chamber's desire and capability to be an independent voice of the private sector. He seemed to be surprised to know that the Chamber had changed its statutes recently to make it clear that it is independent and that the Ministry does not

contribute more than the location for the Chamber's office. He was also surprised and perhaps skeptical about the number of private companies and was not aware that all members pay the same flat fee.

What the business community needs is information about how to do things and how to get what they need. His experience in the UNDP conference indicated that the first step in supporting the growth of the private sector is in the translation of all of the changes and collection and distribution of valuable information in support of the small and medium sized enterprises. He believes that a follow-up activity on the conference is needed and would be willing to participate in the organization.

Mr. Francis Nyirjesy,

Consultant
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Francis is interviewing government officials and bank officials, reading company law, labor law, investment codes, etc. to compile information for a report on the investment climate in Angola. He has not met with any foreign investors. When I asked if he had talked to the Industrial Association he said yes but had not met with the Chamber of Commerce and Industry. The Industrial Association had several citizens interested in finance before they will consider partnerships.

I told him about my meeting with the staff at CDI where I was told that they had not been able to match any investors with local projects that have been presented in regional CDI meetings. The projects that investors are most interested in are holding out for credit rather than partners. It seems that venture capital could be an opportunity but the concept is unclear to most here and the rates of return required have not been analyzed. Is there enough money in the local economy to make venture funds feasible? After the devaluation Mr. Pizarro thinks that it will be difficult to find money. Mr. Smith agrees.

Mr. Smith introduced me to Mr. Sean Cleary of Strategic Concepts and Association for the Development of Southern Africa. Sean mentioned that he had visited CIPE at the same time that Fátima Roque was in Washington. He is working on projects in several countries of the SADC region and in South Africa.

Sean is in Angola attempting to connect South African investors

with Angolan projects. The closest project is with the Ministry of Construction which needs to build low cost housing but the projects are so difficult to make profit from that they are looking at a way to use the Ministry's key land holdings in key cities to allow for private development as part of the housing contract. There are substantial rumors regarding contractors from Portugal and kickbacks to the Ministry of Public Works which is making it difficult to compete in that Ministry and creating conflict amongst the members of the Cabinet.

Mr. Smith recommended that before beginning any projects in the area of information centers for the private sector in Angola CIPE should contact Ms. Eleanor Sebastian at UNCTC in New York. She has been to Luanda several times and will be returning early next year to begin implementation of a project which will create an information center of some sort.

Ellen Sebastian,
Technical Advisor
UNCTC
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C. US STATE DEPARTMENT, UNDP, ANGOLAN MINISTRIES, GOVERNMENT OFFICES, NGO's, INSTITUTES, and UNITA OFFICIALS

Acção Angolana para o Desenvolvimento (NGO)

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Mr. Albino Ralunjo
General Secretary
Branca M.C.N. Espirito Santo,
Administration and Finance

We met at the AAD headquarters and heard about the foundation of the first NGO in Angola. They began in November, 1989 when there was no legal support for non governmental organizations. At first they had difficulty with government but the people involved were all from the diplomatic corps so they were allowed to continue operations.

Now there are several NGO's in the country. Another mentioned as rather effective was the Acção para Desenvolvimento Rural e Ambiente - ADRA, an environmental protection NGO headed by a fellow named Fernando Pacheco. I did not meet with Mr. Pacheco.

The headquarters were well equipped and the financial situation of AAD seemed to be quite well developed for an organization of only 3 years operation. They receive international aid from Europe and Portugal and have technical assistance provided through the Portuguese government. The management was well prepared to market their organization. Their brochures were in Portuguese and English.

AAD is heavily involved in humanitarian aid but they are also preparing to help train people in the rural areas. One of the areas they may be interested in is skills training in home industry and small business management. They have rural agricultural projects aimed at increasing production and productivity. They have environmental protection projects, food aid projects and food aid transport projects. The transport project is making it possible for the provinces to get food and ship back excess production at very cheap rates.

The people at the hotel association warned that AAD has been involved in some questionable fund raising activities where they have sold chances and lottery tickets and no prizes have been

awarded. I am not sure what the true story is but AAD did not mention any immediate plans for projects in support of private enterprise. If they do come across with a request it would be a surprise. For further information they provided a translation of their major programs as well as several newspaper articles.

U. S. Department of State

Mr. Anthony Newton
Deputy Director
United States Liaison Office
Luanda, Angola

Luanda Department of State
Washington, D.C. 20521-2550

Tony was willing to have lunch although there was little he could help with. He reinforced observations that Mário Pizarro is one of the most valuable contacts in country for understanding what is happening and what the private sector thinks about what is happening. Mário was working with the IFC group during the week I was here and we did have a chance to talk a bit one evening.

The Department of State is observing the peace process and is not involved with the private sector. Tony has been here for 6 months now and had worked in the Embassy in Maputo prior to coming. He finds it difficult to work with some officials and representatives of the different parties due to the difficulty in making contact, keeping schedules and keeping promises. More than a few people say one thing and do another it seems. He asked if people I met were optimistic and I had to say no. He was not in Luanda when the US-Angola trade mission was here but has not heard any results of the contacts.

He offered to serve as a contact point for correspondence if CIPE has problems. They have a satellite telephone and it is reliable.

United Nations Development Programme - UNDP

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Mr. Carlos Bessa Victor,
National Programme Officer

Carlos has lived in Luanda for 2 years and will be there for one more year.

The UNDP has helped the Chamber of Commerce since 1988 and with the most recent visit of the French consultant, Jacques Lethiec, it has decided to wait and see if the Chamber changes its constitution and becomes more aggressive in defending the interests of its members. Focus has shifted to the Associação Industrial da Angola where a UNIDO sponsored project is helping structure the association and strengthen its capability to maintain a strong and effective dialogue with the government and its members. Unlike the CCIA consultant, the AIA assistance has been tangible and material as well as technical advisors. (This may have something to do with the positive views).

There is a growing number of consultants in Luanda who are capable of helping in project development and implementation. The UN has used a local consultant together with international staff in all projects. They ran a Private Sector Seminar in June, 1991 and it had joint sponsorship with the AIA and CCIA with good results. The program was organized by the UNDP with a Chilean expert on privatization as the key contributor. Locally, Mário Pizarro did the organization.

They plan to do a second seminar in February and have sent out invitations to the Chamber and the AIA to join in the organization. The topic will focus on privatization.

I also had breakfast with a new member of the UNDP staff whose name I did not remember. We had an informal conversation regarding UN priorities. He is responsible for the strengthening of the government personnel. The UN priorities will shift from the reintegration of the refugees and handicapped to areas such as health, education and infrastructure. He is single and in the hotel because there are no houses available. Housing is already a problem in Luanda.

One of the problems that the UN is trying to absorb is the 200,000 soldiers who will find themselves without a job. The government finds itself without trained people at nearly all levels and in all areas. The creation of a vibrant private sector will drain whatever qualified resources that exist except those who are comfortable with the changes and secure in their careers as civil servants.

Ministry of the Plan

Mr. Júlio Ferreira de Almeida Correia Sampaio
Vice Minister

Mr. Sampaio was very cordial and presented a review of the situation which included comments regarding the role of the

private sector. With the restructuring of the economy the private sector assumes the major focus for future growth. This will come from the new entrepreneurs in the small and medium sized enterprises.

The sectors that will receive priority are:

Agriculture

Fishing

Industry of transformation

The sector that will provide the basis for the process is the extractive industries of petroleum and mining. This sector does not require as much incentives as the others but will have to provide the platform for take off.

The Ministry is working on a series of policies and legislation that will impact the economy in the near future. It's time table is to have a package ready next April. It has been a month since the last package was published which gave incentives to the private sector through a restructuring of the tax system. The next package will address:

Public Investment - infrastructure is needed to get the process going. The World Bank has given credit of \$42 MM for studies that will be transformed into policy and implementation next year.

Private Sector - with help from the UN and African Development Bank the Minister is studying the changes needed in laws and regulations to create a climate conducive to small business growth.

Privatization - the Ministry of Plan has created an independent group charged with the process of privatization. It is the Ministry's goal to make privatization transparent and rapid but it seems that the problems are hard to overcome and making things rapid is giving way to establishing the guideline for privatization.

When asked what mechanisms are in place to involve the private sector in the dialogue he mentioned several meetings with business people and associations over the last year. Nothing formal has been established but it is something that should come naturally and suggestions from the private sector would be welcome.

The drafts of laws or policy which his area of the Ministry of the Plan wishes to promote will be sent to the Chamber of Commerce for their comments and recommendations in the future. When we talked about the communication channels with the private sector he agreed that a meeting in January between the private and public sector representatives would be fruitful to review the impact of the package announced earlier this year and in preparation for the package which is being prepared for April next. He is willing to support the event and would like the

Chamber to develop the idea further. CIPE could play a role in the organization of this meeting and certainly should be present, if possible, with observers and perhaps speakers.

The Ministry believes that the private sector can contribute more to the development of the economy through:

- more effective dialogue regarding problems and policy for future growth,
- provide services to members in solving their problems but also in developing projects for financing and matching investors and projects,
- providing education and training to members and their employees to match the need for qualified human resources.

The Vice Minister was comfortable in saying that the changes that he sees are independent of the electoral process that is coming next year and even if the government changes hands, the work that is being done this year will be used by the next government- no matter which party or coalition assumes control of the government. He said that there is no other alternative to a market economy and a multi-party democracy. The problem is making the transition as quickly as possible and changing the mentality of all of the players.

Ministry of Commerce

Mr. João Celestino Dias
Vice Minister

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The Ministry had a monopoly in trade up until mid 1980's when it became apparent that monopolies were inefficient. The privatization of state owned companies is just one aspect of the Ministries support for private enterprise. The development of small and medium sized local commerce - both international and national trade - is an area where there could be greater cooperation between the Chamber of Commerce and Industry and the Ministry.

The Vice Minister referred to cooperation with the other Ministries which are in his words still economic operators, such as the Ministry of Agriculture and the Ministry of Industry.

He talked at length about the need for qualified private operators who can elaborate projects that can be presented to

(1)

financial institutions or investors. The growth of private enterprise after peace is limited primarily by the ability of the individual merchants and entrepreneurs.

Retail is 100% in the hands of private companies and the informal sector. Wholesale is still greatly dominated by the state owned companies but here there begins to be a mixture of capital with mixed results. The future will be to select just a few companies for continued state participation.

The country has shifted from a net exporter to a net importer without the appropriate shift in laws, regulations, government staffing, skills, infrastructure (ports and railroads are designed to get product in from the fields and out - not to bring in containers and store them while clearing customs and awaiting distribution.

The Ministry of Commerce has decentralized its controls to make it possible for the new companies to register and operate in various points around the country. This process needs to continue and the desire is to provide an enabling environment for all competitors. The one thing that the Ministry could do better is to gather and distribute information to the enterprises in the market. There is a section of the Ministry which is building a data base but it is far from what is needed.

The Vice Minister seemed to enjoy the encounter which took about one and a half hours and had the President of the Chamber and his Economist present. The part that caught his attention was a question about what the different associations could do to help his Ministry. I guess that he had never thought of them as a resource for program development - and maybe not even as much of a resource for policy development by his reaction to my question regarding mechanisms for policy formulation and the participation of the private sector (he referred to the other Ministries only).

Ministry of Fishing

**Mrs. Maria de Fátima Jardim,
Vice Minister**

The Ministry received visitors from the US/Angola Chamber in November and they explained their goals for developing the small and artisan fishing industry. They have some large fishing companies that are deficient and need investments to be privatized. The artisan fleet is all wooden boats and they would like to find resources to motorize them and develop entrepreneurs through education programs.

The Ministry has promoted the formation of fishing associations

in Luanda and several other port cities. These associations could use help and the Ministry will support their efforts as private associations.

The Vice Minister did not relate the associations to mechanisms for dialogue regarding policy. They are more likely to be seen as market mechanisms for pooling the production. They can also play a role in the education and training of the entrepreneur.

The idea of a private sector-public sector meeting in early February is good and the Ministry will support it. They would like to have special focus on privatization and perhaps special focus on the recent package of economic measures and suggestions for next steps. This needs to be worked out with the Chamber and its associations but the Ministry offered its conference facilities which seat 150.

The Vice Minister needs training but more fundamentally, the understanding of how the private sector can be developed needs to be learned by doing and this is difficult while still trying to fulfill the role of the old productive capacity. Keeping the status quo and developing a new way of doing business in a period of crisis makes it difficult to shake old habits.

Ministry of Agriculture and Rural Development

Benjamim Alvarault Castello,
Vice Minister,

The Vice Minister said that the Ministry was 100% out of the productive sector of the economy by saying that it was not a active economic operator (participant) in the economy. He then went on to say the problems that the Ministry has and one of the biggest was public complaints about the continued imports of meat by the Ministry and the price of meat that is still set by the Ministry.

He mentioned that the Ministry's priorities would be in the small, family farms that are spread all over the country. There are 1,200,000 families that are active producers of grains and small animals. They are capable of producing for their own consumption and selling to supplement their needs but there are no systems to provide inputs, distribute and transform the production and commercialize it. The Ministry will continue to work closely with other Ministries for the establishment of an appropriate infrastructure but the rural communities need more than just production. The Ministry is beginning to look to the well being of the rural family from a holistic point of view. Education is a key to raising the standard of living of the rural population. The Ministry will increase its attention to

education for the small farmers.

There are no organizations that the Ministry has identified that can represent the interests and needs of the farmers from a commercial stand point but the Chamber might be able to help in the dialogue and eventually in the formation of a group capable of representing the small and medium sized producers and agro-industries. There is not a close relationship today but hopefully in the future the Ministry and the Chamber can find ways of working together.

Ministry of Industry

Mr. Justino José Fernandes,
Minister

Mr. Santos left João and I outside the Minister's office for 15 minutes while they had a private audience and then we were invited to join them. I do not know the purpose of the private session.

When we entered, the Minister spoke openly and was straight forward. He said that his mission is to privatize companies and make the private sector the engine of growth for the economy. The tremendous problems he has include the need to develop small and medium sized entrepreneurs in a country without an industrial tradition. The history of the country does not give examples of successful local business people that can be used to encourage others. Those who have been inside the movements of the government and seen opportunities are often the best educated Angolans who are seizing a window of opportunity to explore the situation but are not capable of managing the foundation of an industrial sector.

The Minister mentioned the lack of infrastructure, lack of capital, lack of service sector to assist in the "redimensioning" of the state owned businesses and he asked for ideas about what can be done. The recent changes in the laws, specifically the reduction in price controls, the adjustments in government salary levels, and the opening of foreign exchange and adjustments in the official exchange seem to be having a positive effect in the industrial sector that is still dependent upon imported parts and raw materials for production.

The conversation was very cordial and extremely supportive of the Chamber of Commerce as the legitimate spokesperson for the "private sector" or better speaking the enterprises of Angola. There are other associations being developed and they may become effective for their specific groups, he mentioned the Industrial Association as one of them, but the Chamber is the one to work

with at this moment.

Instituto de Apoio ao Pequeno e Medio Empresa

Mr. Maia, Director
Portuguese consultant providing technical assistance

Temporarily housed in the Ministry of Industry next to the Banco de Poupança e Credito, INAPME was approved by the Council of Ministers on November 5 and will be authorized to operate as soon as the Council publishes it's creation in the official newspaper. At that point the Directors will be nominated and the institute will have its own life.

It will be dependent upon the government to get started and the plans call for 45 employees working in four departments. The major areas of responsibility include the technical elaboration of projects for small business; the coordination of credit resources; training and information center; and the administration and financial controls of the Institute.

Mr. Maia was the head of the study group that presented the proposal of a small business support function and he travelled to Europe and Brazil searching for help to assure success. Mr. Maia expects to take over the position of Director and administer his Institute with public funds. The Portuguese engineer who was with us for a few minutes had just arrived in Luanda but was well prepared to talk about the work he has to do. He spoke several times about the desire of the Institute to support activities in the area of information flow at organizations of employers.

We talked about problems with the Brazilian CEBRAE and the Mozambican IDIL in meeting the organizations accounts due to government budgetary cuts. The real service that is to be developed with the small businesses are relegated to second plan as the need to make money on services puts the focus on medium sized companies. This does not bother Mr. Maia but the Portuguese consultant thinks that it is worth looking into to assure the Institute of regular supplies of resources to attend to the small local producers.

UNITA

Mr. Tony da Costa Fernandes
UNITA Minister of Foreign Affairs
Presidente Hotel Room 904
Luanda

Mr. Fernandes was kind to meet me at the Hotel on the last day that I was in Luanda. Despite calling the UNITA headquarters in the Hotel Turismo, stopping by three separate days and leaving my calling card and written explanations of CIPE and what I was

doing in Luanda, and receiving promises from Mr. Gato and Ms. Ana of the headquarters that they would arrange for interviews, I had to complain rather rudely and they gave me the name of the Foreign Minister.

Mr. Fernandes lives in the Presidente Hotel in Luanda and his family is still in Jamba waiting for him to find a house. He has lost his house due to the fact that he left the country but has been promised an apartment by government officials. He said that everything in Jamba has always been flown in and now the village is beginning to be evacuated by the UNITA leadership.

Mr. José Abilheira is the contact for Fatima Roque's group of business people trying to get studies underway for rebuilding the infrastructure of the country - especially the transport and communications areas. Mr. Abilheira is in Lisbon and so is Ms. Roque. They should be back in Luanda in January. Mr. Abilheira is attempting to reclaim a textile industry which his family owned before independence. When in Luanda, Ms. Roque and Mr. Abilheira stay at the Hotel Presidente. Ms. Roque was in London a great deal during the latter part of the year. Perhaps that is why she did not respond to my facsimile messages to her office in Lisbon. Why the UNITA headquarters did not respond to my request for meetings was unexcusable according to Mr. Fernandes. Several people, including Anthony Newton of the State Department were not surprised when I complained about the lack of response from UNITA.

ANGOLA REPORT

ANGOLA REPORT

VII. CONTACT LIST

1. **Angola Chamber of Commerce and Industry - ACCI**
(Câmara do Comércio e Indústria de Angola)

Largo do Kinaxixi, n. 14 2nd floor
Caixa Postal 92
Luanda

Telephone - 344506/344541

Mr. Antonio dos Santos, President
Mr. João Zumba

2. **Associação Commercial, Industrial e Agrícola de Huila**

ACIAH is located in the capitol city of the Huila province, Lubango. They do not have a fixed office space at this time.

3. **ACOMIL - Associação Comercial e Industrial de Luanda**

Office located in the Angola Chamber of Commerce and Industry
Luanda, Angola

Mr. Ruy Costa
Interim Director

4. **Associação Industrial de Angola - AIA**

Instalções da Cerval
Caixa Postal 1282
Luanda

Telephone - 380379
Telex - 3150 CUCA AN

Mr. Alfredo M. Ferreira Jr., 2nd Vice President
Mr. Walter Brock, Board Member

5. **Associação de Industriais de Hotelaria - HORESIL**
(Hotel, Restaurant and Similar Establishments)

Mr. Tarique dos Santos Van-Dunen Aparisio,
President

Caixa Postal 381
Luanda

Telephone - 330608

**6. Associação dos Armadores Industriais de Pesca Privada de
Luanda - APPIL**

Estrada da Samba Km 3
Caixa Postal 4028
Samba Grande
Luanda, Angola

Telephone - 351762

Mr. Mário H. Fonseca e Sousa
Secretary General

7. Associação de Mulheres Empresarias de Luanda - ASSOMEL

Located in the Angola Chamber of Commerce and Industry
Luanda

No phone

Ms. Maria do Carmo Assis do Nascimento
Vice President

8. Associação Comercial e Industrial do Bengo - ACIBO

Estrada da SAPÚ, N. 25
Caixa Postal 7
VIANA, BENGO
ANGOLA

Telephone 290351

Mr. Armando Bezerra Grande
President

9. União Nacional de Apoio aos Camponeses de Angola

Caixa Postal 2465
Luanda, Angola

Mr. Ernesto Chicucuma
Secretary for Development and Productivity

B. BUSINESS PEOPLE, COMPANIES , BANK MANAGERS

Banco de Comércio e Indústria

Avenida 4 de fevereiro, n. 84
Caixa Postal 1395
Luanda, Angola

Telephone 333-680 / 333-684
Telex 392010
Fax 391-184

Mr. Pedro Maiangala Puna
General Manger

Banco de Poupança e Credito

Largo Saydi Mingas
Luanda, Angola

Telephone - 393245 / 392130
Telex - 3367
Fax - 393790

Mr. António J. da Costa Neto, Manager International Division
Mr. Paixão Júnior, Director Credit Division

The Rotary Club of Luanda

Luis de Almeida, President	(Industrialist-Import) Phone 390636
Joaquim Almeida	(Textiles) Phone 350935
Walter Brock	(Printing) Phone 380598

Mr. Amaral Batista,
President
SERSUL, Ltda.
Rua Sociedade de Geografia, N. 10
Lubango, Angola

Mr. Antonio Ferreira Vieira Lopes
General Manager
Fábrica de Tubos de Angola, S.A.R.L.
Avenida 4 de fevereiro, 95
Caixa Postal 6902
Luanda, Angola

Telephone 290029

Mr. Mario Pizarro

Consultant, Administrator
Sociedade Angolana de Estudos, Prestação de Serviços e de
Administração e Gestão, Ltda. - SOCIFA
Rua Rainha Ginga, 6 2nd floor
Luanda, Angola

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Mr. Francis Nyirjesy,

Consultant
Equator
Equator House
111 Charter Oak Avenue
Hartford, Connecticut 06106

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Ellen Sebastian,

Technical Advisor

UNCTC

Telephone 212-963-4189

Fax 212-963-3062

C. US STATE DEPARTMENT, UNDP, ANGOLAN MINISTRIES, GOVERNMENT OFFICES, NGO's, INSTITUTES, and UNITA OFFICIALS

Acção Angolana para o Desenvolvimento - AAD (NGO)

Avenida Comandante Valódia, 64
Caixa Postal 3015
Luanda, Angola

Telephone - 345825

Mr. Albino Ralunjo
General Secretary
Branca M.C.N. Espirito Santo,
Administration and Finance

U. S. Department of State

Mr. Anthony Newton
Deputy Director
United States Liaison Office
Luanda, Angola

Luanda Department of State
Washington, D.C. 20521-2550

United Nations Development Programme - UNDP

Rua Major Kanhangulo, 197
P.O. Box 910
Luanda, Angola

Telephone - 331181 - 331188
Fax - 871-150-5360-102
Telex - 3368 UNDP AN

Mr. Carlos Bessa Victor,
National Programme Officer

Ministry of the Plan

Mr. Júlio Ferreira de Almeida Correia Sampaio
Vice Minister

Ministry of Commerce

Mr. João Celestino Dias
Vice Minister

Caixa Postal 10411
Luanda

Telephone 370803

Ministry of Fishing

Mrs. Maria de Fátima Jardim,
Vice Minister

Ministry of Agriculture and Rural Development

Benjamim Alvarault Castello,
Vice Minister

Ministry of Industry

Mr. Justino José Fernandes,
Minister

Instituto de Apoio ao Pequeno e Medio Empresa

Mr. Maia, Director
Portuguese consultant providing technical assistance

UNITA

Mr. Tony da Costa Fernandes
UNITA Minister of Foreign Affairs
Presidente Hotel Room 904
Luanda

Unita Headquarters in Luanda are in the Hotel Turismo (Phone 332293). The receptionist, Ana, is in room 410. I spoke to several people at the Unita Headquarters including Gato, the second in command after Abel Chivukuvuku. I also went to the Hotel Turismo three times during my stay but was unable to meet with anyone there. There is a UNITA receptionist in the lobby who took CIPE literature, written requests for contacts and my

business card with the Presidente Hotel contact number. Not only was there no reply but the switchboard at the Hotel Turismo is broken and does not work a great deal of the time so it was difficult to make contact by phone during the day when out of my hotel room.

Ms. Fatima Roque,
UNITA Minister of Finance
Headquarters in Lisbon and Presidente Hotel in Luanda
Fax to Lisbon - 351-1-352-3290
Fax to Luanda - 258-1-491480

**CENTER FOR INTERNATIONAL
PRIVATE ENTERPRISE**

REPORT

Private Sector Organizations in Mozambique

Submitted by

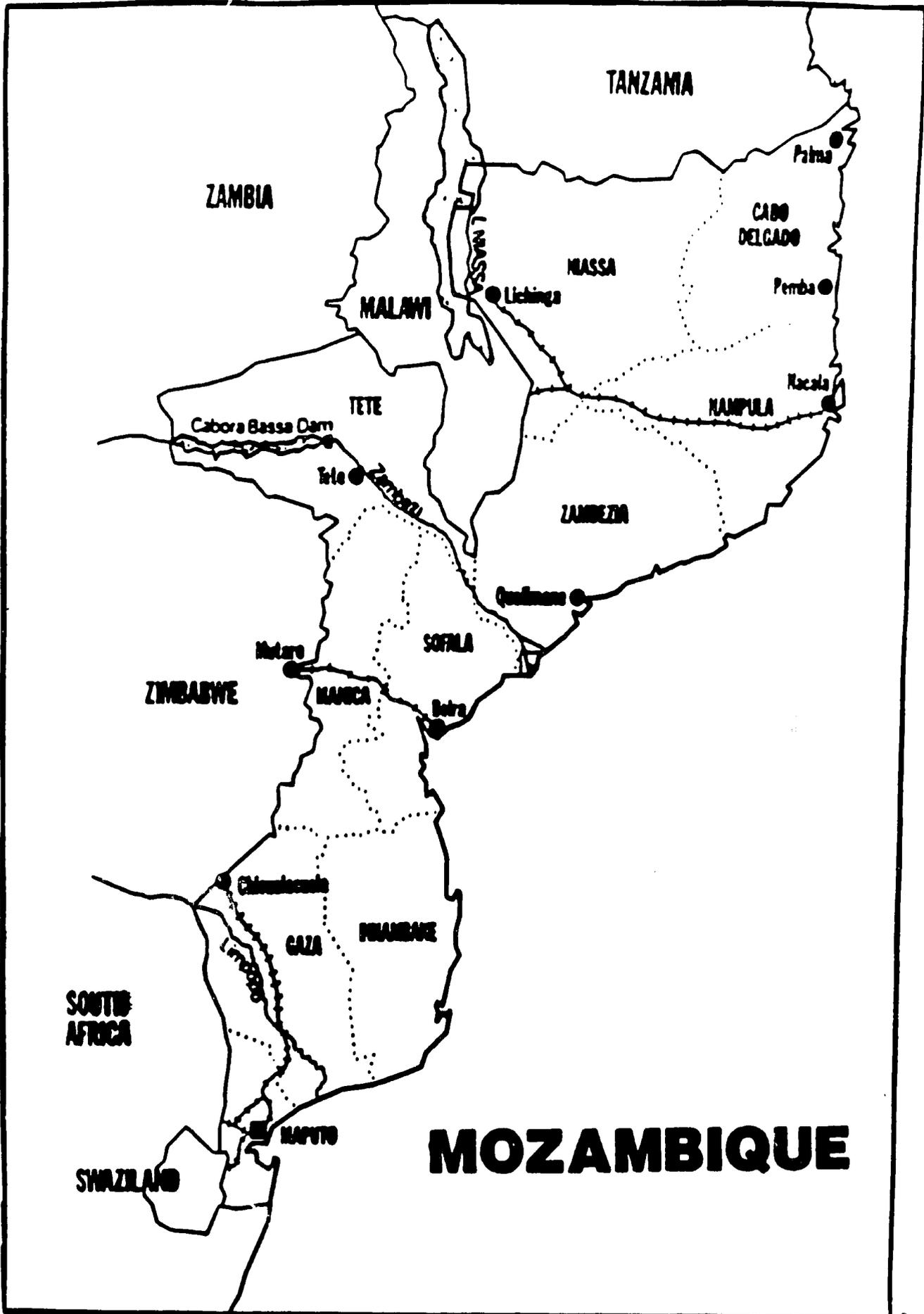
Neil W. Currie,
Bridgewater, NJ

January 13, 1992

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MOZAMBIQUE REPORT

I. PERSPECTIVES FOR PRIVATE SECTOR DEVELOPMENT

To say that Mozambique is battling an uphill fight is an understatement. It is a socio-economic basket case with isolated urban centers with a semblance of potential for quick industrial recovery. The government priorities for the economic restructuring emphasize agriculture and agro-businesses as the locomotive of growth. Although there are clear signs of increased investment from South Africa, Great Britain, Spain and Italy, local investors are still reported to be transferring capital out of the country.

The country, bankrupt by war and mismanagement, faces decades of rebuilding while managing the burden of two generations that have lived in absolute poverty. Short term financial concerns, the government is 80% dependent upon foreign funding, consume the skills and attentions of the administrative machine. Economic and political reform "negotiated" between the government and foreign donors has not included consultations with representatives of the private sector. Further constitutional reforms are still needed to assure a division of powers and provide for individual rights.

On the long term, even the most optimistic observers agree that after peace and elections the administration will be faced with the mammoth task of restructuring the country's infrastructure, reincorporating the refugees and armed forces, and providing the health and educational services needed to care for the generations of poor and illiterate who survived the last 20 years.

The government has made what it claims to be an irreversible shift to market driven economics. Deregulation and privatization is progressing with the support of International banks and the donor community. The private sector, which even under the marxist regime, had not been totally eliminated, has begun to respond slowly to the expectations of the government.

Among the factors that are needed for private sector growth, Mozambique is lacking in several. The most outstanding barriers include:

- a. lack of a tradition of market driven decision making
- b. scarce financial resources
- c. weak infrastructure in communications, transportation, electricity, water, education, etc.

- d. weak legal and institutional base for implementing laws and regulations that promote private enterprise
- e. scarcity of skilled resources in both public and private sectors
- f. weak private sector organizations
- g. ineffective court system

The evidence of an informal sector and the energy of the emerging formal private sector is encouraging. Unlike other former marxist economies, there is no doubt that the entrepreneurial spirit exists in Mozambique and with peace, political stability and proper incentives, capital will begin to return to the country. Peace, however, looks to be more difficult than some observers thought.

Despite the pessimistic outlook, opportunities exist for developing business associations capable of participating in economic and social policy discussions. The organizations that exist in Maputo were created by small groups of individuals who, for the most part, thought that as a group they could obtain scarce resources (financing, hard currency, approvals for imports/exports, supplies, etc.). These companies, private and public, did not (and most still do not) envision their role as policy advisors.

There are immediate opportunities for cooperation between CIPE and existing business associations in the following areas:

- public education regarding market economics
- education of government officials regarding new roles
- strengthening organizational capability to deliver services
 - such as communications with members, educational programs for members, and public relations
- building capacity for policy research and advocacy
- coordination of private sector development projects with GOM and donors.

A report on the business associations follows. They are generally new, inexperienced and understaffed to take on large and comprehensive projects. Contacts between CIPE and any of these associations should begin with small manageable projects that can help educate and hopefully contribute to the credibility of these associations while contributing to the sustainability of the associations from a financial and service standpoint.

There are similar needs in every organization I visited:

1. Communications
 - a. with members (two way)
 - b. general public education
 - c. policy advocacy with public officials and donors

2. Institutional strengthening
 - a. mission and strategic planning
 - b. professional staff building
 - c. financial controls and fund raising
 - d. information management
 - e. developing services to members

There may be opportunities to provide assistance through a consortium of associations with these needs. I discussed these thoughts with several of the people I interviewed and expect that they will be assessing these opportunities during the next few months.

MOZAMBIQUE REPORT

II. INTRODUCTION

Mozambique began a definite and seemingly irreversible shift to a market economy beginning in 1987 and has continued to meet IMF and World Bank guidelines since then. Eighty per cent of the economic activity is from foreign aid and less than 20% of it's food is produced in the country. Over the period from 1973 to 1986 its GDP fell by over 50% and today eighty per cent is from foreign aid. Less than 20% of it's food is produced in the country and it's per capita income is the lowest in south and eastern Africa (\$80 per year).

Several factors contributed to the crisis. The most commonly mentioned are: the actual state of the economy at independence, the political instability characterized by armed insurgency, corruption, and a scarcity of technical and administrative expertise.

A new constitution was ratified in early 1991. It establishes the basis for political and economic reforms including a multi-party government, elections, decentralization of political power and decentralization of the economy. The desirability of the shift to a market economy is challenged by very few hard core FRELIMO conservatives and in realistic terms there is no alternative but to continue the economic restructuring to a market economy.

Policy has not been implemented as quickly or as smoothly as most of the business community expected. State ownership of the key factors of production and the changing economic policy has been easier than the implementation of the changes needed to foster to a market economy. The continued armed conflict makes full recovery impossible. It is estimated that even with peace, reconstruction will tax the country's resources to the limit. It will be years before the economy will shift from crisis to new investment growth. The hopes for a cease fire in 1991 are gone. RENAMO negotiators are in a party Congress rather than at the talks with FRELIMO in Rome.

The first business organization formed after Independence was the Chamber of Commerce of Mozambique. It was created in 1980 and was the only association of business people in the country until the creation of AEPRIMO in 1987. Between 1988 and 1991 several new associations started.

Running businesses in a market economy requires new skills in the government as well as the enterprises. Business associations have been created in this environment in response to the need for credit, the need for getting through the maze of red tape to get a piece of the action, and the need to promote the interests of special groups. The leaders of these associations are learning how to manage their businesses at the same time they are learning how to manage the association.

Some of the organizations contacted have definite focus in a particular sub-sector (AIMO in industry, MCC in international commerce). AEPRIMO has a Mozambican focus without distinction between commerce and industry. Sector specific organizations began with the Tourism sector and the Women's association is a mixture of business women and professionals interested in women in business activities. A Retail association has not been formed yet but different ethnic groups are reported to exist in Maputo.

All of the associations have start-up problems of handling survival and development at the same time. They all have pressure from other associations offering services to their members; members who want to know what they can get from the association; members who have lost interest in the association; government which is beginning to resent criticism without solutions; branches in the interior which are clamoring for services; and donors who want to give support but cannot find a solid base for investment.

Common problems in the private sector organisations are:

- lack of a tradition of membership driven activity,
- inadequate and untrained staff,
- absence of organizational strategy,
- lack of clear mission statement understood by members,
- poorly prepared and untrained staff,
- budget deficits due to overspending, lack of non dues incomes and high levels of unpaid dues,
- reliance on one or two key figures for support and policy advocacy,
- tradition of reliance on outside help,
- limited scope for membership hampers future growth.

Common strengths include:

- enthusiasm and influence of a small group of leaders,
- willingness of influential members to finance expenses
- willingness to buy expertise has begun to expand services without expanding fixed costs or overhead,
- relative ease in finding facilities and setting up office with basic office equipment and communications,
- belonging to associations is desirable for businesses,
- the business organizations have remained independent of

official party affairs.

GENERAL CONCLUSIONS

While individual organizations will undoubtedly present interesting and useful proposals for needed organizational strengthening and policy advocacy projects, there is room for activities such as executive and volunteer workshops, guest speaker series (similar to the series of speakers that went to Romania in mid 1991), technical assistance in the area of communications with members to build newsletter and special bulletin type capability badly needed in the present climate of rapid and uncertain change in legislation, regulation, prices, etc.

MOZAMBIQUE REPORT

III. BACKGROUND

A. HISTORY

As a colony under the control of Portugal, Mozambique was a source of revenue. The Mozambique work force in South African mines received only a portion of their wages and another portion was credited to an account that was used by the Portuguese government to buy South African gold at discounted prices. The mark-up in the gold price was the Portuguese Treasury's major contribution. This arrangement continued for some time after independence under the Samora Machel regime with the newly formed Marxist government receiving the differential on Mozambican workers efforts in the South African mines.

The agricultural sector was under Portuguese commercial farming controls. The larger Portuguese run farms used forced labor which hampered the development of traditional agriculture. At independence less than 15% of arable land was under cultivation.

In industry, the Portuguese colonial system had divided its colonies licenses to produce in such a way as to protect the Portuguese industries and extract raw materials from the colonies. Mozambique's industry was dependent upon imported raw materials and was not cost effective for exports except in the agricultural sector. Industry in Mozambique was a source of income for the Portuguese Industrial Sector.

The railroads and communications systems were developed by the English and the ports were developed largely by the dutch in the early 1900's. Both are operating at approximately 30% of capacity and are receiving donor support from the USA, UK and EEC.

At independence 90% of the population was illiterate. The number of skilled workers after independence was severely limited as the number of Portuguese who remained was less than 20,000 of a total of 240,000 before independence. The lack of a trained work force was further complicated by the fact that only 15% of the population was integrated into the cash economy in 1970.

During the 1970's the civil war was limited to conflict along the border with Southern Rhodesia (Zimbabwe) but in 1980, after Zimbabwean liberation, the war expanded with the support of South Africa to RENAMO. Forty percent of the budget was dedicated to military spending and industrial output had declined by 50%.

Although recent talks in Rome have given rise to hopes for a cease fire by the end of 1991, the level of conflict has risen as both RENAMO and FRELIMO position themselves for post war elections. A significant peasant movement against RENAMO, lead by a legendary Manuel Antonio, was crushed when RENAMO forces killed him. At the time of his death it is said that he had 20,000 followers who were tired of the war and ruthlessness of bandits and armies of RENAMO and FRELIMO. They used traditional weaponry and were successful in challenging RENAMO. The "magic" of Manuel Antonio threatened the "magic" of RENAMO. At the end of the year when talks were scheduled to continue in Rome, RENAMO negotiators were involved in the second party congress rather than meeting with FRELIMO in Rome and they were expected to insist on special terms for RENAMO in the creation of political parties. The regulation of the law of political parties was to be discussed in the National Assembly, which began the day I departed Maputo. RENAMO will insist that the requirements for the creation of new parties be changed to accommodate them, the force behind change. The law stipulates that a new party must have a minimum of 1,000 signatures, 100 from each of 10 provinces. RENAMO will insist that the minimum be 2,000 without any geographical representation.

The definition of private and state run companies is complicated in Mozambique due to the fact that the state is managing firms that were abandoned by the Portuguese after independence. Statistics in 1984 indicate that 294 private companies were registered out of a total of 575. Those firms contributed approximately 25-30% of the total national industrial output.

The USAID mission estimated in July, 1990 that there were 3,000 private commercial farms averaging 35 hectares in size. They are differentiated from the 1.3 million family farms by the size of their holdings (1 hectare), the use of non-family labor and agricultural inputs. There were also agricultural production cooperatives (320) which cultivate an average of 45 hectares. There were 77 state farms (down from 130 in 1988 due to failures and divestment). The state farms average 1,300 hectares.

At independence Mozambique inherited an economy in shambles. Attempts to correct the situation through a centrally planned economy resulted in a further deterioration of the country's economic conditions. A study by the Economist Intelligence Unit indicates that the GDP fell from 120 Billion Meticals in 1973 to 55 Billion in 1985. From a net exporter of food stuffs in 1972 to donor dependency for over 80% of the food supply in 1988.

In 1983 the Government of Mozambique officially acknowledged the need for reform and began to encourage private sector development. In 1987 it launched a comprehensive Economic Rehabilitation Program with the World Bank and IMF. This has led to reforms in pricing, distribution channels, exchange rate

policy and control over public expenditures. The reforms have been supported by international aid and facilitated rescheduling of debt.

The country cannot shift from foreign aid dependency to financial independence in the short term. Continued armed conflict delays quick and successful recovery even further. The government's understanding and willingness to follow IMF and World Bank program measures will assure foreign aid support for the transition period - which will most likely take several years (even with peace).

B. PERSPECTIVES FOR THE FUTURE

The Mozambique government has reached provisional cease fire agreements with the armed insurgency (RENAMO). In late 1990 those agreements covered the major transportation corridors and in mid 1991 talks have given rise to optimism for reaching a general cease fire that will increase security elsewhere in Mozambique and provide for an improved overall investment and rehabilitation climate. In February 1990 a new constitution paved the way for a multiparty political system and enshrined the right to private property (but not ownership of land). In November, 1991 a new investment code was signed into law giving assurances against nationalization of property. Some members of government want to schedule elections under the new constitution as early as mid 1992 but without peace and the formation of party structures the results of elections are questionable.

The government's Program for Economic Rehabilitation - Programa de Reabilitação Economica - has reversed the negative growth years of 1980-85 but the slow growth of the developed economies in 1990 has depressed the recovery in Mozambique. The annual gap in the Mozambique balance of payments is close to \$800 million and close adherence to IMF standards is a necessary condition to the continuance of donor support.

New foreign investment totalled \$20 million in 1990. Tourism and agriculture lead the way and will continue to be important areas for short term investments. Plans are well under way for the creation of export processing zones which could be operational in 1992. Best prospects for exporters to Mozambique are in equipment for hotel-tourism, agriculture and aviation supplies. Investors are advised to look for export oriented industries and to the international donor community which pumps \$800 million in aid to Mozambique and most of it is open to international tenders. Projects up for tender include civil construction, transportation and education.

C. ECONOMIC GROWTH

GDP grew at 2-3% in 1990. Slower than the two year period

between 1988 and '89 but still better than the first half of the 1980's. As the role of state owned companies has waned, so has the country's ability to collect data on production - especially the agricultural production.

Barriers to growth included: the overall soft world market for commodities; sabotage in power supplies and state run factories; transportation bottlenecks; poor rains in 1991; poorly written legislation and even poorer administrative structure to implement changes; ineffective judicial system; continued vicious cycle of debt in state run companies and institutions, scarcity of local currency components to match available hard currency investment sources; higher than expected inflation rates; absence of Mozambican entrepreneurial tradition in the local, formal economy; and a continued erosion of the local market purchasing power.

Budget - the economic restructuring plan aims to control government spending and improve the financial position of public enterprises. Even with considerable improvements the deficit in operating budgets was approximately 28%. Aid grants reduced the deficit to 12% which was financed by external sources. As is to be expected, the development budget is aid-financed.

Tax revenues - income taxes were instituted in 1991 at 30% of individual salaried income and a 15% service tax is levied on services provided by nonresident enterprises. Starting in 1992 major registered firms will be required to submit an independent audit with their tax returns.

Balance of Payments - trade deficit in 1990 was \$750 million. Half of the deficit is covered by grants and the remaining \$375 Million is financed through debt relief. The US is Mozambique's third largest export market after Spain and Japan and holds sixth place in the import suppliers after Italy, the UK, South Africa, France and the Soviet Union.

Foreign Investment - Of the \$20 Million of new investment in 1990 none was from the USA. UK and South Africa lead investors and newly formed joint ventures in agro-industry are attracting more interest from other SADCC countries.

Foreign Debt - \$4.4 Billion ranks Mozambique amongst the most indebted nations. \$1.6 billion is owed to OECD (Organization for Economic Cooperation and Development) countries and \$1.4 billion to the USSR and other Eastern European countries. Debt-buy back schemes are being developed through the International Development Association (IDA) Debt Reduction Facility and assistance from other countries.

Economic Rehabilitation Program - The transformation from a centrally planned economy to a market-based economy included the

creation of a secondary exchange market, the legalization of private rentals and reduced price controls. Still to come are objectives including reduced inflation, realistic exchange rates, simplified trade, improved banking and financial services and an overall GDP growth rate of 5%.

Agriculture and Maritime resources - Donors provide 30 % of Mozambique's food requirements. Market driven prices are expected to improve production in the areas where the rains were good in 1991. The primary export is cashew nuts. It was down 52% in 1990. Cotton production as well as cashew exports are expected to be up in 1991. Sugar production is recovering thanks to investments from the UK and the African Development Bank.

The fishing sector contributes 50% of export earnings and new investments must include local partners.

Industry - shortage of foreign exchange for parts and raw materials; unreliable power supplies and stagnant consumer markets hamper local industry development. Export industries are somewhat better off but the focus on non traditional exports - mainly shoes and textiles in barter trade with Eastern Europe - has not resulted in ability to improve quality to compete in world markets. 47 large public enterprises and 40 smaller enterprises were privatized. An additional 40 companies are receiving funding from the World Bank and other nations. Foreign investors will be sought for some of the rehabilitated companies.

Energy - potential is not explored due to sabotage at the largest hydroelectric power plant at Cabora Bassa. Natural gas findings also await investors for export to neighbors and internal consumption.

Mining - With the increase of gold mining the mining sector increased by 80 % but the reserves of graphite, bentonite, titanium, bauxite, pegmatite, tin, gold, nickel, marble, precious and semiprecious stones are practically unexplored due to the war and breakdowns in railroad transportation.

Transportation and Communications - Port and rail usage is decreasing due to the war, corruption and mismanagement in the ports. Donors are investing in recovery of the infrastructures but even the port of Maputo is operating at under 30% capacity.

Air transport is the major link for goods and people.

Communication links with the west are good and recent agreements with Sweden, France, Italy, Portugal and Germany will pump \$6 million into the internal linkages.

Business opportunities - immediate opportunities are with the international donors which generate \$800 million in development

assistance per year. Investors should look to the export industries and to consulting or management services to the exporters and international agencies. Those wanting to introduce products into Mozambique should contact the U.S. Embassy regarding the Maputo International Trade Fair or the Mozambique desk officer of the U.S. Department of Commerce Room 3317 Washington, D.C. phone 202-377-5148.

MOZAMBIQUE REPORT

IV. PRIVATE SECTOR ASSOCIATIONS

A. **ACTIVA - Associação Moçambicana de Mulheres Empresárias e Executivas**

HISTORY - ACTIVA began in 1990 under the name AMEE and is still waiting for final registration under the new association law which makes registration a civil process not tied to a specific Minister for final approvals. It started with a small group of professional women who saw a need and chance to obtain assistance to get started. Since the beginning the membership has been mixed between business owners, managers and professionals.

BOARD - three board members are elected by the members for two year terms. The next election will be 1992.

STAFF - One full time secretary handles the routine office activities. Two more employees will be hired in 1992. The executive function is being handled by the board members, especially the President, Mrs. Heny Matos (see interview notes).

PUBLICATIONS - bi-monthly newsletters are being sent since mid 1991. The quality is improving with desk top publishing capabilities and a photocopier in the office space. The newsletter is the only regular communication published by any of the associations that I met.

MEMBERS - membership is spread around the country with 5 provincial branches. Approximately 120 members are in Maputo and 60 more spread around the country. The president estimates that the members are 50% business owners or partners. The membership data base is going to be built on the new computer.

BUDGET - there is no budget for the first year of operations but the second year will have one according to the president. She did not venture a guess as to what it will be.

SUBSCRIPTIONS - the monthly dues are \$10 (flat fee).

OTHER INCOME - fees for international fair and seminars (ILO sponsored "Improve your business")

FACILITIES - the ACTIVA office is one room on the first floor of the Associação Industrial de Moçambique - AIMO office which is a

two story residence in the center part of Maputo. They have a modern office facility with two desks, computer, printer, phone and fax, copier. There is no vehicle or room for expansion of office facilities but in the first two years they are sharing office services and cleaning personnel with AIMO on a pay as you go basis.

POLICY ADVOCACY - well positioned and relatively well equipped, ACTIVA could make a contribution to policy discussion. They hope to have membership needs identified in early 1992 (questionnaire has been sent out - see attachments on ACTIVA). They have good contacts with donor community and are being invited to participate in government committees. Staffing will become an issue quickly.

They hope to receive considerable assistance from the Women's World Bank and other donors to build credit facilities and hire consultants on an as needed basis for research and policy recommendations.

PROGRAMS - The major programs for 1992 will be to:

- develop the provincial branches in all provinces
- implement credit facilities with WWB
- promote members in local trade fairs
- promote training for members
- develop policy advocacy capacity

OBSERVATIONS - The organization is new and highly dependent (as all are) on a small group of dedicated people. The president is not a citizen and needs more citizen participation in the key areas of policy advocacy and WWB contacts. The organization has done very well to get as far as it has and deserves help. The newsletter skills and experience should be shared with other associations and more and better information could be channelled to ACTIVA for publication. The President was very interested in CIPE's activities and may send a proposal for cooperation. She is aware that the first projects should have high impact, relatively low cost and easy management.

B. Associação Economica da Industria Hoteleira & Similar

A formal meeting with the Board was not possible. The President of the association was on a trip to a Tourism conference in London during part of my stay. With the formalities of representation of the association, the people I talked to declined to speak on behalf of the association (See interview notes). The association includes bars, discos, restaurants and hotels of all sizes. It has not historically included the tourism industry (transportation, camps, etc.). They do not appear to have facilities or staff but are reported to have by-laws, elections of officials, financial controls and are active in policy dialogue in the hotel and tourism area.

C. AEPRIMO - Associacao das Empresas Privadas de Mocambique

HISTORY - the first business association to be formed as an alternative to the Mozambique Chamber of Commerce, AEPRIMO had the support of USAID staff members and funds to get started in 1986-87. That support still continues with a grant for \$90,000 pending for training of AEPRIMO members.

BOARD - Nine board members are elected for 4 year terms.

STAFF - One executive secretary, Dr. Henrique Carlos Machele, manages the affairs of the office in exchange for using the office as his place of business. He is a lawyer and provides legal counsel to AEPRIMO at no charge. He has three part time staff people.

PUBLICATIONS - The AEPRIMO by laws are published (attached to report) and they have used circulars to all members for most communications. I was told that they had monthly newsletters but could not find any upon further questioning. They may have been published in the early stages of the organization.

MEMBERS - The membership was originally limited to citizens who owned small or medium sized enterprises. Since 1989 membership has been open to all private enterprises irrespective of nationality but the public image of AEPRIMO continues to be small local companies. There are 321 members, 71 large, 100 medium and 150 small. The biggest problem that the organization faces today is membership apathy and non payment of dues.

BUDGET - The budget is estimated at US\$30,000 for 1991. I did not receive copies of the budget but the executive secretary told me that the staff has not been paid due to a lack of funds - I question the budget numbers and the financial situation of the organization needs to be investigated further if they request financial assistance.

SUBSCRIPTIONS - formula based on number of employees with minimal payment \$96/year (1-5 employees) and the largest \$900 (more than 20 employees).

OTHER INCOME - donation from Friedrich Ebert Foundation, member donations, office services to members. Other income is approximately 50% of total yearly expenditures due to the volume of donations from foreign assistance.

FACILITIES - My meetings were always in other facilities. I do not know what the AEPRIMO office looks like. They do have an area which is used by the executive secretary and two staff people on a regular basis but they use the offices of the board members for meetings and communications. They have no vehicles

at this time.

POLICY ADVOCACY - participates in government income committee and has negotiated credit agreements with the development bank.

PROGRAMS -

- legal counsel to members
- credit proposals and credit lines
- export negotiations (beef)
- training courses (pending USAID approvals)
- training center (pending ILO approvals)

OBSERVATIONS - AEPRIMO is going through difficult times having begun in a period when it was nearly impossible to start a private association and the needs of members were very different. It's leadership has found it hard to get funding for members or for the organization because it has not demonstrated results or good management over the last four years. Even USAID, the "godfather" of AEPRIMO is hesitant to help.

I would not recommend financing AEPRIMO programs exclusively or depend upon AEPRIMO for implementation of programs. They can be helpful in a joint effort and could benefit from a collective project.

D. AGRARIUS

Mr. Roberto Maquile, Vice President, visited the hotel to gather information about CIPE. The President of the association, Mrs. Albertina Castanheira, is ill and on leave but she will be interested in CIPE.

HISTORY - Started in March, 1991 the association is seen as one of the most enthusiastic of the new associations in Maputo.

MEMBERS- Membership is at 250 after starting with 50 only nine months ago. Members have agricultural activities and most live in Maputo but operate small farms near the city. A large number are barely literate.

FACILITIES - they have temporary office space in the international fair grounds.

PROGRAMS - during the first year the association promoted two training courses for members and non-members. The training was in general management and helped increase the number of members.

OBSERVATIONS - although I was unable to gather more information about AGRARIUS due to the illness of the President and reluctance of Mr. Maquile to speak on behalf of the organization, references I received from several people indicate that this organization has potential. Mr. Maquile's attitude (enthusiasm and humility) reinforced my positive impression. More information is needed but nothing negative was said about AGRARIUS while I was there. They do not have a work plan for 1992 and because the president is out on extended medical/maternity leave it is likely that nothing will come from them in the near future. They should be involved in any CIPE activity that would benefit associations in Mozambique.

B. AJEM - Associação dos Jovens Empresários da Moçambique

HISTORY - AJEM was formed in August, 1991 and is in the process of registration with the Ministry of Justice. The President started AJEM after attending two annual conferences of similar associations in Portugal.

BOARD - Eight members were elected for two year terms. As in all associations all of the board is elected at the same time.

STAFF - There are people who work for the association. One is a data processing professional who uses the facilities of the President to work and do association work. The other is part of a secretary who also works in Mr. Hipólito's offices.

PUBLICATIONS - awaiting NORAD financing they plan to have a quarterly newsletter

MEMBERS - Fifty-two members include existing and potential businesses as well as general managers and executives.

BUDGET - estimated in \$14,000 for 1991-92

SUBSCRIPTIONS - flat fee of \$1 per month

OTHER INCOME - donations are expected from foreign assistance and Portuguese cooperation through banks and youth business associations

FACILITIES - operating presently in the offices of the President there are plans to move to the association's own location (not yet determined or budgeted). The association has not been able to acquire equipments of any sort but has begun to seek assistance from NORAD, Friedrich Ebert Foundation and will continue to seek help in Portugal.

POLICY ADVOCACY - the association has begun to participate in a consortium of business associations being formed by the Friedrich Ebert Foundation to submit recommendations to government regarding incentives for small and medium sized businesses (see GAPI interview notes).

PROGRAMS - the association received financial assistance from the Banco Fomento ao Exterior (Portuguese) to set up a young entrepreneurs booth at the International trade fair in Maputo this summer. They attracted attention and had some deals made. Nothing was charged to members for allowing them to display their goods.

OBSERVATIONS - Hipolito has an entrepreneurial spirit that is contagious. The association is being run as if it were his and

needs time to mature. I am not sure that there is a need for it in Maputo today because it is not clear what the criteria for membership really are. It mixes professionals and business people without clearly stating what the goals are that are different from any of the other associations. His energy and personal commitment are the only thing that distinguishes it from the others.

I would not recommend direct financial assistance to AJEM at this time but would not exclude it from participating in organizational development or public education activities coordinated and implemented by other associations with more experience and structure.

F. AIMO - Associacao Industrial de Mocambique

HISTORY - The Industrial Association was formed in August, 1989 and has had an executive secretary since the end of 1990. They are formed by a mixture of state owned and private companies that are involved in manufacturing and services. Their membership is national but the overwhelming majority are located in the Maputo metropolitan area. The focus of the organization is on manufacturing and their leadership is most effective in advocating policy change.

BOARD - Six officers are elected for three year terms. The next elections will be in August, 1992.

STAFF - The executive secretary is full time and capable (see AIMO interview notes). She handles a staff of 3 full time clerks and provides services to ACTIVA which has offices on the first floor of the house in which AIMO is located.

PUBLICATIONS - nothing regular but would like to begin

MEMBERS - Of the 150 members, 50 are big companies, 75 are medium sized and 25 are small. Not everyone is paying their dues on time and a few are over three months behind.

BUDGET - the budget for 1991 was supported 100% by membership dues and was approximately \$35,000.

SUBSCRIPTIONS - Large members pay \$30 per month, medium sized pay \$20 and small pay \$16.

OTHER INCOME - Nothing has been done in this area. Even when they hired an economist to do some studies on tariffs and customs they were able to raise the \$3,000 fee by collecting back dues. This was one of few organizations which had not begun due to the fact that they thought they could get outside help for running their affairs.

FACILITIES - they have their own offices in a centrally located house in Maputo and sublet out an office to ACTIVA. They would like to have airconditioning (which ACTIVA has through donations), fax, computers, and vehicles but will make due with what they have.

POLICY ADVOCACY - they are the most influential of the new associations in voicing the opinions and problems of the private sector of Mozambique. They are seen as more independent from the Chamber of Commerce and the leaders have been outspoken in public which is something new for everyone. They would like to hire or contract a team of 3 (economist, lawyer and engineer) to do research and present recommendations for presentation to

government officials. They lack confidence in their ability to make recommendations but are not shy about pointing out problems.

PROGRAMS - one research project for policy advocacy, training of staff, developing plans for a policy unit and a regular newsletter but not yet prepared to deliver.

OBSERVATIONS - The leaders of AIMO have the highest level of consciousness regarding the strength of an association and are personally committed to AIMO's success. The President is respected by members of government. CIPE cooperation in Mozambique should include AIMO and engage their secretary in implementation if possible. I expect that they will contact CIPE within the first few months of 1992 with request for assistance in building their research and communications units.

G. MCC - Mozambique Chamber of Commerce

HISTORY - The oldest and most mature of the business associations in Mozambique. The Chamber was started under the guidance of the Ministry of Commerce and has only recently become legally independent of the Minister's control from an administrative point of view. Although it has benefitted by the relationship with the Ministry, the Chamber was (and is not) subsidized directly by the Ministry. It has assumed government services which add revenues to the Chamber budget such as issuing certificates of origin, managing the business club and organizing trade fairs.

BOARD - the Board has 16 members elected for three year terms. The President has been in his post for nearly 11 years and carries with him the image of the "old" Chamber. Last year he was challenged for the first time but was reelected with the help of the state owned companies (some are located in the International Trade Fair grounds where he is the General Manager).

STAFF - Three professionals and 10 clerical staff run the Chamber headquarters. The executive secretary participated in the CIPE/SRBC Workshop in Gaborone in November, 1991. The three branches are all volunteer with secretaries paid by branch budgets. The Business Club staff is not included in the above totals.

PUBLICATIONS - The Chamber has a monthly magazine which is printed by an outside firm and focuses on import and export opportunities and news. A yearly trade directory is also published under the Chamber's name.

MEMBERS - Membership is limited to companies registered in Mozambique with licenses for import and/or export activities. This limits the population of potential firms and the Chamber membership has been stable for several years at 350. The mix of public and private firms has been changing quickly over the last two or three years to the point where it is 50-50 and in the next two to three years the overwhelming majority of the members will be private. Members are classified as large, medium and small.

BUDGET - The annual budget, including the club is approximately US\$90,000.

SUBSCRIPTIONS - Annual subscriptions run from \$120 to \$180 to \$240 and cover approximately 50% of the annual expenditures.

OTHER INCOME - Services, club, rents, publication advertising, fairs and trade missions.

FACILITIES - The Chamber has its own headquarters. I did not visit the Chamber headquarters but was told that they had modern office equipment, communications facilities and vehicles for administration and services. I met with the President at his office in the International Trade Fair Grounds where a good deal of the Chamber activities are managed by him directly.

POLICY ADVOCACY - The Chamber has the legal staff and critical mass necessary to develop studies. It's efforts focus on import and export policy and related issues such as customs, monetary policy, and incentives for export. In the past, exporters and importers used the Chamber to obtain licenses and get access to incentives such as subsidized foreign currency. This dependency on the Ministry of Commerce is no longer the case today but the old habits of using the Chamber to approach the Ministry for doing business led to the impression that the Chamber is not a force for change but a source of assistance within government regulations.

PROGRAMS - The Chamber is a facilitator and service unit that provides assistance in investment promotion, training for members, formation of trade missions, provides legal counsel and in 1992 will continue to train its own staff and branch officials.

OBSERVATIONS - The Chamber is still seen as an extension of the state bureaucracy, even by its members. The continuity in top elected officials has prolonged the image of a Chamber dependent upon the state. I did not notice any effort or concerted action to change that image. As a provider of services, the Chamber works with a restricted membership and does not plan to expand its mission. It has the resources to make a bigger impact on the development of the private sector.

The Chamber represents the private sector of Mozambique in the SRBC Council and does maintain some contact with the other associations but not systematically. The Chamber has worked together with AEPRIMO and AIMO recently to host a week of activities to promote industry and exports. If CIPE receives requests for assistance from the Chamber it should consider the Chamber's role as NBC and expand the scope of projects to reach more than the import/export businesses and other business associations.

H. União Geral das Cooperativas - UGC

The cooperative is a productive unit that has a social agenda that absorbs their "profits." The unit is comprised of 192 cooperatives with a total of 8,500 members. They are mostly women who live in the Maputo Green Belt and either plant or have chickens, pigs, goats or other livestock. The cooperative is a service unit for the "peasant farmers" (camponeses). It is a vertically integrated production unit that uses the collective resources of its members to reduce the cost of services (and in some cases just provides the only services) to them. They provide transportation of product, supply raw materials, process chickens, sell product, process grains and feed, repair equipment, etc.

The União Geral de Cooperativas started in 1980 with technical assistance from the Ministry of Agriculture. Today the President is elected by the representatives of the 192 cooperatives. Mrs. Cossa has been President for over 8 years and is the driving force behind it. She has a mission to pull her members up by the bootstraps through hard work and a heavy emphasis on education. They have a full curriculum of basic and vocational education for the members and see the role of the cooperative as a social force as well as an economic operator. Training and child care centers are the outstanding functions but they have been created by donations from different sources and brought considerable fixed costs to the organization. The government of Mozambique has given them a tax haven for two years and may extend that.

Depending upon the project goals, CIPE may find UGC an able partner for reaching the informal sector but I am not sure what the guidelines are regarding assistance to cooperatives.

MOZAMBIQUE REPORT

V. INTERVIEW NOTES

28 November - 9 December 1991

A. BUSINESS ASSOCIATIONS

1. ACTIVA - Associação Moçambicana de Mulheres Empresárias e Executivas

Mrs. Henny Almeida Matos,
President
Avenida 24 de julho, 2021
Maputo

Telephone - 423506
Telefax - 423506

Mrs. Matos is Antonio Almeida Matos' (Managing Director of Austral and Vice-President of AIMO) spouse. She, as about 50% of the members of ACTIVA is a professional, not a business owner but a potential entrepreneur. She did not offer information but is reported to have a full time job working in the Instituto para Desenvolvimento da Industria Local (IDIL) and also has a six month contract with UNICEF. IDIL is the small business development institute of the Ministry of Industry. She is responsible for the ILO training program "Improve Your Business." She spends approximately 2-3 hours each evening at the ACTIVA office.

The organization has over 180 members, 3 elected officers, an internal audit group (Conselho Fiscal) also elected by the members, and 1 full time executive secretary who is more of a secretary than an executive. Staff is a problem for ACTIVA because they have decided to go half way in hiring an experienced secretary and given her the title of executive without the proper experience or training.

ACTIVA is a growing organization which has established groups in Maputo (about 80% of the members are in the Maputo metropolitan area) and 4 other districts. Although it was founded as a national organization it did not plan to have district representation so quickly and now the leaders are concerned about how to organize to give the districts authority and accountability. They have reached agreements on the flow of funds but are not sure that the budget process will improve the association's services to members. Little has been done to train the local volunteers which have the responsibility to develop

their operational budgets and manage the affairs in each region.

The beginning of ACTIVA was caught up in changes in laws for registering non-profit organizations. It still has not registered its constitution because the new law states that "government" has to approve the constitution. It has been decided that the Minister of Justice has to approve and then the Notary must register the process before ACTIVA can be legally authorized to operate. This seems to be all but done since the government itself has listed ACTIVA as one of the non-profit private associations in the country. But it still hampers the associations ability to raise funds and open a bank account. The situation is expected to be resolved as soon as the Minister has time to sign - that could be soon or could take months according to Mrs. Matos.

The three elected officers have been able to form committees (here called Comissões due to the word association of committee with the Party) for ad hoc problem resolution or task force assignments. They do have a standing committee composed of volunteers for the publication of a bi-monthly newsletter. The quality of the newsletter has improved over the first three issues and could improve even further if they had regular contributions - especially in the area of policy analysis and in the area of business opportunities for members. This could be an area of interest for help from CIPE. They could tap members to contribute to the newsletter but need help with the expenses of setting up a unit that can become self-sustaining.

At this moment there is no advertising and the newsletter is distributed under a contract to a vendor. The districts receive a bundle and distribute the newsletters personally. With very little effort the existing contract could be turned into a sales opportunity for advertising space that could help defray the expenses of publishing, printing and distribution.

ACTIVA has hired IDIL to run Improve Your Business seminars for members in Maputo and would like to do them around the country. Since Henny did not mention that she was responsible for the IDIL programs my first reaction was that it took a lot of work to get this program off and running. In fact, she neglected to mention that it was a money maker for IDIL and a feather in both of her caps.

2. Associação Economica da Industria Hoteleira & Similar

Caixa Postal 842
Avenida Karl Marx, 186-190
Maputo
Telephone 425562
Telex 6-303

A formal meeting was never arranged. The President of the association was on a trip to a Tourism conference in London during part of my stay. With the formalities of representation of the association the people I talked to declined to speak on behalf of the association. Other contacts indicated that the President is dynamic. The association includes bars, discos, restaurants and hotels of all sizes. It has not historically included the tourism industry (transportation, camps, etc.).

I did interview one of the Board members:

Mr. David Ankers
Vice President

Mr. Ankers is the General Manager of the Hotel Polana. He reported that he was recruited to be Vice-President - not elected by the members. He is not involved in the administration of the organization but will try to put me in contact with the President who is also the General Manager of the Sheik group. He was in a tourism conference in London and may not have returned but the association was reported to have met earlier this week.

The overall picture in David's report is that the association has existed for many years and only over the last few months have the new and larger hotels taken the lead in the organization. David has come from Cape Town and worked in Brazil. He is a year in his job at the Polana.

The above address was given to me by Lucy Tamlyn at the Embassy. The name of the President that she gave me is Zaide Mahomed Aly.

3. AGRARIUS

Mr. Roberto Maquile, Vice President
Recinto da FACIM, Pavilhão 14
Caixa Postal 445
Maputo

Telephone - 427151/2
Mr. Maquile's residential phone 732799

Mr. Maquile visited the hotel to gather information. The President of the association, Mrs. Albertina Castanheira, is ill and on leave but she will be interested in CIPE. He will be back to me Saturday morning but for now he gave me a brief idea of the organization which has grown from 50 members in March when it was officially registered to 250 members this month. They held two seminars on agricultural business management and technical training which brought in new members. They have gone through the excitement of a new organization and the dedication of volunteers is drifting and the interest of members is getting harder and harder to satisfy as they want the association to solve all of their individual problems.

CIPE may have come at just the right time. It seems that they need to consult the President on all key issues. I told him to consult as many people as possible before they go forward to ask for help from anybody. They do not have a detailed, formal plan for 1992. Mr. Maquile is an ex Ministry of Finance official and is working in the training section of AGRARIUS so he has a high level of education and interest in promoting courses as the main vehicle for communication with the members. He said that about 33% of the members have more than a 4th grade education and have the habit of reading. Most members do not want technical courses either. They prefer courses that tell them how to do things rather than making them try to understand why.

4. AJEM - Associação dos Jovens Empresários da Moçambique

Mr. Hipólito Amela,
President

Avenida Josina Machel, 276 2nd floor
Caixa Postal 1876
Maputo

Telephone 430263

The AJEM headquarters are in a small office in Mr. Amela's company, Interface. It was formed three months ago and is in the process of registration with the Ministry of Justice. The office facility is hoped to be established soon with the help of Portuguese organizations and the Friedrich Ebert Foundation but no grants have been awarded as of yet.

He participated in a meeting at the Friedrich Ebert Foundation's Gabinete de Apoio a Pequena Industria (Small Industry Support Unit see Mr. Dieter Falk) with the leaders of AEPRIMO, ACTIVA, ARGARIUS and the General Cooperative Union. The association has 52 members at this point and it was formed because the young, local entrepreneurs were not satisfied with AEPRIMO's performance. They think that AEPRIMO was formed with a defensive objective when the government was hostile toward private businesses. It was also formed exclusively for the local business community and discriminated against foreign investors.

They have a regular full time secretary called executive secretary who is a high school graduate with a data processing background. They plans to hire a part time secretary for the office. They have members who help with the legal advisory services and accounting. The association functions mostly on a voluntary basis. There are 4 vice-presidents and 4 regular officers elected to sit on the Board with the President there are 8 executive committee members elected for two year terms.

AJEM's goals are to promote the development of its members but more importantly to promote the development of an entrepreneurial class in Mozambique. They do not discriminate against foreign investors but they do focus exclusively on companies that are registered under the national investment act and do not have members who are registered under the foreign investment act. There is a difference here which allows for the foreign contractors who decide to stay and invest in local business to be part of AJEM where AEPRIMO limits members to nationals.

The definition of young is flexible but generally young is chronological age of the member representative, not the company. The association was created to recognize individual contributors

and as such considers the individual and his/her enterprise inseparable. (my comment) most of the individuals I met split their attentions between some sort of state company activity and one or two private ventures.

The beginning of AJEM came about through invitations from the Portuguese youth association which was handled by the FRELIMO youth movement and AEPRIMO. AEPRIMO asked Hipolito to go two years running to meetings of young entrepreneurs promoted by the Portuguese Centro para Desenvolvimento Industrial (CDI). Hipolito decided to start AJEM while on the second trip when he gathered the Portuguese young business group's constitution, programs, etc. The same organization has committed to providing material and technical support to AJEM but nothing concrete has come. The CDI has said it will send technical experts to help with the organization but AJEM will have to pay. They want to know if CIPE would help. I said that help with the organization is one area that CIPE has done in a few cases but that institution building needs to be justified and balanced with services to members and the promotion of the principles and policies of private enterprise.

Other ideas are the creation of a membership data base for business development and investment. One that seems to have captured Hipolito's imagination is an entrepreneurial development system that starts with psychological evaluation and leads to training and development of business ideas. The concept would facilitate the development of a class of trained entrepreneurs who could easily attract investors and actually develop businesses from the idea to profits.

They received US\$10,000 in assistance from the Portuguese bank - Fomento e Exterior - to set up a stand at the last international fair. The members with product to show were given a spot and the event was a success. Next year they will have the same support from the Banco Fomento and plan to charge the members a fee for showing.

Hipolito is vice president of the Portuguese organization União Internacional dos Jovens Emprários de línguas oficiais Portugueses. This organization is supported by the government of Portugal and has "antenas" throughout the Portuguese speaking countries. In Mozambique the antenna is AEPRIMO.

5. AEPRIMO - Associacao das Empresas Privadas de Mocambique

c/o Macol Consultoria
Avenida 24 de julho, 2293 1 andar
Maputo

Phone - 421527

Mr. Diogo E. Guilande, President
Mr. Baptista Salamão Francisco, Vice President
Dr. Henrique Carlos Machele, Executive Secretary/legal advisor

Our first meeting was quite short but served as an introduction. AEPRIMO is a national organization focusing on the local entrepreneur. They will be pursuing help in the development of small business.

Mr. Guilande has been to the USA through USAID sponsorship and AEPRIMO is waiting for a USAID sponsored training program for small business.

He and his board will be meeting with me next week to share more information. He did not say much when I mentioned that I had been given some information from Mr. Baptista Francisco at the SRBC workshop. It may be nothing but it was not a warm reaction.

The President, Mr. Diogo Guilande, was to be present at the next meeting that was held in the conference room of his company. He was not there but the meeting was called by Mr. Francisco just hours before we met.

Dr. Machele is a lawyer and is looking to establish his own practice. He is the highest paid employee of AEPRIMO but confessed that he has not been paid for some time and is on the job part time. He started using the AEPRIMO office as a place for contacts in March and it looks like he gives his services in exchange for the use of the office. He said that there are two employees, clerical types, that have also not been paid for some time. Dr. Machele is the key contact with members and donors on a day to day basis. He has had problems with USAID's handling of a grant to AEPRIMO for training. They have changed the goals of the project and complicated the search for a supplier of management training. (my comment) USAID is wondering, after three project officers have been responsible for the grant, if AEPRIMO knows what it is doing but it created AEPRIMO and now has to work things out somehow. The total is \$90,000 and a lot of paperwork for little impact!

In 1989 AEPRIMO changed its requirements for entry to include members with foreign capital as long as they have companies registered in Mozambique. A new entrance is Hertz Rentals.

No mention of the branches was made in our conversation but USAID informed me later that they received a request for funding from a branch that was well presented and has a good chance for success. One more indication of the struggle for identity. Further indication of problems came in the meeting at Standard Tota bank when reference was made to party members involvement with the direction of the association.

The conversation was mostly of dreams for the future including:

- 1) getting a new location from local government when a provincial office building is vacated downtown. They have received verbal commitments from the government but nothing in writing.
- 2) getting USAID to grant 100,000 for management training programs. This project is on hold while USAID decides if and how it should be implemented. The AEPRIMO group is looking at it as a way to get something going for the members and energize the organization.
- 3) building an information and training center. The UNDP office has been massaging the concept paper for one year and there is no budget assigned to it. They believe it will get approved - sounds like a dead idea to me.

We talked frankly about their financial situation. They survive from year to year based on contributions from a small group of interested members - it starts to look more like a business club than a member driven association. Once again nothing was said about branch contributions to the expenses. The organization is in difficult financial circumstances.

They have the prestige of being the first private business association in the country but when the government opened up they lost the reason most people joined (to defend their interests in a hostile environment without sticking their necks out). They do not have strong membership participation in the affairs of the association. Member apathy is one of the problems that they have identified.

The creation of new associations came after about one year of AEPRIMO's creation. One, the Hotel Association, is a member of AEPRIMO but the association's members are not all members of AEPRIMO. Mr. Baptista Salomão and his company are members of the Chamber of Commerce, AEPRIMO and AIMO. He believes that each one serves his interests in a unique way but he does agree that in a relatively poor country with a lack of trained personnel to run associations the creation of three separate overheads may be unnecessary duplication of efforts.

6. AIMO - Associacao Industrial de Mocambique

Avenida 24 de Julho, 2021
Caixa Postal 700
Maputo

Telephone - 20302
Fax - 258-1-430-111 (Matavel's Company #)

Mr. Inocencio Matavel, President
Mr. Antonio Almeida Matos, Vice President
Ms. Aura de Sousa, Executive Secretary

Aura has been on the job for one year as the executive secretary which is a combination of clerical and professional level activities. She had left a job with the power company to join her husband in a family business before coming to AIMO. The Minister of Industry was her school classmate and she could have returned to the power company except it is in bad shape and AIMO's salary is much more attractive than government wages. Aura contributes to the conversation on occasion but usually when requested. She did offer her feeling about what the members wanted done when she said that they wanted training for themselves and their employees but was outvoted by the two volunteers when they decided that what members want most is a strong association that can represent their interests together with governmental bodies and politicians.

Aura works alone with the help of a clerk who answers the phone. She handles administration and attends meetings with different government bodies. The facilities are rented by AIMO which sublets a room and shares overhead with the Women's association housed in the same building (house).

When with her president, Aura does not project a strong image. She is a solid resource for the Association but not a spokes person with the skills or autonomy of representation. She is probably not seen as more than a secretary by the members and she will tend to meet their expectations. She has potential for more but lacks experience and training to build skills, confidence and credibility.

The AIMO office is located in a residential area in the center of town and has an area for board meetings and office space. They do not have air conditioning or fax. The Women's association is located in a room on the ground floor - they have received help to set up the office and have a computer, copier, fax and air conditioning.

The AIMO organizational analysis is summarized in the previous section. They are the strongest private sector organization I

met yet they are having problems in getting services to the members.

Using a local economist, they did a research study on tariffs which cost approximately US\$3,000. The work seems to have been contracted by the board based on comments from the association members. It is not clear what has actually been done with the study but at least one copy was sold to a member. To pay for the study a membership drive was necessary to get all of the members to update their monthly dues.

This kind of exercise should become a routine for the association.

There are 6 volunteers, the elected officials, who are meeting on a regular basis. They are very attuned to the statutes and manage the associations affairs with the members needs as their guide. They do not have a clear program of action for 1992 but will continue to work on their communications while looking to expand the organizations capability to deliver services in the area of policy analysis and recommendations for policy advocacy. They also have to satisfy the members by providing legal advice and services.

The organization has hired an accounting firm and their books and are using a lawyer (volunteer) to help with following and adjusting the constitution to the organizational needs and structure of the association. The lawyer also receives referrals from AIMO and provides free advice on how to proceed or if to proceed with cases.

They believe that a policy and services unit is among the top priorities for the next year. They would like to hire or contract an Engineer, Lawyer and Economist to form a membership service and policy analysis unit. This will most likely be the program area that they will approach CIPE with but will first discuss the idea with the Board. My recommendation to them is that they identify the top priority for research and design a kind of pilot project as a test to set up the policy analysis capability and measure the results as well as to set up a services to members and plan for incorporating that service into the association's operating budget.

At this point the budget is 100% supported by membership dues. They do present the budget for approval at the annual general meeting each year. It is not a program driven budget and the activities that are to be implemented under the budget have not been given in detail at that meeting. Planning is in the early stages of development with the limited number of volunteers involved. The exact number of members with back dues is unknown but they do have a hard time paying on time. There may be a small number of members who are not paying.

The board and the executive secretary do not have time to develop services or sources of non-subscription income. They have not sought more membership involvement to get some small fund raising activities going. There are no standing committees but the ad hoc committees have been formed to study specific pieces of legislation or regulations.

There is an internal auditing committee elected by the members. This committee signs the financial report and audits the books on a yearly basis. This committee is not an operational group and is typically quite removed from the day to day.

The members come from state owned companies, state managed companies and private companies with foreign capital and local companies. The ratio of state owned business to private is 50-50 today but two years ago the state owned business were over 80% of the members. The President forecasts that the state owned companies will be in the minority early next year and the decline will continue as new members join and the state privatizes or divests.

The present officers were elected in the first General Assembly in August, 1989. They can be reelected for one more term in the General Assembly in August, 1992.

We reviewed the CIPE proposal outlines and I asked them to think about their program, meet with or talk with the other members of the executive committee before developing a proposal. They will come back to me with the outline of a letter of intent to CIPE and feel that they may want some help in organizing a policy unit.

Mr. Matavel explained that there are several new associations being formed but that the three that have most in common, AEPRIMO, the Chamber of Commerce and AIMO got together to promote an "Exporter of the Year" awards ceremony last week. The awards were presented by the President of Mozambique. Mr. Matavel made a brief statement that was the most aggressive of the private sector presentations in public. He is concerned that making noise is not enough any more. Now it is time to make sound recommendations - not just criticisms.

Last week there was a small business meeting organized by the Friedrich Ebert Foundation and the Ministry of Industry. There was no organization mentioned in the press as a sponsor and the program indicated that the Ministry of Industry and Energy was the organizer.

Thursday last week an organization of journalists organized a presentation of the IMF to educate the journalists about the IMF. The organization may have something new to add now with the new constitution and free press but alternative press is still in its

early stages.

In follow-up conversations Mr. Matavel discussed the private sector's interest in privatization law and its consequences. It seems that there is little interest in the laws because there is not enough capital to go around to take advantage of the privatization process which "may" begin for real. He does not think that there is interest or need to stimulate interest because the process will also be a very political process with the transfer of ownership to a few privileged groups that were or are still tied to the dominant political party, FRELIMO. This opinion was seconded by the General Manager of the Standard Tota Bank when he said that the best thing that could happen would be to make the privatization process as transparent as possible for the general public. (My opinion) The private sector has an opportunity to challenge the intentions of the politicians and the bureaucrats but they need information about what alternatives can be used to privatize and what is actually about to happen. This is obviously a politically sensitive issue and would be best organized by a coalition of private associations but this looks difficult to promote.

As for future conferences organized by CIPE for African countries, Mr. Matavel suggested Maputo as the best location for a follow meeting to the Kenya conference because the business community in Mozambique has been doing business with South Africa during the last 15 years while the other countries in Africa still have reservations regarding the future involvement with South Africa. In his words, they are not afraid of being absorbed into the South African economy and could provide a forum for more productive discussions. (my opinion) The forum for productive discussions is in the minds of the participants not in the geographic location. All of the countries are striking their own trade agreements with South Africa and promoting trade missions with the business community. They still have problems dealing with issues on a regional basis. Yet, bilaterally most SADCC and PTA countries have had an easier time dealing with South Africa than among themselves.

7. MCC - Mozambique Chamber of Commerce

Mr. Américo A. A. Magaia
Chairman of the Mozambique Chamber of Commerce
R. Mateus Sansão Muthemba, 452
P.O. Box 1836
Maputo

Telephone 491970
Fax 492210
Telex 6-498

While I was interviewing Mr. Álvaro Henriques of the Banco de Fomento e Exterior, he mentioned that I should talk with Mr. Magaia. Five minutes later Mr. Magaia called (coincidence I assume) and we arranged for time to talk. I had left three messages with Mr. Albasini, the Director of the Chamber who was at the workshop in Gaborone, and he never responded.

Mr. Magaia said that he knew I was in Maputo and had asked his secretary at the Chamber to schedule a meeting.

The conversation was cordial and even friendly at times. The Chamber was the first business association after independence. It was formed 11 years ago. Mr. Magaia has been Chairman for 8 years and has two more years to serve in his present term.

In the early years the Chamber members elected the officers but the Minister of Trade (Commerce) approved. Today the members elect the officers without outside intervention or approvals.

There is absolutely no government funding of the Chamber. The operations are supported by membership contributions, services to members, a business club (restaurant), and donor funding. The building of the Chamber was inherited from the early days when the Ministry of Trade had a vested interest through the state owned companies.

The Chamber does focus on larger companies who have international trade connections. It is organized by sub-sector with 11 members of the Board each from a different sector. The sectors mentioned during our conversation were export, import, banking, transportation, and industry. The sectoral committees meet every two months to discuss issues and push them forward to the Chairman for policy advocacy.

The focus eliminates a large segment of the business community and provides the Chamber with a solid basis which is growing with the entrance of new investors. The pressure has increased inside of the Chamber in two important ways. First, the branches are asking for independence and second, the newer associations are

giving the Chamber competition for the first time. It used to be easy to represent the private sector - just sit back and wait for the members to come to the Chamber. But now it is necessary to deliver the goods. The Chamber does not plan to change its focus but it does represent the SADCC Regional Business Council, Mr. Magaia is the Vice-Chairman of the SRBC. He promoted a meeting in Maputo two months ago which had representatives from the major business associations. Ed Bbenkele, Executive Director of the SADCC Regional Business Council was a speaker. This meeting introduced the concept of a National Business Council but nothing organized is happening. When I mentioned the meeting of the "smaller" associations at Friedrich Ebert Foundation he had no reaction. The relationship between the leaders of AEPRIMO, AIMO and the Chamber seems to be good. They joined their names with the Ministry of Industry in the "Week of Industry" promotion last month. Why don't they get together and pool resources? That is not the Chamber's problem. The members seem to want or need to pay dues to specialized organizations and some, not all, are still members of the Chamber because it carries special services for international trade and it has prestige.

The one area where Magaia was sincere and he opened up was when he spoke about the need for training of the local entrepreneurs. He has strong feelings about the need for investments in business education and would support initiatives in this area. Anything from basic education to vocational training to long term business training is needed by all levels and all sizes of ventures.

The leaders of the Chamber are directors of state owned companies. This relationship with the state makes it more difficult to criticize the Ministries that they work for but the economy is changing and the management of some state companies is passing to the hands of a Board of Directors who will be responsible for making the companies profitable. This change will make the composition of the Chamber members different and more independent. Mr. Magaia is the Director of the International Fair Grounds - FACIM. It is a potential target for privatization but (my comment) precisely because of the potential he will be very careful what he says and does - especially after Mr. Matos dismissal after the AIMO speech at the Industrial Week awards ceremony.

8. União Geral das Cooperativas - UGC

Mrs. Celina Cossa
President
União Geral das Cooperativas
Avenida Agostinho Neto, 714
Maputo

Telephone - 430-229
470-617

Mr. Valentiano Ferrão made contact with me in the hotel. He had heard from Hipólito Amela that CIPE was in town. Mr. Ferrão is a retired "cooperante" from Portugal who worked with the government in the 1980's. He is now a volunteer working at the Cooperative headquarters.

The cooperative is a productive unit that has a social agenda that absorbs their "profits." The unit is comprised of 192 cooperatives with a total of 8,500 members. They are mostly women who live in the Maputo Green Belt and either plant or have chickens, pigs, goats or other livestock. The cooperative is a service unit for the "peasant farmers" (camponeses). It is a vertically integrated production unit that uses the collective resources of its members to reduce the cost of services (and in some cases just provides the only services) to them. They provide transportation of product, supply raw materials, process chickens, sell product, process grains and feed, repair equipment, etc.

The União Geral de Cooperativas started in 1980 with technical assistance from the Ministry of Agriculture. Today the President is elected by the representatives of the 192 cooperatives. Mrs. Cossa has been President for over 8 years and is the driving force behind it. She has a mission to pull her members up by the bootstraps through hard work and a heavy emphasis on education. They have a full curriculum of basic and vocational education for the members and see the role of the cooperative as a social force as well as an economic operator. Training and child care centers are the outstanding functions but they have been created by donations from different sources and brought considerable fixed costs to the organization. The government of Mozambique has given them a tax haven for two years and may extend that.

The cooperative movement received assistance from the Scandinavian countries, the Eastern European countries and the Friedrich Ebert Foundation. Their main source of assistance comes from SIDA, Danish Aid, NORAD and FEF and comes in the way of equipments and raw materials for production.

They are interested in the Empresa program that was done in

Mexico. Something like it would work well in their school which is a private institution but not independent from the cooperative in its formal structure. The cooperative seems to provide a mechanism for the informal, small scale green belt operators to develop the needed experience to enter the formal economy. Created at the apex of the centrally planned economy, the Cooperative movement maintained relative independence and today is respected because of its ability to resist the party and its success.

B. BUSINESS PEOPLE, COMPANIES , BANK MANAGERS

1. Banco do Fomento e Exterior

Mr. Álvaro Henriques, Resident Representative
Ms. Ana Cristina Ribeiro, International Credit Analyst (visiting
from the headquarters office)

Avenida 25 de Setembro
Edifício 33, Bloco B 6th floor
Maputo

Telephone - 423753
Fax - 421992

In Lisbon

Avenida Casal Ribeiro, 59
1000 Lisbon

Telephone 562021
Fax 540922
Telex 64742 FOBANC P

Ana was visiting the representation office to analyze the new financial service legislation which is in process. It seems that there are many details still to be worked out but she is satisfied that private banks will be encouraged to enter as the central bank creates conditions for competition in commercial and investment banking.

Mr. Henriques encouraged CIPE to contact AMSCO B.V. (African Management Services Company) a corporation formed with 25 investors, the Bank being one of the largest, to execute projects in Africa. He gave the following names and addresses:

Mr. Rui Vilela
AMSCO B.V.
Strawinskylaan 657
1077 XX Amsterdam
The Netherlands

Mr. Caldeira da Silva (AMSCO and FOMENTO BANK Board Member)
Mr. Roque de Oliveira Fomento Bank Executive

Mr. Henriques mentioned AIMO and the Chamber of Commerce as the key contacts for private sector. The other associations are all too young and lack stability and skills. While we were talking and minutes after he recommended contact with the Chamber chairman, Mr. Magaia, Mr. Magaia called and we arranged a meeting immediately. The Bank is just a one man show representative office but they have received the go ahead to open a bank in

Mozambique and it may be in partnership with local investors or the state. The bank supports business associations and would like to be involved in activities that CIPE supports. He hopes that there are opportunities for CIPE and AMSCO to share experience, information and cooperate on projects in Mozambique.

2. Banco Standard Totta de Moçambique

Mr. Antonio J.M. Galamba
Managing Director
Banco Standard Totta de Moçambique
P.O. Box 2086
Praça 25 de Junho
Maputo

Telephone - 420719
Telefax - 426967

By his own definition Mr. Galamba is a moralist. He made a strong point that the Standard Bank had been in Maputo for nearly a century. It is and was the example that the Marxist regime could point to show how moderate it was to allow a private banking institution to coexist with the national bank. The Central Bank is also the Commercial Bank. There is a development bank separate and with the help of the World Bank, a separate Commercial Bank (owned by the Central Bank) will be created in the near future.

Corruption and get rich quick mentalities in the pockets of power are the major problems he sees. This mentality has been promoted by the international donor community which pumps dollars and other hard currency into projects or pumps food into the distribution channels without the necessary safeguards to assure the proper market mechanisms to promote agriculture.

There are segments that are profiting from the war and it will not end easily. Privatization may, in some cases, provide alternative sources of wealth.

In the associations that exist there are rumors of party involvement in AEPRIMO and the Chamber of Commerce is not looking to be involved in the promotion of much more than trade. Inocencio Matavel was with me during the interview and was singled out by Mr. Galamba as one of three people who could make a difference. The other two were the Minister of Finance and the governor of the Bank of Mozambique. AIMO however is seen by Mr. Galamba as dependent upon Mr. Matavel's personal skills and reputation.

Mr. Matavel mentioned the difficulty of saying what needs to be said. He stated that his Vice President, Mr. Matos was fired

from his position on the Board of a state enterprise because of the speech that AIMO made the week before at the export promotion awards ceremony. The speech was given by Mr. Matavel but was written in cooperation with several of the board, including Mr. Matos. The Minister of Industry had Mr. Matos removed from his position. This is how dissent and speaking up is handled and it is still dangerous - including life threatening (the Minister of Finance has to body guards for fear of special interests).

To exemplify the danger of getting too close to real problems the story of a diplomat from the Swedish Embassy was told. He was reported to have been expelled from the country because of drunkenness and mistreatment of local police. There was an encounter with local police but it seems that it is subject to a different interpretation.

The conversation was quite interesting because there was more behind every word than I could possibly understand and the frustration and anguish of the speaker was clear. Contempt for foreign donors could not have been higher - especially the UN mission which he seemed to have more intimate knowledge due to the fact that his wife (a Swiss national) worked there.

3. KPMG - Peat Marwick

Prédio EMOSE, 6th Floor
Avenida 25 de Setembro, 1383
Caixa Postal 2451
Maputo

Mr. J. Paul de Sousa
Managing Partner

Telephone - 421892
Telefax - 421899
Telex - 6-880 KPGM MO

Very helpful and open with comments on associations. He had tried to become a member of the Chamber of Commerce and they asked for a copy of the company charter. He decided that was too much. He tried to join AEPRIMO and was informed that AEPRIMO cannot accept members who have foreign capital. He will be interested in a contact from AIMO to understand more about what they do. One of his local partners (did not get name) came into the office and we continued with his help. He said that the associations were all in some way active. The Chamber mostly in promoting trade missions and fairs as well as training for members who were mostly state companies. Some are now in the process of privatization. AEPRIMO is seen as a training resource for its members who are the smaller local businesses. AIMO is

seen as a lobbying resource for individual members who have problems with specific Ministries but they also promote training and services for members. AIMO is the larger private and state owned enterprises - both local and foreign capital. The Women's association is known but their activities are not as clear.

The area of opportunity for these associations to have an impact on private enterprise is in promoting a greater understanding of the privatization process that was set in motion by a series of laws and regulations passed since August, 1991. The basis of the laws is the creation of a timetable for the individual ministries to present a list of the state owned companies under their direction and the identification of those enterprises which will be targets for privatization. Privatization is still not clearly defined and the search for "how to" privatize is going to be a practical problem. Paul thinks that local entrepreneurs are ignorant about what privatization means and the opportunities and risks that the laws present to them.

Putting the situation in perspective Paul said that by law the Cabinet was supposed to make the report by the end of October and it has yet to publish any list or even provide an update on progress under the law. He also said that there is a privatization unit in the Ministry of Finance trying to take control of at least the key targets. That unit is called the UTRE (Unidade Tecnica de Reabilitação de Empresas) located in Maputo at Avenida Eduardo Mondlane, 2746 Phone 421188. They have a real challenge ahead in one of the few Ministries that is trying to keep a handle on the economy. The key contact at UTRE is Bonifacio Dias but he was not available for contact during my visit. See comments from I. Matavel regarding private sector interest in privatization.

KPMG clients are mainly foreign owned or joint ventures. Their main problems are credit facilities for short term and cash flow. Local firms have problems with strategic thinking about investments and expansion plans. Those who do not export have serious survival problems with acquisition of raw materials. Paul gave an example of a match stick manufacturer who is about to close his business because he cannot compete with a producer in Swaziland who has modern machinery and can export product below the cost of the local manufacturer. The local company not only needs to invest in new equipment but has to learn about exporting if he is going to be able to pay for the loan to buy equipment but for the immediate future he needs funds to import some of the raw materials and packaging! (my opinion) it looks like there is potential for making matches in Maputo but it is time to think about strategic allegiances within the SADCC region.

KPMG was the first big accounting firm in Maputo. They now face competition from Ernst & Young, Coopers, and Price Waterhouse.

This will force them all to look for the local, small businesses to justify their overhead. KPMG has a staff of over 20 full time people and is doing business with private and public sector clients. Like Austral, the hard currency that comes with donors is pulling the best minds in the country to work on World Bank, IMF, UNDP and other AID organizations.

Some problems were mentioned that nobody in the private sector is seen to be raising include: rents will more than double in the next 12 months as deregulation impacts the real estate market, there is no stock market and the company that the Ministry of Finance started (SOCIEF) started off by its general manager absconding with over a million dollars, housing and transportation for urban workers will become a serious problem for competitive manufacturing, corruption and crime are eating away with public funds that should be building an educated work force for private sector competitiveness, infrastructure projects in the area of transportation and communications are inadequate for the needs after peace.

Paul did not mention the war in his comments. Neither did he mention manpower shortages in the basic skills of running a business.

NOTE : Thus far nobody I have talked to mentioned SADCC and everyone has talked about the importance of the South African business community.

**4. Sociedade Austral de Desenvolvimento S.A.R.L.
Austral Consultoria e Projectos**

Edificio 33, 2nd floor
P.O. Box 2242
Maputo, Mozambique

Telephone - 33458
Fax 423414

Mr. Antonio Almeida Matos
Ms. Jeanne L. Stephens

Jeanne is a Canadian who has lived in Mozambique for 7 years. First working with the Ministry of Transport and the railways. She is GM and managing partner in the consulting wing of Austral. Most of her projects are funded by international organizations and many have come close to the project that SRBC is trying to develop - the scenarios of South African expansion after apartheid.

The publications that I received are produced by Jeanne and one

of the Austral affiliates. They focus on the foreign investor and at this point supported by advertisements - which are 60-80% of the space.

Antonio is the Vice President of the Associacao Industrial de Mocambique. He is also one of 24 partners in Austral's main firm and one of 5 in the newly formed consulting business. The main clientele for the investment promotion and development firm are private companies with foreign capital. The consulting wing is working through international development project funds.

The general observations regarding industry include:

The government's failure to manage the economy has given way to a clear desire to find a solution through private enterprise. The opening of the economy has drained the government of its best trained technocrats but the private sector, for the most part less than 5 years old, is not prepared to present suggestions for overcoming the problems the country is facing.

The difficulty of privatizing state industry due to the lack of capital, human resources and market. The industrial plant is old and outdated. Investment capital has to come from outside of the country. Trained personnel also have to come from outside and is only viable for export industries. Local consumer markets are limited due to the high levels of poverty and the civil war.

The war may be a question of time but it is still impacting channels of distribution, supplies of energy and is keeping investors at bay in the key areas of mining and agriculture.

The country was traditionally Roman Catholic prior to the revolution. After the revolution all church property was nationalized and all religions were treated equally. This policy has given FRELIMO strong support from the moslems ("Indians"). The local business community dislikes the Indian business community.

Ownership of buildings and equipments is allowed under the new constitution sanctioned in February but the state maintains title to land. This is a major constraint to agricultural credit for the medium and small farmers.

Interest rates are at 40% and funds which were committed to small business have not been released. Taxes are levied on the industries because they have the records to show. Individuals and the informal sector are not being taxed effectively. Because of the government focus on financial needs, it is difficult for industry to convince the government to give them incentives to invest in plant, equipment and personnel.

The customs units are not effective in collecting as goods are

coming across the borders and being dumped in the market at lower costs than in South Africa. The combination of inadequate administration, war and corruption makes doing business (especially in consumer goods) for local industry a difficult task. There have been recent improvements in collection due to government need for revenues and the formal business community's complaints but there is a feeling that government is not as active as it could be because of a need to contain inflation as well as corruption at all levels.

Most of local production depends highly on imported parts, equipment and raw materials. Exporters sales are deposited in their accounts in local currency and the exchange risk is theirs but they can acquire hard currency for imports without too much hassle.

Bureaucracy in registering a company has been reduced and is now done through a civil registry rather than through a Ministry. All foreign investment is still approved by the respective Minister. There is a newly created government body to promote investment and trade in Mozambique. It is receiving assistance through the UNIDO/ITC and the EEC.

The Industrial Association is a non-profit organization with 150 members who hold industrial licenses. They elect 6 officers (volunteers) to manage the affairs of the association. They have a full time secretary but no CEO. They have recently hired a consultant to do a study about tariffs and have raised the funds to pay his fees. The study presents suggestions on reduction of tariffs on raw materials and facilitates acquisition of spare parts for productive units. The association has received a fax and office equipment from the Portuguese Industrial Association where they have the strongest links.

Further meetings will be held to discuss the association's programs, priorities and needs.

C. US EMBASSY, MINISTRIES, GOVERNMENT OFFICES AND INSTITUTES

1. Embassy of the United States of America

Ms. Lucy Tamlyn,
Second Secretary
US Embassy
Avenida Kenneth Kaunda, 193
Maputo

Phone 492797/490167
Fax 490114
Telex 6-143 AMEMB MO

Helpful and pleased that CIPE is showing interest in Mozambique. American businesses are mostly representation - not direct investment. She provided a list of American Company offices and said that they have been meeting occasionally at the Ambassadors home for lunch but nothing formal is in the works. A group in Swaziland is considering forming a US/Swaziland Chamber but they seem to find the Johannesburg AMCHAM a viable alternative at this time.

AIMO is the most effective voice of the private sector. The leaders are well positioned to influence policy.

AEPRIMO is the voice of local businesses and was started with the help and encouragement of Jim Purcell, ex-USAID in Mozambique.

The other associations that might be worth contacting are the Women's Association, the Agricultural Association and the Hotel and Tourism Association.

There is a training school called the Instituto de Desenvolvimento Industrial Local. The Director, Sr. Neves Correia might be interesting to talk to. IDIL is fully funded by the government.

The problems that business people face at this time is the lack of good information about all of the changes that are in the works. This is an opportunity for the associations.

2. Mozambique Ministry of Foreign Affairs

Caixa Postal 4
Maputo

Phone - 490218
Telex 6-418 MINES MO

Dr. Pascoal Manuel Mocumbi
Minister of Foreign Affairs

We met in the Minister's chambers with Mr. Matavel, President of AIMO.

The minister made a trip to the USA in 1987 soon after his appointment. He was disappointed by the American businessman and politician's ignorance and disinterest in Mozambique.

He said his government is still learning how to govern and had made mistakes in the past but is taking energetic steps to correct them. He is encouraged by the reaction of the local populace and the international community.

He said that it is difficult to hold dialogue with the private sector because it is not clear who to talk to. There are several organizations that are developing and it is getting easier to identify key spokes groups. The associations that he mentioned are the agricultural group, hotel group, Chamber of Commerce, AIMO and AEPRIMO.

Both the public and private sector are learning by doing.

Last year the Ministry of the Plan held a conference with private sector representatives (big and small businesses) to review the draft of the Economic Plan for 1991-92. It was successful in gathering industrialists and making contributions to the plan. It may become a regular event in the planning process.

Priority areas for economic development are:

- Agriculture
- Transportation
- Secondary areas are:
 - Fishing and costal development
 - Mining
 - Industry

Major barriers:

- Need capital
- Need technology
- Need skilled workers and managers

A new investment code was signed this week with the major function of providing guarantees against nationalization of investments.

The communication of these changes is still not systematic inside or outside of the country. Outside the Missions are supposed to be promoting investment and trade but they have other responsibilities that they are better prepared to perform. They

are not prepared to attract investors and have little information about what is happening.

Next year the construction industry will be promoted by a Conference that will invite major partners to Mozambique to hear about the future opportunities in that industry. This is promoted by the Ministry of Industry where there is a Promotion and Investment Section.

He said that the US is the major donor to Mozambique and that Mozambique receives more aid per year than any other SADCC country.

Our meeting was quite cordial and he was very interested in the goals of CIPE and the mechanisms that are in place in the USA and other countries for getting public and private sector to set policy with dialogue. He mentioned that at each cabinet meeting the Ministers report on private sector activity in their areas of responsibility.

3. Representante Comercial da Africa do Sul

Mr. David F. Laubscher

As is the case with other SADCC countries and literally all of Africa, there is no R.S.A. consulate or embassy in Mozambique so David plays the role of a consular office. He started by apologizing for the fact that he is not a commercial officer! His briefing on the state of the nation was quite consistent with others I had received or read. He mentioned

1. Political stability is hampering foreign investment. Parties are not being formed and he questions the representation with FRELIMO and RENAMO. President Chissano is building his image as President of the country not leader of the party under the new constitution. He is in best shape but there is little chance of getting to elections next year unless peace is much closer than expected. There are parts of the country that are totally out of touch with the government. No one knows how many people there are in the different districts and the mechanics of a free and open election would take much more time, preparation and security than he foresees in the next year.

The districts are not homogeneous. There is no national radio or television to get any messages out to the people or from the people.

2. Agriculture and Tourism are the most promising industrial sectors for investment. South African farmers have already begun moving into lands in areas still fraught with war. The hotel

industry does require joint venture partners and long approval procedures but is the area with early interest. He thinks that the government should focus all of its energy and resources in the agricultural revival and then expand into commerce and industry.

3. The investment code assures against nationalization but what does that mean for the investor. There is still a lot of work to be done in discussing the interests of local and foreign investors in all of the industrial sectors. Assurances for access to hard currency, remittance of profits and land usage are still lacking and experience shows that each case is handled on an individual basis. This may leave room for inconsistencies across ministries and it certainly (my comment) leaves room for corruption and favoritism.

4. The associations he had heard of were AIMO and AEPRIMO. He recommended that I talk with the World Bank Representative, the Peat Marwick partner, the manager for the port and railroads and others. There is an association of the state owned companies and the Chamber of Commerce is dominated by those companies,

5. Access to capital was not mentioned once. The biggest problem faced by the South African investors is the work force skills and attitudes toward work. The money is not a problem for them once the decision to go with a project is made, they can raise the funds in South Africa where a lot of people remember the pre-independence days.

6. The South African Chambers of Commerce have promoted investment seminars on Mozambique in Johannesburg and Pretoria over the last few years. There have been joint missions between the two countries to promote investments as well as to sell to local businesses. There is no local South African business association. Some of the new investors will join the existing associations if they see the benefit. Most of the business today is still export from South Africa.

7. The increase in the flow of people and merchandise between the two countries is significant. Two years ago there was nothing available in the shops or restaurants. Today merchandise is readily available and no scarcity is seen in Maputo. The borders are beginning to collect customs and people are complaining about having to pay but the goods keep coming. There is a preferential trade agreement with Mozambique to reduce tariffs on agricultural products but the other members of the Southern African Customs Union have not signed the agreement. South Africa is expecting agreement because the goods are generally not produced by Botswana, Lesotho and Swaziland. Mozambique is a member of PTA and SADCC and will not become a member of SACU but preferential trade agreements will tend to expand the number of products and decrease the tariffs as part of an overall opening of the RSA

economy to international competition.

8. There are as many people who are optimistic about the future as there are disappointed with the progress thus far. For the general population there seems to be a willingness to wait but not much more than a year from now to see significant progress in the standard of living and opportunities for the future. He believes that it all depends on peace agreements which are not in sight.

9. As the state owned companies are being brought to the market there are problems with the worn out and outdated plant and equipment but he thinks that the biggest barrier is the political barrier to having 4 employees for each position. Few investors are willing to take on the social pressure of retrenching 3 employees for each they keep. Then the problems of training begins with the remainder. This problem is not a technical problem that can be solved by an IMF goal and little is being done to help the people who are going to be unemployed during the privatization process which is stalled for many reasons - technical as well as political.

10. Freedom of the press is assured under the new constitution but the press is still owned by the government. There is a willingness to quote criticisms of government.

4. USAID Mission

Maputo

Charles North
Assistant Project Officer
Sidney Bliss - Deputy Director

Phone 490726 - 491674

Sidney gave me a copy of the AEPRIMO RFP and complained that the two responses that he got were not satisfactory. Perhaps the RFP was not good enough but the responses from the private sector to provide a training program was not satisfactory. They may not be able to do the program if local firms or training institutions do not respond. Austral Consulting has not responded.

Sidney has just arrived for a 4 year assignment in Maputo but had Washington desk responsibility prior. USAID is mainly involved with humanitarian aid and commodity import assistance for agriculture and transportation at this point and is gearing up for agricultural projects. Private sector work is already in gear with pricing policy work and agro-industrial development projects.

I meet with Charles North separately for more information on the projects. He has been in Maputo for one month. In fact, the three people I met were all less than one month in country.

We reviewed a project proposal that was to provide \$17 million in agricultural commodities and funds for an Open General Licensing program at the Ministry of Commerce. The project was shelved but he is not sure why. The mission continues to work in agriculture - macro economic studies and restructuring of land tenure and pricing are key areas.

In the transport area a team of consultants is working with the railroads and several ideas are being discussed about "privatization." Some proposals being studied involve South African management of the railroads (my comment) I wonder if that is privatization.

- The most recent project will deal with the Democracy initiative and it has yet to be scoped out for funding but will have 4 main components:

- help with the elections
- decentralization of political power
- strengthening NGO's and the multi-party system
- public information and education

He thinks that there will be requests from associations of professionals for assistance. The lawyers are in the process of organizing a bar association and they may need help. He has a copy of the CIPE Outline for Proposals and examples of projects and understands that institution building would have to be related to the promotion of democracy and private enterprise.

The project officer who designed the project left mid year and had just returned for three weeks. She said that the government is moving so quickly toward elections that the project needs to get moving or lose the window. This seems to be a general problem amongst the donor community. Almost all missions have some funds available to help in the democratization process. It is AID's hope to focus on laying the groundwork. It will probably not spend as much as others in the long run.

There seems to be areas for cooperation with the mission if this project gets off the ground. They have no grass roots private sector support going except with AEPRIMO.

AEPRIMO was started by USAID and is having a hard time understanding and agreeing on what it should be doing. USAID will continue to support AEPRIMO in areas that will deliver services to its members. They had a request for proposals earlier this year to promote management training in small business and small farm management. The responses from two local firms were not good enough to go ahead with the project and the

funding, \$90,000, expired and will be renewed in some similar activity. The mission doesn't seem to know what needs to be done or how to approach AEPRIMO. AEPRIMO seems to be having internal power struggles which Charles is going to watch and manage.

- Charles offered to be a contact for future information regarding the institutions in Mozambique but Lucy at the Embassy has been in the country for three years and is a better source at this time. Since there are few consultants or USAID staff involved with the private sector - as far as Charles knows -, there is little information about what is happening.

Charles seemed optimistic about the future for Mozambique and the economy.

Charles will send the CIPE brochure and proposal outlines to government officials and NGO's.

I met with Sidney Bliss on four different occasions during the stay in Maputo. He had been helpful in the initial research in October when he was still in Washington studying Portuguese. He has worked in Africa since Peace Corps in 1966. He is interested in knowing more about the private sector and wants AID to get a little closer to the ground. They have been buying policy reforms through different programs such as direct cash transfers to cover the budget at the Ministry of Finance, purchase of equipments and commodities, and providing emergency assistance.

The project officer who has just arrived in Maputo (never got her name-something like Cheryl??). She has worked in Brazil and Guinea-Bissau before coming to Maputo. She seems to have good grasp of the macro-economic level and wants to get out of the emergency business which seems to be hampering the effect of price reforms. Yet agricultural production statistics seem to indicate that people are producing more than in the last 15 years.

The AID mission director has dedicated his time to getting the monetary policy and exchange rates stabilized. It seems that his efforts supporting the IMF goals and World Bank standards may be getting results. The amount of aid that is given and the way it is given is still not understood by the donor community. The donors each have their own agendas, their own fiscal years and pressures to spend money. Mozambique has some of the largest donor budgets in Africa. Much of donor assistance is given in the form of allowances and cash to different projects within Ministries. Although a Ministry of Cooperation exists, it is not under complete control of what the donors are doing.

Recently the government is encouraging the donors to get into the interior of the country. The picture of the interior is varied with one location, Nampula, mentioned as a hub of entrepreneurial

spirit but the remainder either decimated by the war or spoiled by the succession of colonial administration, marxist economic policy and donor hand outs.

5. GAPI - Sociedade para Apoio a Pequenos Projectos de Investimento, Ltda.

Dr. Dieter Falk
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GAPI, Ltda. is a not-for profit partnership with limited liability formed by the Friedrich Ebert Foundation and the development bank BDP. The staff is a combination of Portuguese technical cooperation, local technical staff and Dieter is hired by the Friedrich Ebert Foundation to direct the business. The BPD has 70% of the capital and provides its 180 branches as outposts for technical assistance to small businesses around the country.

Friedrich Ebert is the development aid branch of the Social Democratic Party in Germany. Once the bastion of socialism in Germany, Dieter confesses that as an economist there is little alternative but to hope for "social capitalism" under some form of modified free market structure. He is convinced that the local businesses are operating in an oppressive fashion paying little attention to the social aspects of their enterprises and abusing labor. He called the system laissez-faire capitalism.

GAPI's objectives are :

- reactivation of the collapsed economy and of production structures with division of labor in rural areas
- rehabilitation and creation of enterprises
- utilization of local resources and environmentally safe technologies
- improve the food production and supply
- promote profitable private enterprises and organization of private enterprises

Dieter's major function is to get projects up and running using outside funds, Friedrich Ebert Foundation funds are available to make studies and seed projects with potential. His main hope is

in the interior of the country but there are still many places that he has not been after 2 years in country. His contract is for 3 to 5 years and he seems to like what he is doing.

Our conversation was quite cordial and he was interested in CIPE. He organized a seminar last week with all of the small business associations to identify what needs to be done to support their development. It was a success but nothing will happen if he does not continue to push them to come up with statements that can be presented to government for action or at least response. He held a follow-up meeting with 5 association leaders earlier this week to promote the idea of working together to advocate changes. He wants to find funding for a lawyer and an economist to study their issues and prepare documents that will push them forward. He wanted to know if CIPE would help create a central service unit for all of the small business organizations:

AEPRIMO

ACTIVA

União Geral das Cooperativas

AGRARIUS

AJEM.

I asked if this would be a confederation or if it would be a shared resource center. In the case of the creation of any new organization it would seem that the organizations need to do that and CIPE would be most interested in the creation of a policy capacity with a focus on specific policy issues as a first phase. They need to work on the creation of this unit a lot more before they ask for help. It would make sense to pool their resources, reduce overheads and hire the best skilled professional staffs they can.

Dieter commented on each of the organizations:

AEPRIMO - had a UNDP grant for US\$1 million held up in January. He knows about USAID's grant for training being held up as well and attributes it all to lack of ability and confidence in AEPRIMO. AEPRIMO is the oldest of the organizations but the one with the least sense of purpose at this time. (Being oldest here is a relative AEPRIMO has at least held elections two times). AEPRIMO was created at the right moment but for the wrong reasons. It was created to assist oppressed private enterprises resolve their individual differences. It lost sight of (or was incapable of advocating) the collective needs so it did what it could to help individuals and most of that help was expected to be in getting loans and other forms of credit - which were not and are still not available. Members quickly lost interest.

AJEM - recently created with a lot of energy from one individual. Hipolito's intentions and energy are high at this time partly due to the potential for assistance from international community. The association needs strategic direction and sense of membership

before it embarks on programs.

ACTIVA - organized under similar circumstances as AJEM, ACTIVA has been in existence for a year and has produced services, especially the newsletter and training programs. The President is the driving force and she is working for IDIL and UNICEF and who knows how long she can do it all by herself. "She is Dutch." The mixture of business people and professionals is not going to produce a program of activity that will be useful to the business community and it will tend to become a professional association rather than a business association.

UGC - the cooperative movement was created at the height of the communist regime and survived as an alternative to allow for private enterprise at the informal and micro-levels to exist and survive. It has grown to the point of a big business and needs professional assistance to keep it together as an economic entity. It does have a strong educational and social function and is an important force in the small business community. The President is an influential person after 8 years at the head of the cooperatives but for a long time she and her organization were regarded as marginal players due to their lack of sophistication.

AGRARIUS - only one year old it is doing very well but the President is pregnant and will be away from activities for the next 5 or six months. Without a leader it may lose the momentum it has created in the beginning. They seem to have the best people involved in the organization and they have been able to come up with concrete proposals for improving the agro-industrial sector. A good prospect for outside help but still very new.

He then commented on IDIL - the creation of GAPI, Ltda. was in great part due to IDIL's poor performance and the frustration with government offices. GAPI can become a private company with proper management. GAPI still uses IDIL to run the ILO "Improve your Business" courses for them.

Dieter is in the trap of most well intentioned "cooperantes". He finds himself doing most of the work rather than facilitating work done by the organizations he mentioned. He seems to feel comfortable in his position which is powerful in the field of small business development. His criticism is not yet destructive but he has reached the point where he puts most of the local leaders in a bunch that knows what and how to say things but is unwilling or unable to act. The assumption is that if they have learned what and how to say things that they know what to do - therefore it is an attitude problem. (my comment) This is dangerous to the development of the organizations because most of the people I met and talked to do not have the skills and knowledge that we may assume they have when we listen to what

they say.

6. Instituto Nacional de Desenvolvimento - IDIL

Mr. Gelu Emil Marinescu
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Gelu is Romanian, married to a Canadian working in Maputo. He is smiling while totally frustrated with IDIL's lack of resources. He said that they borrow money from the bank to pay the employees while the state budget is held up. This is an example of what is happening in all of the state owned companies. The state owned banks are giving loans to state organizations to cover their operational expenses using the government budget as guarantee. A part of the government's reduction of deficit is being financed by soft loans. IDIL is not a profit making organization and does have considerable potential for revenues but management is not prepared to operate independent from government subsidies.

Henriqueta is Mozambican and dedicated to the goals of IDIL. She has stayed while most of her colleagues have moved on to much more lucrative posts or even started their own companies using the contacts that IDIL and CDI provided. She has not lost hope, in fact due to the outside assistance and the need for IDIL she believes that it is important to call attention to IDIL's financial situation and ask for help. They will be presenting a project paper on the status of micro-enterprise and proposals for future activity (especially fortification of IDIL's capability to deliver services). She is confident that the study will have an impact on government and bring some of the needed support.

IDIL was created by the Ministry of Industry in 1988. It has severe problems in the financial area which it is trying to fix by selling services and charging 2-3% of financing on projects. This takes their attention away from the small informal sector and puts their energy into the medium sized clients.

It uses funds provided by the Fundo de Fomento à Pequena Industria, created in early 1990. The FFPI is comprised by the Ministries of Finance and Industry and supported by the development bank. The objectives of this fund are very much the same as the objectives of the newly created GAPI, Ltda. also supported 70% by the development bank.

The areas of activity should include:

Development of appropriate technology for SME's
Technical and Project Assistance for SME's
Micro enterprise and informal sector projects
Run courses and provide consulting services

It is the Center of Industrial Development (CDI) antenna for project identification and studies in Mozambique. This means a ready source of technical assistance, some materials and when projects are successful, they bring income to IDIL. They presently have 14 projects approved for financing by CDI but the local component (usually 30% of the project) is not available.

IDIL is the official ILO implementing agency for training programs and is "licensed" to publish ILO bulletins and brochures. This support is valuable to IDIL and its ability to contribute to the success of small business.

They do not publicize their successes or their activities because they think that most people know who they are and what they do and they are understaffed. They cannot handle the volume of work that they have.

The Friedrich Ebert Foundation used to use IDIL's services for assisting the small businesses that they were assisting. For some reason, not known to IDIL staff, the Foundation and the Banco Popular de Desenvolvimento (BDP) and the Friedrich Ebert Foundation have created a company called GAPI, Sociedade para Apoio a Pequenos Projectos de Investimento, Ltda. GAPI promoted a small business conference and did not invite IDIL to participate. Strangely enough the event was sponsored by the Ministry of Industry - IDIL's Ministry!

IDIL was formed by combining a few of the Ministries small companies, one division is a factory which was supposed to develop products for small and micro-enterprise. It never functioned and now as part of an institute it has not contributed yet. Other divisions were swept from the old structure directly into IDIL without cutting back and without bringing the infrastructure and budget.

MOZAMBIQUE REPORT

VI. NON GOVERNMENTAL AND OTHER INSTITUTIONS

Please see the interview notes, Item VI - B., for information regarding several organizations contacted. Following are contacts for future references and research. Most of them were not contacted due to the lack of information or time.

A. NON-GOVERNMENTAL ORGANIZATIONS

The following NGO's were not contacted but they were mentioned in the local press. Many of them are not known by the people that I contacted but one in particular, KULIMA, seems to have potential for becoming a think tank.

1. KULIMA - I could not find a person to talk to or to explain exactly what KULIMA's mission was. It appears that it is a not for profit organization of economists and engineers who volunteer their time to help small local entrepreneurs get projects going. I am not sure about that interpretation but if KULIMA exists it is certainly a new and loosely held together.
2. AMRU - The Rural Woman's Association was listed by the American Embassy but without a name, number or address. It is said to exist but I did not have time to pursue. If its mission is what the name indicates, it may become more of a force as the peace process continues. The President of the UGC did not know of the group's existence.
3. PRESS - The press organization (no name was found) exists and AIMO's secretary tried to make contacts with them through the news agency, which is state owned and managed. No contacts were successful. I did not try myself. They were mentioned in the local press the first week I was here as organizers of a meeting with an IMF representative to talk about the IMF.

B. ADDITIONAL GOVERNMENT AGENCIES DEALING WITH PRIVATE SECTOR

1. PRIME MINISTER'S OFFICE - Investment Promotion
2. IPEX - Instituto Para Promoção de Exportações - created in 1990 to promote exports. The Ministry of Commerce has identified traditional export products: shrimp, cashew nuts, cotton, sugar, tea, wood, and citrine. The non-traditional products are divided into two areas: first, areas with potential for earning hard

currency - fruits and vegetables, flowers, textiles, and hand crafts; second, industries with capacity to sell to the region while rebuilding international capabilities - tires and inertubes, glas, batteries, clocks, radios, metal works, and construction materials.

3. UTRE - Unidade Tecnica de Reabilitação das Empresas - created to rehabilitate the state owned companies in the search for privatization and recovery of the state owned companies capability to compete. This unit is located in the Ministry of Finance and is responsible for privatization of companies held by the different Ministries.

MOZAMBIQUE REPORT - CONTACT LIST

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