

Africa Trade and Investment Policy (ATRIP) Program for FY 1998

The President's Partnership

As part of President Clinton's Partnership for Economic Growth and Opportunity in Africa, announced in June 1997, the U.S. Agency for International Development's Africa Trade and Investment Policy (ATRIP) program activities will help African private and public sector partners to design and implement policy reforms that will make their countries more attractive to international trade and investment. The strategic objective of the ATRIP program is to support African leaders who want to increase their "openness" to international trade and investment--a major ingredient in the recipe for economic progress and growth that has been demonstrated by historical experience of other developing countries during the past 30 years.

The range of instruments that USAID intends to use under the Partnership includes:

- technical assistance to help reform-oriented African countries to liberalize trade and improve the investment environment for the private sector;
- assistance to catalyze relationships between U.S. and African firms through business linkages and business associations or networks; and
- nonproject assistance, as part of a multidonor commitment, to help finance implementation and reduce risks associated with the introduction of aggressive, market-friendly reforms.

Summary of Activities Approved for FY98

1. Improving the Investment Environment in Mozambique

Deregulation. Over the past two years, USAID has been assisting business leaders and their alliance of business associations (CTA) in an active dialogue over removal of red tape between the private sector, the Ministry of Industry, Commerce and Tourism (MICTUR), and other ministries. In 1998, USAID is expanding its support for CTA:

- i) To implement the simplification of current company registration requirements. (Such reforms were enacted by Maputo ministries in 1997 but are being ignored at lower/regional government offices.) These reforms will extend to Mozambican firms, particularly small and medium size enterprises, the same benefits that the government extends to large foreign firms.
- ii) To develop, and obtain GRM agreement to implement, additional reforms and remedies to problems noted in the 1996 "Red Tape Analysis" relating to land-use permits, taxes, and other problems that have not yet been resolved.

- iii) To assist business, government and other groups to evaluate in a timely manner new laws and decrees that will impact on the business environment and Mozambique's competitiveness -- e.g. the commercial code, capital market legislation and the regulatory framework for non-bank savings and credit.

Introduction of the Value Added Tax. The Mission will provide assistance in two areas, to supplement ongoing assistance from other donors on the introduction of Mozambique's VAT in 1999:

- i) Assist CTA in evaluation and comments to the government re the implementing regulations for the VAT, which will affect the record-keeping and reporting costs of all businesses.
- ii) Develop a manual for the MOF to distribute, to accompany introduction of the VAT.

The above actions will help sustain an economic reform program in Mozambique--a country whose economy grew by 12% in 1997 and that has attracted interest by foreign investors in major projects with a value of \$5 to \$8 *billion* dollars.

Strengthen Business Organization. Assist CTA to become more effective by: (1) establishing a small secretariat able to better promote policy change and red tape reduction, identify areas of concern to the business community and, where appropriate, request outside analysis of issues (as was done for the CTA assessment of the SADC trade protocol in 1998); (2) develop a three to five year plan leading to full self-financing of CTA operations; (3) improving communications between CTA and its member associations, primarily by linking the associations through e-mail.

2. Sector Reviews and Policy Reform in Mali

To complement Mali's exemplary macro-economic policy performance since 1992, USAID/Bamako, private sector associations, and the Ministry of Commerce, Industry and Handicrafts (MCIH) have agreed on a new approach to help resolve "second-tier" policy and technical obstacles to trade and investment in Mali. At MCIH request, this approach will focus on particular sectors at the "filier" level and will involve:

- 1) Diagnostic analysis of the sector by U.S. and local consultants (such analyses are currently under way on rice, livestock and industrial sectors) and preliminary recommendations for remedial actions. Among the problems identified that have been identified are trade barriers (transport, customs, and corruption problems relating to transshipment across neighboring countries) and obstacles to competition (e.g., airfreight monopoly problem).

- ii) Policy workshops to encourage joint private-public sector review of current obstacles, recommendations, and proposals for government action. An initial set of sectoral workshops will be held in Bamako in November 1998.

3. Tanzania Mining and Tax Policy Assessment

In the early 1990s, Tanzania eliminated both currency controls and its state monopoly in mining, allowing anyone to sell gold or gems. The result has been an explosion of artisanal mining. The number of people earning at least part of their income from mining increased from a few thousand in 1990 to over 550,000 in 1996. In a country that had only 1.2 million salaried jobs, suddenly middle income earners increased by 45%.

Tanzania realizes less than the full potential of this growth since about 60% of the gems and 90% of the gold are exported through neighboring countries. One of the reasons for this is that taxes imposed on licensed dealers make them uncompetitive with tax-free traders in Nairobi. While the Government is considering the elimination of sales, export and stamp taxes for the mining sector, some parliamentarians and some officials in the Ministry of Energy and Minerals would like to see greater reservation of mining lands to large-scale producers (thus reducing smuggling it is believed).

Under this ATRIP activity, USAID/Dar Es Salaam will sponsor foreign and local research to explore alternative regulatory and tax policies in greater depth and will support subsequent policy workshops for representatives of Tanzanian artisanal mining, large-scale mining interests, and parliamentarians to discuss mining methods, claim allocation procedures, marketing arrangements, and government revenues from both sub-sectors.

4. Improving the Investment Environment in Malawi

USAID/Malawi plans to work with the Malawi Investment Promotion Agency (a public-private agency set up in 1991), the Chamber of Commerce and Industry, and American and local consultants to assist reforms in areas which are important for business and where ATRIP may make a significant contribution, including:

- i) Employment permits: increasing the number, transparency and speed of issuance of Temporary Employment and Permanent Resident Permits (TEPs, PRPs) for foreign workers to hold key positions in companies.
- ii) Incentives: improving the speed and transparency in awarding tax incentives to investors (e.g. duty drawbacks on imported raw materials for manufactures).
- iii) Simplifying the regulatory process for investment.
- iv) Land policy: improving access to industrial sites through more streamlined,

transparent approval procedures; eliminating the monopoly on surveying of land; speeding up the issuance of title deeds; improving the transparency and speed of conversion of customary to public lands.

Part of the task in Malawi will be to mobilize a reform lobby -- preferably through a public-private sector commission -- and provide specific technical advice and training to resolve obstacles identified in the consultants' surveys.

5. Regional Roadmap and Best Practices in Seven COMESA Countries

In response to a request from the Common Market for East and Southern Africa, USAID will assist COMESA and six to eight of its member governments with

- i) Updates of initial Roadmaps (and expansion into common format) on regulatory policies that have been done in the recent past for Malawi, Mozambique, Namibia, Swaziland, Tanzania, and Uganda.
- ii) A series of workshops on implementation of reforms in areas of common concern to the countries--based on "best practices". For example, one workshop might be on reengineering of the import clearance process (involving private sector importers and officials from customs, the ports, and the banks); another might be on work permits/ immigration-clearance process.

In light of limited ATRIP funds, USAID Missions have agreed to provide funds from their regular, bilateral budgets to conduct initial Investor Roadmaps for three other COMESA countries--Kenya, Zambia, and Madagascar.

6. WTO/Trade Policy Education and Technical Assistance

As many African countries move from a passive role under the GATT toward a more demanding set of responsibilities under WTO, both the private and public sector players have recognized a need for help to understand better their rights and obligations under WTO and to adapt existing laws and regulations to WTO standards.

The main USAID-funded activity in this area for FY98 will be a series of short seminars and workshops, to be followed in some cases by in-depth assistance with specific strategic, legal, or technical requirements that will have been identified in the seminars. Initial regional seminars for trade ministry officials, dealing with WTO conventions and related agreements, will be co-sponsored by COMESA and held in Lusaka, Zambia in December 1998 and February 1999.

7. U.S. Market Access Information for African Exporters

The low market share of the U.S. as a destination for Africa's exports is partly explained by lack of familiarity with regulations, procedures, and preferences (e.g., GSP) applicable to imports into the U.S. market.

The Market Access Information project will develop a website, improve links and content of related websites and, subsequently, provide a "road-show" and training for USG commercial and private sector development staffs at U.S. posts in Africa that will

- i) Familiarize African exporters with marketing opportunities in the U.S. (USTR's Generalized System of Preferences for duty-free access for a recently lengthened list of products from LDCs; USAID's Global Technology Network, to provide "trade leads" for African enterprises to U.S. customers and suppliers;) and
- ii) Help them deal with U.S. "red tape" that affects their exports into our market (Customs regulations; food safety requirements; phyto-sanitary regulations).

8. Promotion of Electricity Trade in Southern Africa

Under this activity, Purdue University, in partnership with the Southern African Power Pool, has developed a planning model for electricity trade among 12 countries in the pool . The long-term planning model, funded by ATRIP for 1998, has helped to identify a set of investments in electrical power generation and transmission facilities and a pattern of cross-border electricity trade in the region that would have environmental benefits and could save customers up to \$8 billion in electricity costs over the next 20 years.

9. South African International Business Linkages (SAIBL)

The purpose of SAIBL is to assist South African historically disadvantaged small and medium enterprises by promoting commercially-viable business relationships that result in increased trade and investment flows as well as the transfer of technology between the U.S. and South Africa.

Under the SAIBL grant, funded primarily by the USAID Mission in Pretoria, the Corporate Council on Africa will provide four fundamental impact services that need to be delivered in a coordinated fashion:

- i) An interactive database and web site, to facilitate matchmaking between American companies and South African SMEs. The web site and database are expected to be fully operational about the end of 1998.
- ii) Marketing -- the design, production and dissemination of SAIBL "information kits" to be available electronically and in hard copy; publicizing SAIBL and recruiting participants at

four regional locations in South Africa and at major U.S.-Africa investment conferences.

- iii) Matchmaking. CCA expects to establish SAIBL as an international best practice model, involving: registration, accreditation, business linkages, training and technical assistance (firm level), and transaction facilitation.
- iv) Aftercare -- to provide fee-based services, such as market research, information and analysis, identification of sources for a particular U.S. technology or continued training or technical assistance to the SME.

The SAIBL program follows USAID/South Africa's successful, \$2.5 million Business Linkages for Under-utilized Enterprises (BLUE) project -- to develop ties between small suppliers and large, domestic South African manufacturers and customers -- that USAID and the National Industrial Chamber have been implementing for more than two years. By the end of 1997, BLUE-financed activities had assisted 101 historically under-utilized suppliers to obtain 283 contracts for corporate procurement valued at around \$8 million -- including a \$160,000 contract for the refurbishment of the luxurious Blue Train and a \$560,000 contract for a consortium of six small firms to manufacture and supply 105,000 garments to the Department of Correctional Services.

10. Kenya Seed Policy and Trade Linkages

This activity is to establish a business partnership between the American Seed Trade Association (ASTA) and private seed producers and traders (in the Seed Trade Association of Kenya, STAK). The proposed grant will stimulate U.S. seed industry investment and trade in the Kenyan and other East and Central African seed sectors by establishing a strong private seed sector through the liberalization of Kenyan seed policies and regulations. The grant would:

- i) Promote Kenya's membership to Union for the Protection of New Varieties of Plants (UPOV) through the development of a Plant Variety Protection (PVP) Law,
- ii) Enhance the movement of new plant materials thus giving farmers immediate access to regional and global seed technology, and
- iii) Assist the private sector in achieving legal and policy changes (such as removal of the annual quota on seed imports by a single supplier) that will provide a level playing field vis-a-vis the operations of the dominant parastatal seed company and will create a larger regional market to encourage foreign and domestic investment.

USAID expects that a partnership between ASTA and STAK will help private seed companies to expand the market for quality seed in Kenya.

11. West Africa Enterprise Network

The purpose of this project activity is to improve the number and quality of partnerships between West African entrepreneurs and prospective US business partners so as to build direct commercial linkages (exports, joint ventures, etc.). The WAEN is a regional association of 300 business men and women from 13 countries in West Africa: nine francophone countries - Benin, Burkina Faso, Chad, Côte d'Ivoire, Guinea, Mali, Mauritania, Niger, Senegal, and Togo; three anglophone countries - Gambia, Ghana, and Nigeria. The program, managed by the US-based, non-profit Corporate Council on Africa (CCA), will promote:

- i) Identification of high-potential business opportunities and testing of their viability;
- ii) Sharing of business and market information via the WAEN *Trade Flash Report*, a CCA newsletter, and a business-oriented computer database;
- iii) Provision of training to US and West African firms on the procedures, rules, and regulation of business in the US and West Africa;
- iv) Preparation of comprehensive guides containing reliable economic data, official contacts, and financial sector resources; and
- v) Organization of visits and exchanges between West African and US business men and women.

12. Establishment of East Africa and Southern Africa Enterprise Networks

In combination with European donors, USAID and ATRIP will also support the creation of regional business organizations in East and Southern Africa that can work with U.S. organizations to facilitate trade and investment flows.

13. Internet-based Business Linkages for Small and Medium-Scale Enterprises

Based on a pilot activity under the Leland Initiative, a small, US-based training firm will continue its previous work in Zambia and South Africa and expand its training program for SMEs to Uganda and other African countries. The focus of this follow-on activity will be on training in selected, practical technical tools (e.g., how to set up a commercial bulletin board; how to collect and exchange price quotes and link to commodity exchanges) and on the development of "apex" organizations that can be a continuing source of internet advice and training for business associations and their members.

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November 1998