PN-ABY-741

PRIVATE SECTOR PARTICIPATION IN IDENTIFICATION AND REALIZATION OF TRADE OPPORTUNITIES IN WEST AFRICA

May 1994

Prepared for
AID/AFR/SWA

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(lead contractor)

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United States Agency for International Development
Bureau for Research and Development
Project #936 5451

PRIVATE SECTOR PARTICIPATION IN IDENTIFICATION AND REALIZATION OF TRADE OPPORTUNITIES IN WEST AFRICA

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Under the G/DG/EID Implementing Policy Change Project

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May 1994

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INCREASING PRIVATE SECTOR PARTICIPATION IN REGIONAL TRADE IN WEST AFRICA

I INTRODUCTION

The environment for regional integration and trade in West Africa is set in the context of the economic stagnation which set in during the 1980s and has continued into 1994 This period was marked by the continuing **overvaluation of the CFA franc** which distorted trade patterns and resulted in the erection of trade barriers to protect against imports, the **failure of ECOWAS** as an effective instrument of economic policy and of trade promotion in the sub-region, **persistent fiscal deficits of the countries in the subregion**, and the subsequent **liberalization and structural adjustment programs** to which the formal private sector did not respond as hoped Over the last five years there was the consequent flight of capital and foreign businesses as well as an increasing shift of formal private sector entrepreneurs to the informal sector

A recent and important part of this context is the January 12, 1994 devaluation of the CFA franc by 50% relative to the French franc This action could help set the stage for regional integration and open up opportunities for regional trade, provided there are real changes in the attitudes of West African leaders towards regional trade and the formal private sector becomes a partner in the policy process This is the challenge to which the SRI Regional Trade Amendment must respond, if its interventions are to have any impact

The West African region, comprised of 16 countries,[1] has known little economic integration in the thirty or so years since independence Efforts in this direction generally have been poorly designed and ineffective The most significant effort, which was made under the auspices of the CEAO for the Franc zone countries and is now being "reborn" as UEMOA,[2] provided for a system of preferential tariffs and sought a common external tariff ECOWAS, intended to integrate the entire region, has no political clout and has never included the private sector in its deliberations As a result, each country continues to have protected, non-competitive industrial sectors and fiscal and regulatory regimes that discourage regional trade The upshot is that most of the economic activity in the region takes place in the parallel, informal sector The formal private sector, already struggling for its survival in the newly liberalized business climate, is not inclined to even attempt to export to other countries in the subregion if there is not a dramatic change in the environment The private sector has been very explicit as it stands now, despite the CFA franc devaluation, there is very little economic incentive for private business persons to engage in regional trade, due to the overwhelming numbers of tariff and non-tariff obstacles to regional exports, not to mention the difficulty in securing transport, transferring

[1] There are 7 countries which are part of the CFA franc zone Benin Burkina Faso Cote d'Ivoire Mali Niger Senegal and Togo The nine other countries in the region are Cape Verde The Gambia Ghana, Guinea, Guinea Bissau Liberia Nigeria Sierra Leone and Mauritania All sixteen are part of ECOWAS the Economic Community of West Africa

[2] Union Economique et Monetaire Ouest Africaine UEMOA a customs union regrouping the seven members of the CFA franc zone

funds and competing with the unregulated and untaxed informal sector These obstacles explain why no more than 5% of all formal export trade of the region is directed to countries in the region despite an increasing level of imports of agricultural products in the region and demand for light manufacturing products

This is not to imply that the task will be easy Indeed, the following quote from The Economist of May 21, 1994 demonstrates the difficulties encountered in reforming the environment for regional trade in Europe, where regional institutions exist, politicians are held accountable to a degree unheard of in West Africa and laws and regulations, once adopted are normally applied

> "The free movement of goods, services, capital and people thus the straightforward definition of the "single market" which was supposed by January 1st 1993 to have liberated the European Union businesses from customs checks, immigration controls and other confining features of statehood However, as managers around the EU can testify, reality is considerably less straightforward Why is it, for example, that the single market has yet to provide Western Europe's 340m citizens with America's low air-fares or its cheap and efficient telecommunications? Why must a factory in Italy still buy its electric power from a state monopoly? Why does a single market not have a single currency which most business folk still seem to want? Clearly the single market has yet to arrive Apologists excuse these shortcomings by pointing to the difficulty of uprooting long-established thickets of trade barriers, and to the need to go slowly where mismatches among member states are too big But the underlying reason is that protectionist instincts die hard, especially when economic times are tough "

The West African region has several characteristics which are unfavorable to economic integration, including

- the low purchasing power of its population,[3]
- the small size of domestic markets,
- the lack of complementary production,
- large scale contraband activities which compete with formal sector exports,
- differences in currencies and a wide variation in monetary and fiscal policies among the countries in the region, and
- the disparities in member countries' incomes [4]

[3] GDP per capita ranges from $210 in Guinea Bissau to $670 in Cote d Ivoire (World Bank 1992 figures)

[4] In general the coastal countries-- Senegal Cote d Ivoire Ghana and Nigeria particularly- are relatively better off than their poorer Sahelian neighbors-- Burkina Faso Mali and Niger

Additional unfavorable characteristics are

- the existence of corridor or warehouse states which have served as reexport centers for other countries,[5]
- high distribution and transport costs due to long distances between urban centers and low population density in other areas,
- the poor general state of road and rail infrastructure,
- the high cost of communications,
- the excess capacity of most industrial concerns in relation to their markets, and
- the lack of market and price information for the region

Nonetheless, the potential for regional trade exists, as demonstrated by the feedback obtained from the local private sector during the course of this study In addition, there are instances of real progress being made in removing obstacles to regional trade in certain sectors, most notably the livestock sector in the West African Central Corridor, including Mali, Burkina Faso and Cote d'Ivoire The CFA devaluation now provides a special window of opportunity for regional trade which should be pursued aggressively Private sector groups are becoming more organized and vocal These changes argue for the development of specific action plans to increase private sector participation in policy dialogue and to improve its ability to take advantage of trade opportunities To be able to capitalize on trade opportunities, the private sector will need improved information systems, institutional development of private sector organizations to promote dialogue, private sector-led studies on comparative advantage and market potential, training and increased networking

A Nature of the Study

This study was carried out to assist AFR/SWA in the formulation of a regional strategy to increase regional cooperation and eventual integration throughout West Africa Specifically, the study was intended to address the AFR/SWA strategic target of "promoting private sector participation in identifying, establishing and expanding regional trade potentials " The study was therefore designed to examine and evaluate the constraints on and the opportunities for the private sector to play an expanded role not only in the identification and realization of regional and world trade opportunities, but also in the formulation, decision-making and implementation processes of trade policy and business regulation for the region

The study was carried out over a five-week period in seven West African countries, four of which are in the CFA zone, two of which are anglophone and one francophone country not in the CFA zone The study is based on a brief literature review and a concentrated set of in-country interviews of key private sector players and support institutions, selected government

[5] Benin and Togo have traditionally served as warehouse states for Nigeria and Gambia serviced Senegal

officials and major donors The feedback obtained provides a general perspective on regional trade in West Africa [6]

Based on this feedback, country profiles were prepared which support the main body of the report These profiles examine the trade that takes place between the countries of the sub-region and the potential for increased trade The profiles also examine the various constraints which face the formal private sector, the private sector's present involvement, if any, in the policy process and explores what would be necessary to increase the private sector's role in this process

B Summary of Results

1 Prerequisites for Successful Regional Trade

There are three prerequisites if regional trade is to develop in West Africa, First and foremost, reforms will be dependent upon the **political will** of the governments of the region to establish an effective common policy which both promotes regional trade and rids the region of the many current obstacles afflicting this trade The second prerequisite is the involvement and **commitment of the four key players of the region, Senegal, Cote d'Ivoire, Ghana and especially Nigeria**, for reform to work Effective reform will also heavily depend on **effective private sector advocacy groups** and their inclusion in the policy decisionmaking process These three prerequisites must be satisfied for there to be the economic incentive on the part of the private sector to engage seriously in the development of regional trade

2 Primary Obstacles Faced by the Private Sector in Regional Trade

In the present climate of devaluation of the CFA franc, the business community voices a growing concern about doing business in the region Private sector operators are particularly worried about the lack of coherent, standardized trade (including transportation) legislation and tariff policy applied between the region's countries Indicative of the incoherence, they cite the failure of ECOWAS and the lack of regional coordination in the application of already signed trade accords While certain of the CFA Franc zone countries look hopefully to UEMOA, all private sector players feel there is a lack of political will to get rid of the obstacles to trade, since there is no common policy in the region to promote regional trade The consensus is that UEMOA is only a partial solution and the question of whether ECOWAS should be kept and revamped or a substitute sought is raised

In general, business people recognize the partial improvement in the regulatory, administrative and legal environments which has occurred during the past five-six years Tariffs- at least on the books- have been lowered and "rationalized" to a degree in most countries as a

[6] For a more detailed analysis of trading potential by sectors of economic activity, see J Dirck Stryker s papers Regional Economic Integration in West Africa Potential for Agricultural Trade as an Engine of Growth in the Western Subregion ' AIRD March 1993 and A Regional Strategy for Trade and Growth in West Africa AIRD February 1994

part of the liberalization of economies which started in the mid-late 1980s Export taxes and other export-related obstacles have been done away with or ameliorated or mitigated

Despite the improvement, business people still consider the bureaucracy to be an impediment to doing business They particularly cite four key obstacles

- non-tariff barriers
- lack of available business and legal/regulatory information
- long delays occasioned in the transfer of funds between countries
- state of the transportation infrastructure as well as the high costs of transportation

Private business operators feel that the State has a facilitating role, but does not yet know how to carry it out They recognize that the private sector itself must be better organized and more vocal in advocating reform if real change is to occur

II ENVIRONMENT FOR REGIONAL TRADE IN WEST AFRICA

A Business Climate Affecting Trading Potential

Following are details of the principal constraints the formal private sector faces

1 Regulatory and Administrative Constraints

This class of constraints, especially non-tariff barriers to trade, is the most serious facing the formal private sector Administrative barriers, such as quotas and exchange control measures, immigration and security controls, are usually erected by governments as a means of protecting infant industries and generating revenue However, in West Africa, the regulatory and administrative environment is characterized by a high degree of arbitrariness which blocks the efficient conduct of business Industries are protected long after they should have graduated from infant status Much of the revenue generated goes into the pocket of the customs or immigration official on the border Following are the principal regulatory and administrative constraints which impede the efficient conduct of business and the realization of trade potential in the region

a Foreign exchange rates

- The sub-region has ten different currencies, nine of which are inconvertible, a factor which seriously impedes the development of intra-regional trade This situation is aggravated by the lack of an effective network of correspondent banks in the region

- In order to mitigate the problem of convertibility of currencies and trade imbalances between countries, to foster monetary cooperation among clearing house member states, as well as to promote trade in the sub-region, the West African Clearing House was established for both countries and individual economic operators to use It proved too cumbersome for most businessmen to use (the only users of any significance were Nigerian manufacturers) and its operation was predicated on the financial contributions of each member state In the late 1980s member states became delinquent in their contributions, thus the organization did not work

- The immediate effect of the recent devaluation in the CFA countries was a doubling of prices of imported goods Prices of local goods, after an initial period of high price increases, have now stabilized, with average increases in the neighborhood of 20-30% The effect of the devaluation was detrimental to those companies which import goods, and appears to have helped those which export, particularly those which export outside the subregion There have been only limited efforts on the part of local producers to examine import substitution potential on a regional basis The ground breakers in this context appear to be the Lebanese who, according to anecdotal evidence, have been investigating product availability and prices in Ghana, Burkina Faso, Mali and Nigeria Private business persons in the region decry the lack of government measures to revitalize their economies, particularly the lack of export promotion policies and credit facilities to facilitate debt rescheduling [7]

b Tariff barriers

- Outdated and/or illogical regulations For example, in Senegal there is a 15% import duty on corn, but none on rice and wheat

- The inability to get viable information regarding regulatory and administrative requirements pertaining to regional trade

- In Mali, the fact that tariffs can change three or four times per year with no notice, making financial planning difficult for a business The budgetary needs of the Treasury drive the country This may certainly become more evident later this year, since first quarter 1994 forecasted customs duties receipts were revised downward from 7 5 billion cfa to less than 2 0 billion cfa (Le Republicain, Bamako, April 6, 1994)

- Often trade treaties and accords which have signed between countries are contradictory Countries have operated politically, rather than in an economic development sense

c Non-tariff barriers/constraints

The formal private sector operators of the subregion conclude that this category of obstacles is the most serious impediment to the daily conduct of their businesses and that if successful regional trade is to be a reality these constraints must be removed

- A cumbersome, controlling bureaucracy with overly complex and time-consuming procedures, such as export documentation procedures

- Trade regulations and agreements do not conform to reality and are not disseminated Moreover, the written regulations are not always reliable what information is obtained from embassies and what one finds at the borders are not always the same

- Existing regulations are often confusing and misapplied

- Non-tariff administrative obstacles are still serious Fraud, pilferage, corruption, chicanery and petty administrative obstacles are problems, cause delays in the movement of goods and can raise prices of products substantially

[7] For an illustration of the types of recommendations being put forth by local private sector operators see the February 10 1994 report of the Comite de Liaison Secteur Public Secteur Prive Rapport de Synthese du Groupe de Travail Competitivite,' headed by the Federation of Ivorian Industrialists

A Nigerien businessman reports the following typical costs of shipping a truckload of onions from Galmi (Niger) to Abidjan

Freight	300,000-600,000 FCFA
Payoffs in transit	800,000 FCFA

Other studies conducted by USAID in Niger and in the central corridor confirm that this problem is endemic throughout the region [8]

- To represent those economic operators and association members involved in the all major aspects of the "trade chain" of primary products (from producer to exporter/importer) and to help resolve their problems, such as the abovementioned situation, the non-profit association, Groupement Communautaire Sectoriel des Produits en Cru de l'Afrique de l'Ouest (CRUAO) was formed in Ouagadougou in June 1988 In 1989, this organization addressed the matter of illicit payments, extracted from transporters by forming "sociétés de convoyages," under which the members' freight would move more freely and at much less cost (in bribes) than before For a payment to the association of 20-50% of the normal illicit payments extracted from the truckers, members' trucks would pass the control points with minimum delay and no payoffs Rapid passage is verified by "controllers" riding with the truck (s) who log entry and exit times from each control point along a given route, e g , Ouagadougou-Abidjan, as well as any irregularities encountered CRUAO's membership covers Cote d'Ivoire, Burkina Faso, and Mali Niger is not yet a member

- A plethora of government pronouncements (textes) on regulations, taxes and doing business, with differing and "flexible" interpretations depending on the government agency (ies) involved

- The inordinate amount of time necessary to comply with regulations, to resolve questions and to respond to business needs

- There remains a residue of anti-business sentiment among many government officials

d Taxation

- Heavy taxation, characterized by a "cascade effect" on the cost of doing business, is aimed at the formal private sector, and makes it uncompetitive

- It is impossible to be transparent, honest and survive as a business, especially if the business is new Many francophone tax systems have a tax on gross revenues, which is payable by all businesses, even those new ones which may be in a loss-

[8] For additional information on trade constraints related to transport issues see Holtzman and Kulibaba Livestock Marketing and Trade in the Central Corridor of West Africa, July 1992

making position during the start-up period of operations If a business is transparent, the fiscal burden can drive that business into bankruptcy

- High incidence of rent-seeking by public agents constitutes a second tier of quasi-official taxation

e Price controls

- In the cfa zone countries, price controls have been removed from many products and business has much greater autonomy in setting profit margins

f Other

- The lack of explicit export promotion policies, with tax advantages
- The fact that both SOEs and private companies often do not understand export pricing
- Monopolies of state owned enterprises which no longer have any raison d'etre

2 <u>Legal Constraints</u>

a Rule of law

- Efficiency of the institutions presupposes a legal framework which works, especially when there are frequent changes in the law
- The lack of widespread dissemination of legal information and the paucity of local practitioners who are current on the laws and regulations
- Problems of cohesion/consistency in the application of laws
- The lack of harmonization of laws across countries For purposes of regional integration and trade, countries' fiscal, trade and agricultural policies also have to be harmonized and countries will likely have to give up some sovereignty
- Failure of governments to control rent-seeking behavior by public agents contributes to a lack of legal security

b Investment code

- While there are variations in countries' investment codes, the latter are not seen as the driving force behind instigating private investment Individual investors can, and do, negotiate specific arrangements with governments Thus, investment codes are not viewed as major restraints to regional trade c Bankruptcy law

- While certain countries now have bankruptcy laws in place, for a variety of reasons they are not applied or are without effect

- In Guinea a bankruptcy law was promulgated in 1992, providing for liquidation and restructuring procedures, but according to business people, it is just "paper," in part because there is no market for the assets of a company in bankruptcy

- The banks often are unable to attach certain assets in the event of default The judicial process is extremely slow, clients will often derail the process by using legal delaying tactics and political connections, by colluding with bank officers and by overvaluing assets

d Labor law

In the francophone countries, typically the employment situation is aggravated by the countries' stringent labor laws, which make an employer reflect seriously before hiring permanent new staff An employee can be fired for cause (usually theft), after a very lengthy process Firing for incompetence is usually almost impossible to do, as is laying off employees in the case of business reverses

Generally, unions are strong, and depending on the union, can be reasonable or highly unreasonable in their demands on management

With respect to migration, presently there is no de jure way for an immigrant to install himself or herself legally in the country to which he immigrates ECOWAS guarantees the free movement of goods and services in the region, and under a protocol signed in July 1991 (in Abuja) the right of free movement, residence and establishment is guaranteed and expected to be in effect by 1995 The free movement of goods, services and labor was the primary recommendation of the Eastern and Southern Africa Trade Agreement

3 <u>Business Infrastructure Constraints</u>

Many business people feel that the business infrastructure constraints are equally as restrictive as the regulatory, administrative and legal constraints While there has been improvement in the transportation and utilities sectors, there still is much to be done

a Access to credit

- Export finance at present, the export finance infrastructure is lacking in most countries There is little export credit or export insurance available Senegal had a mechanism for export insurance ASACE (modelled on the French COFACE), which did not work since it was severely undercapitalized (600 million CFA) AFRAM, the African-American Insurance Company, makes insurance available for livestock exports in the central corridor

- The financial sector, including the monetary system, is not oriented to promote investment in production activities Moreover, there are no banks which specialize in trade

- Other than lines of credit for short-term importing, current operations and other commercial lending operations to very low risk clients with ample collateral, there generally is little credit available from the commercial banks Also, the banks do not lend due in part to the sheer lack of 'bankable" business propositions, personal investment, suitable collateral and business track record In Niger, the banks are awash in liquidity since the Nigerians got rid of their cfa after devaluation, yet there is no credit available

b Inter-country transfer of funds

- Deficiencies within the banking system explain many of the transfer problems Insufficient liquidity in certain banks causes excessive payment delays Companies in Cote d'Ivoire have documented a waiting period of up to 6 days to cash a check drawn on the same bank, 3 weeks to obtain payment when a transfer is required between two offices of the same bank, and one month for a check drawn on a bank in Burkina Faso

- Bank transfers also involve formal and informal agency fees that, combined, may run as high as 5 percent (particularly when foreign currency transactions are involved)

- Banking services are also erratic with regard to the range of services provided by main and branch offices Businessmen note, for example, that travelers' checks purchased from capital city branches of major banks are not always honored for payment in branch banks Cashiers' checks issued by main offices may be cashed only after delays of one or more days

- Letters of credit are used almost exclusively for imports from outside the region Bank conditions to open a letter of credit are very strict

  - the partner bank must freeze the client's account or guarantee payment with its own resources in order to eliminate any country risk,

  - the client must document supplemental guarantees, often with confirmation from European banks

- There are serious delays in the transfer of funds between Guinea and the CFA zone countries due to a low ceiling on the amount of funds which may be transferred to/from Guinea without Central Bank approval Reportedly, transfers to/from anglophone countries take an inordinate amount of time

A Guinean businessman reported the following 'trail" for a transfer of the equivalent of $1000 from his bank in Bamako to his bank in Conakry

1 Request made of his Conakry bank for transfer of funds

2 Request sent to Central Bank of Guinea because the amount requested exceeded the ceiling (approx $ 400) for a simple bank to bank transfer of funds

3 Approval of Central Bank returned to his Conakry bank

4 Conakry bank requests transfer from the bank in Bamako

5 Bank in Bamako requests approval of the BCEAO (Central Bank of the West African States)

6 BCEAO sends approval to transfer to Bank in Bamako

7 Bank in Bamako transfers funds to Conakry bank

8 Conakry bank notifies Central Bank of Guinea

9 Central Bank of Guinea approves release of funds

Total time involved for this simple transfer 3 weeks

A Nigerien businessman (buyer) reported the following convoluted financial transaction when he bought $125,000 worth of lumber from Ghana Following is a brief description of this transaction

1 Buyer opened a LC at his bank in Niamey in favor of the Ghana Timber Marketing Board (GTMB) The transfer went through the BCEAO in Dakar to the Bank of Ghana, which did not take much time The Bank of Ghana prepared the documentation for the export order

2 GTMB verified that the LC arrived at the Ghana Commercial Bank

3 GTMB gave the authorization to buy - a contract of sale Buyer had to go to Ghana to the sawmill which demanded cash payment in cedis, stating that it would not get paid by the GTMB Buyer had to go on the parallel market to get cedis with his CFA

4 GTMB gave a delivery order to the Ghana Commercial Bank, showing that buyer loaded the lumber of the sawmill

5 GTMB went to the Ghana Commercial Bank, which paid the GTMB

6 GTMB reimbursed buyer in cedi, who in turn had to go on the parallel market to get CFA

The financial side of this transaction took two weeks and required the buyer to be in Ghana for most of the time

- The transfer of funds from CFA countries to anglophone countries, however, can take as long as four to eight weeks Francophone country banks work through their correspondent banks in France which in turn work with their correspondent banks in anglophone countries

- The presence of many inconvertible currencies in the sub-region, coupled with the absence of a widespread and effective network of correspondent banks requiring intermediation of European and other foreign banks, results in inordinate delays and high transactions costs - as is evidenced by the lack of use of this formal system by the informal private sector Cash is faster and more effective

- Two institutional options exist, designed to resolve the convertibility issue, viz bilateral clearing arrangements through the central banks of the region, which is being discontinued, and the West African Clearing House, which has been little used, both because of lack of knowledge of its existence and because of its cumbersome and time-consuming procedures As part of the future economic integration of the sub-region and achievement of monetary union, there are plans to convert WACH into the autonomous agency, the West African Monetary Agency

- Companies and banks confirmed the extreme difficulty of recovering a bad debt through the legal system

c Transportation

Natural conditions don't favor transportation in West Africa, resulting in high costs This is due primarily to long distances between urban centers (e g , 4000 km between Dakar, Senegal and Maradi, Niger) Mali, Burkina Faso and Niger have no direct access to the sea and are connected to the rest of world through a long road or rail connection Cote d'Ivoire has the best road system in the region Mali has no permanently usable road connection to Dakar The prize for the region's worst road infrastructure goes to Guinea, although the situation has improved considerably due to heavy donor investment in improving the system Road transport is preferred to rail transport, despite its higher cost for bulk goods, due to the poor secruity, reliability and space availability on regional rail lines [9]

Further, freight forwarders are able to negotiate prices with transporters, as compared to fixed official state rates for rail transport This is facilitated by the large number of informal

[9] The rough cost differential between road transport and rail transport for bulk items such as cereals cotton and cement is 12 14 000 CFA/ton via rail vs 16-26 000 CFA/ton via road

transporters It is estimated that between 150 and 200 transporters operate between Cote d Ivoire and Burkina Faso, primarily individuals with 1-2 trucks Transport prices vary according to seasonal demand with lowest prices in effect from May to September for Burkina Faso and Mali outside the harvest season More and more private companies are subcontracting for transport due to the expense and hassles involved of owning and operating their own trucks

i Road

- Businessmen cite road transport as being their principal physical infrastructure constraint, and that which raises their costs the most

- Businessmen persons and transporters are seeking to promote the creation of a regional freight clearing system ("bourse de fret"), which would provide instant access to information on freight availability throughout the region This is an initiative which deserves attention under the SRI Trade Amendment

- National road systems vary in condition as well as by type (primary, secondary, farm to market, etc) of road For example, Guinea's road access to neighboring countries ranges from difficult (Mali, Senegal) to almost non-existent (Guinea-Bissau) On the one hand, Mali's access to Burkina Faso, and from there to Cote d'Ivoire, is good with paved roads to Abidjan Its access to Guinea is very bad, with no paved roads on either side of the border

- Certain parts of the road transport infrastructure are absent For example, in Guinea there are no refrigerated trucks for hire Elsewhere, businesses dealing in perishable goods state that the supply of refrigerated transport is insufficient and the trucks are often in mediocre condition, leading some firms to rent or lease freezer containers which are mounted on flat bed vehicles

- In Guinea, there is no transport industry association in place to act for its members and play an advocacy role vis-a-vis the government Also in Guinea, automotive spare parts are not found easily and they are expensive, since the scale of the market does not yet justify after-sale service In Mali, the availability of trucks to ship livestock can be a problem when cotton is to be moved

- The power of organized transport unions ("syndicats") varies considerably throughout the region In some countries, such as Burkina Faso, they represent a monolithic force opposed to liberalization of transport pricing In other countries, such as Cote d'Ivoire, democratization has created openings for competition among rival transport unions, some of which have progressive agendas

- There are bilateral transportation agreements between the Sahelian and the Coastal countries, under which the Coastal country truckers have the right to transport one-third of the imports which move from the coast to the Sahel The effects of these agreements are discrimination, reduced competition in the trucking industry and to the extent the reduced competition has an effect on transport prices, increased product prices

ii Rail

- Rail transport is an option for Mali and to a degree for Senegal using the Dakar-Niger railroad While it costs less to use the Dakar-Niger railroad to move goods to Bamako, speed, reliability and security are better when trucking from Abidjan The problems with the Dakar-Bamako rail link stem from poor management, the fact that during the rainy season it can take one month to ship goods from Dakar to Bamako, occasional derailments, and busy periods, when food aid, fertilizer and cotton from CMDT get priority over other merchandise (car allocation problems) In Guinea, other than the rail lines to Guinea's bauxite centers the remainder of the rail system is inoperative for business purposes Other than the rail link from Cotonou to Parakou (Benin), Niger has no rail connections to markets

- Rail privatization or the negotiation of private rail management contracts is currently underway in several countries of the region with the explicit goal of improving quality, cost and efficiency of rail service

iii Air

- Common complaints concerning this mode of transportation are its high cost, lack of available space, and the dearth of West African air charter companies This situation is further complicated by the fact that Air Afrique is promoting the passenger side of its business through special promotions to the detriment of its freight side

- The high cost factor was borne out by the market study made in Central Africa by Niger's Chambre Nationale pour le Commerce Exterieur (CNCE) for onions and garlic While the product characteristics were favorable, the air transportation costs made them non-competitive

- Few countries have any cold storage or agricultural produce packing/conditioning facilities at airports

iv Maritime

- Maritime transport involves high handling costs and lengthy delays in ports The cost of shipping a container from Dakar to Abidjan was 250-400,000 FCFA (pre-devaluation), while the cost for a shipment Dakar to Dunkerque was 450-750,000 FCFA High costs are due to low volume, poor organization of services and lack of competition The only regional maritime transport company, based in Abidjan, failed five years ago For Senegal, it is often cheaper to get rice from Argentina than from Cote d'Ivoire To move goods from Abidjan to Conakry requires cargo consolidation by shippers in Dakar with goods coming from Europe, which in turn causes delays in receipt of merchandise in Conakry These delays in turn, cause scheduling problems (both production and sales) for firms dependent on the timely receipt of imported goods and thus increase firms' inventory costs Niger's dependence on the ports of Lome and Cotonou, plus the 1000 kilometer trip to Niamey, adds significant per ton costs to imported merchandise

- This mode of transportation also suffers from lack of refrigerated and freezer boats

d Telecommunications

- In general, communications by telephone, fax and telex within countries, in the region and internationally have improved and can be considered fairly reliable Some businessmen, however, complain that telecommunications within the region can be problematic and need strengthening Guinea is cited as the worst case, where some businesses have to rely on cellular phones or radio

- The principal constraint is the continuing extremely high cost of telecommunications, due primarily to high implicit taxation of communication tariffs by governments and telecommunications parastatals

- In the area of data transmission, apparently nothing has been done to compress the time of transmission and therefrom its high cost

e Information

The most serious communications constraint, however, is the general lack of access to timely business/trade/investment opportunity information Economic operators were legion in this complaint Specifically, the business information constraint is a lack of disseminated, timely, accurate, computerized regional information for

* product prices
* product availability
* demand for products
* other countries' industrial (or sectoral) information, i e , who produces what
* shortages and surpluses
* transportation costs and availabilities
* potential clients (including addresses and telephone numbers)
* reference prices of competitive products
* historical price and production statistics, which would help "smooth peaks and valleys" re supply and demand and prices
* trade information across the product/service spectrum, including laws, regulations and agreements

Nowhere was this lack of basic business information clearer than in the case of SEDIMA (Senegal) which, when urgently searching for alternative supplies of corn, had no viable, timely source of information regarding the surplus of corn existing in southern Mali

Nonetheless, there are some sources of reliable information for certain product categories which are useful to business people Mali, Burkina Faso, Chad and Niger comprise the SIMS regional, standardized database for cereal prices and market information While reliable, according to traders, the system does not cover the coastal countries Under the USAID-funded Livestock Action Plan, reliable monthly livestock information for Mali and Burkina Faso is available OMBV (Mali) gives weekly market price and quantity information for livestock and meat over the radio Burkina Faso and Cote d'Ivoire also publicize this weekly information CILSS is another source of information, providing a condensed report of numbers of animals sold and prices (both minimum and maximum) in principal markets Niger's livestock information system is fair, and daily market prices are available by radio from Kano

There is some concern, however, about the timeliness of the information, some operators claim it is old, and that travelers' information is more timely and more accurate In the sub-region importers, exporters, networks of traders and transporters, clients, suppliers and personal contacts are the sources of most information Businessmen differ on the efficacy of these sources of information, one group stating that accurate information does flow, and the other stating that these networks are not organized and therefore can not furnish useful information In countries which have installed the SYDONIA information system in their customs services, some business people report that the system provides useful import information

Another difficulty in the reporting of market and related information is the absence of regional norms-- e g , prices for livestock quoted on the basis of standard weight and size Private business persons oppose government imposition of product standards, due to fears that this will create yet another opportunity for the state to regulate industry and trade, with the concommitant risk of fines and bribes to obtain licenses or approvals One possible solution is self-regulation by trade or producers associations, such as the Onion Producers Association in Niger or the Seafreight Marketing Group (pineapples) in Ghana

Opportunities to publicize market information, in addition to private networks, should be explored, to make it as widely available as possible Existing media-- official and private radio, television, newspaper-- are often the best communications avenues for reaching a large segment of the population

f Human Resources

- While there is no shortage of traders, West Africa in general lacks real entrepreneurs - those individuals with the management skills, drive, vision and the intestinal fortitude to take large risks over the long haul The pool of true, experienced entrepreneurs is small

- Financial and marketing skills, largely absent, are of top priority for the business owner and his management if the firm is to compete successfully in regional markets meet the increased competition which market liberalization entails, and if he is to be capable of seizing and capitalizing on business opportunities

For example, with respect to finding markets for food products, there is little knowledge or appreciation of the tactics which would be entailed, viz

- producer/manufacturer organization,
- serious market research to find market niches (where there are product shortfalls, quality differences, price differences, desired product attributes, -- product quality, price, packaging, appearance, delivery, seasonality, -- opportunity to segment markets, etc),
- the development of pricing strategies,
- the establishment of market intelligence systems,
- the ability to spot and/or create market opportunities taking advantage of the dynamics and timing of markets and lapses of other players, and
- the ability to move fast

This would involve exploring the entire marketing chain for products and services in demand (and which should be in demand) in neighboring countries

g Industrial

- A constraint which continued to be voiced in connection with the future of regional trade was the lack of sufficient industrial infrastructure This was pointed up by the owner of SEDIMA whose company is of sufficient scale to be a major player in regional trade, yet the firm has no industrial slaughterhouse for chickens and chicken products Many operators complained of the lack of international storage and conditioning facilities, and that product packaging is generally poor and does not meet special needs Part of this constraint arises from the lack of forward, backward and lateral linkages within the private sector, i e , those business/industrial linkages which characterize a modern formal private sector

- Another problem concerned utilities and their lack of capital spending to modernize and thus decrease the price of electricity

In short, the formal private sector in all of these countries is small and fragile It lacks scale, financial and productive resources, upstream, downstream and cross linkages, and political power The lack of scale, financial resources and linkages means that its staying power, in the face of external competition, is weak Some companies are operating at low levels of their design capacities, and many have financial difficulties (inability to obtain working capital, for example) which cut into their ability to operate effectively, not to mention their ability to take advantage of new opportunities Other factors which contribute to their vulnerability is their lack of access to longer term credit, continuing onerous taxes, their own inability to market (as distinct from sell) their products, and an environment which is still far from being conducive to growth of the private sector

B Private Sector Coping Methods (Informal Sector)

The informal sector, used in this context to mean those business persons involved in cross border trade which does not respect established trade laws and regulations,[10] is widespread in West Africa The large size of this sector makes it difficult to determine with any precision what real market size is in any of the countries of the region[11] Unless the current highly porous borders are better controlled, the broad scope of existing informal trade also limits the impact of institutional measures which might be adopted to increase formal sector regional trade

1 Informal Sector Trading Practices

Informal trade involves goods from the region as well as all over the world In the region, informal traders exchange agricultural commodities, textiles, shoes, plastic goods, detergents, soaps, batteries paint and construction materials A very large market exists for used clothing from the U S , wax cloth from Holland, batteries, shoes, bicycles and appliances from Asia, tires and used cars from Europe The goods most frequently traded are those which correspond to the low purchasing power of local populations

Due to the illegal nature of their activities and their lack of structure, informals are inclined and well equipped to profit from speculative trade In doing so, they exploit three differences

- variances in industrial prices due to varying levels of competitiveness (complicated by practices such as dumping, fire sales or sale of subsidized or surplus goods) For example, Eveready in Cote d'Ivoire produced batteries with sales of 4 5 billion CFA in 1990/1991, and employed 221 persons Its products competed with smuggled Asian batteries, and with batteries produced in Senegal and Mali which were cheaper due to the high cost of labor and utilities in Cote d'Ivoire

- differences in currencies the exchange rates for the CFA as compared with the other, non-convertible currencies in the region is a key factor in regional exchanges, and especially affect informal trade flows The price of products outside the franc zone was significantly lower (at least, until the CFA franc devaluation) due to the devaluation of their currency vis-a-vis the CFA franc Further, the attraction of the convertible CFA is very strong, especially in Nigeria Goods are at times sold at a loss to obtain a

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[10] In other contexts informal sector" is used to describe those persons engaging in small scale trade or services such as artisans mechanics tailors vendors or shoe shine boys When private sector business persons refer to the informal sector they are speaking of clandestine traders, many of whom smuggle large volumes of goods across borders in the region This "informal sector" poses a real threat to the survival of the formal private sector in West Africa since it is not subject to the multitudinous laws regulations taxes or controls to which the formal sector is subjected

[11] For example in Niger, official figures indicate that only 1 5% of Nigerien cattle is exported to Nigeria while it is commonly known that Nigeria imports a great deal of Nigerien beef and that domestic demand in Niger is insufficient to cover 98 5% of production

convertible currency which permits non-CFA zone manufacturing firms to purchase imported inputs

- differences in economic policies differences in industrial, agricultural, tax and customs policies translate into varying levels of price controls, taxation, tariff and non tariff protection Trade develops to exploit these differences Research by the Club du Sahel has shown that differences in protection, internal taxes or price controls fuel trafficking in cereals The subsidized price of Nigerian gasoline intended for internal consumption, as compared with its higher official export price, results in a sizeable price differential which results in large scale contraband trade between Nigeria and Benin [12] The ban on imports of rice, wheat, flour and certain fabrics instituted in 1985 in Nigeria created contraband operations in these commodities from Benin, Togo and Niger, which continues today

Informality is tolerated in West African countries in large part because these traders supply goods at acceptable prices for a population with very low purchasing power [13] Informal trade prevents food shortages and keeps the state from having to subsidize basic consumer products However, large scale informal trade in illegally imported goods discourages local production This type of trade in cheap Italian shoes in the region was a factor in the failure of BATA in Senegal Development of the livestock trade from the Sahel to the coastal countries has been affected by the imports of cheap, subsidized frozen meats from Europe Nigerien and Malian textiles cannot compete with contraband Chinese and Pakistani fabrics [14]

The result of these speculative practices which the informal sector has mastered is the destruction of normal trading ties among formal sector firms and the lack of sustainable economic development The impact of informal trading activity on formal sector firms is probably highest in Senegal, due to its proximity to the reexporting nations of Gambia and Guinea, and in Niger, Benin and Togo due to their proximity to and the variety of contraband trade with Nigeria

2 <u>Movement of Funds</u>

A system of cash and carry prevails in the region for informal trade Credit is used only for very large bank clients, and letters of credit are almost unheard of In an environment where

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[12] In 1991 the price differential between the price at the pump for gasoline in Nigeria compared to that in Benin was 1 10 Even after the price of gasoline was more than doubled in Nigeria, it remains cheaper than the Benin price In 1991 70% of automobile gasoline in Benin was smuggled

[13] Informal trade is also a source of revenue to rent-seeking government officials who are often the most vocal opponents of reform initiatives to liberalize trade

[14] Distributors of textile products refused to continue to distribute goods from the Nigerien textile company, SONOTEXTIL preferring instead to market Nigerian and Asian fabrics whose prices were dramatically less than local production as the following retail figures indicate for a 12 yard 'double pagne of cloth Sonotextil (Niger) 6300 FCFA (pre-devaluation), Nigeria 4500-5700 FCFA, China 4200 FCFA Pakistan 4000 FCFA Further the net manufactured cost of textiles in Niger was approximately 6000 FCFA versus a CIF cost for Pakistani textiles of 2500 FCFA

importers and exporters operate on the basis of spot opportunities ("coups"), the instability of the trade flow pattern works against a credit operation

Credit to finance trade activities is generally limited to industries in the "modern" sector, including manufacturing, construction, and large import-export activities Even in environments where banking operations are not susceptible to political influence and patronage, credit availability to "traditional" economic actors is restricted by their own limited use of savings or other banking facilities and the perception by banks that trade in certain commodities (e g , livestock) involves inordinately high risk Further, interest rates imposed by banks on credit are exorbitant (as high as 20 percent/annum), particularly when compared with low interest paid on savings and commercial accounts on deposit

Barriers to improved relations between entrepreneurs in the "traditional" sector and the banking system are reinforced by the regulatory role played by banks in the CFA zone countries In those nations rules governing "domiciliation bancaire" require that all export transactions obtain prior clearance from a bank in the entrepreneur's country of residence and the proceeds from such transactions be mandatorily channeled through the institution from which the clearance was obtained Although this requirement was instituted ostensibly for statistical purposes, the attachment of fees to the process by banks, the encumbrance of the administrative procedures it entails and concerns regarding the confidentiality of transactions have led the majority of businesspersons in the traditional sector to circumvent this procedure

C Microeconomic Benefits From Removing Administrative Barriers

More than a decade of economic liberalization in the context of adjustment, private enterprise development programs and democratization have doubtlessly improved the environment for business throughout West Africa Nonetheless, significant gaps remain between traditional modus operandi, born of excessive regulation in the past, enlightened policy and official established practices

In all sectors of economic activity the avoidance of official controls is a time-honored tradition, in which businesses seek to capture the marginal benefits that accrue from non-compliance with official regulation Burdensome administrative controls, for their own part, remain in place due to a combination of factors The quasi-socialist ideology of the post-independence era viewed nation-building and individual entrpreneurial initiative as being incompatible The paternalistic attitudes characteristic of the post-independence state viewed business as an instrument of politics, linking the freedom to pursue entrepreneurial activity to the prerogatives of political power Finally, in African nations where poverty remains endemic, governments in need of resources logically turn to the most visible and easily captured source of fiscal revenue private business activity

Numerous studies carries out by USAID and other donors during the past decade have underlined the burdensome complexity of business regulation in West Africa, pointing out that official taxation often gives rise to parallel and informal taxation by the administrative apparatus This phenomenon is made possible by the monopoly authority of government officials to regulate the freedom to do business, often through a maze of institutions having overlapping or coincidental authority Lax administrative oversight and the inefficiencies of the official apparatus give rise to a market for expediting services within bureacracies--a market which poorly paid and inadequately supervised civil servants are only too eager to exploit The willingness of civil servants to accept inducements to perform in an expeditious manner has become translated into standard practice, with bribes for the performance of any administrative service becoming the norm Hence, over time, the opportunistic gains derived by civil servants from the complexity of administrative procedures become not merely a fact of life in the business environment, but also a potent source of resistance to economic liberalization

The need to facilitate business transactions vis-a-vis government regulation has also frequently given rise to a second tier of quasi-official administrative entrepreneurs In nations where high costs of business licensing, customs procedures, and taxation are chronic, elite groups of businesspersons often engage in lending their names to the business activities of others in exchange for a fee This allows smaller-scale businessmen to both circumvent complex procedures and transactions costs and to operate in relative anonymity In markets where "prete-nom" (or "name lending") is endemic, this second tier of beneficiaries also constitute a sometimes powerful force of activists for the preservation of the status quo

Numerous case studies have indicated that private entrepreneurs are quick to respond to policy and procedural changes that lighten the burden of compliance with official procedures Even where the direct costs of compliance are not reduced, the compression of procedures into "guichets uniques" or one-stop windows for the completion of official procedures are universally welcomed for the economies of time that they generate for private entrepreneurs

Under the USAID-funded Livestock Action Plan, discussed in more detail in section IV C below, the concerted effort of public and private sector "cadres de concertation," or joint consultative groups, in Mali, Burkina Faso and Cote d'Ivoire, has resulted in the elimination of several of the constraining administrative procedures related to livestock trade in the region As indicated on the chart of the administrative reforms in Cote d'Ivoire provided on the following page, not only did the elimination of these procedures result in considerable time savings at the borders for livestock traders, but it also resulted in considerable net cost savings and eliminated the monopolistic power of the Transporters Syndicate

III PRIVATE SECTOR INVOLVEMENT IN DECISIONMAKING AFFECTING REGIONAL TRADE

A Background

While political and economic liberalization in West Africa are creating new opportunities for private sector participation in the formulation of public policy, there remain serious barriers to the effectiveness of private initiatives, viz the traditional attitudes of government officials toward business and the often low-level of organization among entrepreneurs

The ideological and attitudinal legacy of the past is manifest in governmental institutions which continue to view the state as a regulator, rather than a facilitator, of business activity As such, government officials who matured during the period when government paternalism and parastatal orientations characterized African economies continue to view private entrepreneurs with distrust

Faced with this attitude, the private sector views the state as predatory, seeking to obtain revenues to meet its high operating expenses from the most visible player in the process of wealth creation in the nation, without regard to the private sector's need to reinvest funds in its operations, and with no understanding of the profit motive

The freedoms of association and expression that have been restored to most West African nations in the recent past have made possible the emergence of a countervailing force (a "contre-pouvoir), in which entrepreneurs are no longer obliged to interact with official agencies through the intermediation of a state-dominated Chamber of Commerce Private associations of small-scale entrepreneurs (including rural and womens' groups), single commodity or business-activity-based groups, multiple and competitive syndicates and workers groups have all taken advantage of these new openings to give voice to their concerns The degree to which governments have come to recognize their importance was underlined in recent months as governments in the CFA zone grapple with the effects of currency devaluation, most have created national or sectoral commissions on devaluation in which private economic actors play a role

Nonetheless, the response to emerging opportunities for interest group politics remains uneven in most West African nations Organizational skills and familiarity with the new political process among non-governmental actors remain poor, with many groups viewing their role as one of petitioning government, rather than providing constructive solutions of their own Concern about potential official reprisals against activists are not uncommon, leading many of these groups to seek association with donor projects and initiatives as a form of protection

Such initiatives as the Enterprise Network of West Africa and the Cadres de Concertation that have been put in place under the AID Implementing Policy Change Project have demonstrated that it is possible to forge cooperation between official and private actors while at the same time assisting the private sector to strengthen its capacity for activism Policy-oriented public/private dialogue that focuses on particular solutions to widely-recognized problems is not merely a new possibility in West Africa, but has already demonstrated the benefits to be realized by fostering cooperation between historical antagonists

LIVESTOCK ACTION PLAN

COTE D'IVOIRE

Reform Activity	Operational, Institutional and Political Impacts	Economic Impacts
Suppression of *Contribution volontaire* by Transporters Syndicate	1 Reduction in transit time at international borders 2 Reduction of quasi-official rent-seeking by private actors 3 Suppression of syndicate monopoly, consequent emergency of four competitive syndicates	Net savings/transfer per transaction Between 10,000 FCFA (10 ton truck) and 15,000 FCFA (15 ton truck) <u>or</u> 680-850 FCFA/head (cattle) and 75-200 FCFA/head (small ruminants) Aggregate annual savings/ transfer Between 30-38 million FCFA (cattle) + 11-31 million FCFA (small ruminants)
Suppression of *Contribution volontaire* by Commerce Syndicate	1 Reduction in transit time at international borders 2 Reduction of quasi-official rent-seeking by private actors	Net savings/transfer per transaction Between 6,000 FCFA (10 ton truck) and 10,000 FCFA (30 ton truck), <u>or</u> 450-500 FCFA/head (cattle) and 50-120 FCFA/head (small ruminants) Aggregate annual savings/ transfer Between 30-38 million FCFA (cattle) + 7 75-18 million FCFA (small ruminants)
Reduction in number of road barriers & control posts	1 Improved transport time and conditions for livestock and other cargo 2 Improved accountability of uniformed services	Net savings/transfer per transaction Variable, relative to number of control posts present on any given day X 500-1,000 FCFA Interview data suggest overall reduction of costs of approximately 5,000 FCFA/truck between Ouagadougou and the Côte d'Ivoire border (pre-devaluation)

To achieve progress in the process of joint dialogue private sector organizations and associations must build skills in the following areas

- strategic planning to develop a reform agenda
- information collection and analysis
- stakeholder analysis
- advocacy
- monitoring and evaluation of policy impact

As outlined in section V, Recommendations, the SRI Amendment should target skills development in the above areas among all interested private sector organizations and NGOs, to strengthen their capacity to intervene meaningfully in governments' decisionmaking processes

B Involvement of Private Sector Organizations in the Decisionmaking Process

1 Chambers of Commerce

Chambers of Commerce in West Africa have traditionally been regarded as arms of the State, particularly in the francophone countries where Chambers were modeled after the French Chambers, parastatal bodies which receive large government subsidies In West Africa, the officers and staff of most francophone country Chambers are named and paid by the State The Chambers are nearly always the private sector organization of choice for African states for joint public/private consultation However, it can be argued that this simply represents the State talking to the State Some recent progress has been made through technical assistance programs funded by the World Bank, most notably in Mali and Burkina Faso, to make these organizations somewhat more autonomous Nonetheless, as long as their budgets are funded primarily by the government, the question must be raised as to the degree of objectivity which can be expected from the Chambers

2 Employers Federations

Employers Federations suffer from the same tarnished image as the Chambers of Commerce among most private business persons in the region Many of the members no longer have active enterprises Their mandate, as federations, is more closely aligned with salary and benefit negotiations with workers than with policy dialogue with the State

3 Trade Associations/Syndicats

Trade associations and "syndicats" are assuming an ever more active role in policy issues which affect their individual trade group Having for several years observed the efficiency of the informal sector trade associations, formal sector groups are now applying the lessons learned to share information, develop policy positions and seek common marketing avenues In Ghana, the SeaFreight Marketing Association is working to represent the seven major pineapple producers in the country, who felt that some form of common front was needed vis-a-vis government and vis-a-vis European buyers who were seeking produce in conformity with European standards

The transport syndicates in most countries are another example of powerful lobbies

As trade associations and syndicates continue to develop in the various countries in West Africa they will need help in networking among themselves and exposure to training in a variety of practical financial and marketing areas, viz product quality control, export financing, information sharing on suppliers and costs of packaging materials

4 Enterprise Networks

The more than 250 private business persons who belong to the 11 Enterprise Networks in West Africa[15] (see Section IV D below for a more detailed discussion of the Enterprise Network) are dedicated to improving policy dialogue with the State in order to improve the business climate in their individual countries, and ultimately, in the entire region The Enterprise Networks are one of the few private sector groups with a specific policy reform mandate Each national group has developed a reform agenda, based on a consensus of opinion among their membership To support the implementation of their reform agenda, each network has developed a strategic plan, detailing actions, responsibilities and deadlines for carrying out their various initiatives

The chart on the following three pages presents representative strategic action plans for four of the Enterprise Networks Mali, Ghana, Guinea and Senegal

In light of their policy reform and regional trade mandate, the Enterprise Networks appear uniquely positioned to serve as the coordinators for the private sector component of the SRI Regional Trade Amendment

C Role of Regional Institutions in Providing Support to the Private Sector

1 ECOWAS

ECOWAS (Economic Community of West African States) was founded in 1975 with the signing of the Treaty of Lagos There are 16 member states in ECOWAS ECOWAS was formed for the purpose of creating a single market for the 16 states, which now have a combined market of 200 million people The common market was to be achieved through regional trade liberalization, free movement of factors of production, a compensation fund for development, and the harmonization of monetary, fiscal and agricultural policies There was to be a phased reduction in regional tariff and non-tariff barriers on products of ECOWAS origin until their elimination by 1989 A common external tariff was to be put in place by 1990, but has yet to be established

Although there was initially a shared notion of the benefits to be derived from ECOWAS, there were several natural impediments, including the wide variation in members' income levels, the similarities in the structures and sectors of members' economies and the high levels of

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[15] Countries with national networks include Benin Burkina Faso Chad Cote d Ivoire, Gambia, Ghana Guinea Mali Niger Nigeria and Senegal,

domestic government intervention in each country Further, at the political level very little was done to promote ECOWAS objectives From the time of its creation in 1975 until 1981, when the liberalization process was to begin there was no agreement on a timetable, nor even any agreement, to eliminate tariff or non-tariff barriers Moreover, no national allocations had been set aside for the compensation fund, intended to offset those members who experienced adjustment problems during integration Indeed, the two most prosperous countries, Cote d'Ivoire and Nigeria had higher tariffs against regional imports than against those from developed countries To complicate matters, subregional groups existed within ECOWAS, notably the CEAO or West African Economic Community, which diverted political commitment away from ECOWAS The common market goal was pushed forward to 1990 and has subsequently been pushed to 1995

At the most recent meeting of the Authority of Heads of State and Government of ECOWAS, held in Cotonou, Benin in July 1993, deliberations involved the adoption of a new Minimum Agenda for Action for 1994, the creation of the West African Monetary Agency and the revised treaty of ECOWAS A consultative Forum of Ministers of Finance and Planning and Central Bank Governors was created in an attempt to evaluate means of harmonizing fiscal and monetary policies of member states The new Minimum Agenda for Action will focus on the creation of the West African Monetary Agency, charged with the implementation of the regional monetary integration program, as the nucleus for an ECOWAS Central Bank after the attainment of the monetary union expected by the year 2000 The new ECOWAS treaty calls for increased regional cooperation and "the promotion of active participation of the private sector in the integration process " From the perspective of this study, this last point is perhaps the most important It is telling, however, that at a regional conference of the Enterprise Network, at which more than 200 private sector operators were present from ten countries in the region, not one of them had been informed of the provisions of the new ECOWAS treaty, and most importantly, of the decision to include the private sector in integration efforts

As indicated above, private business persons have little faith in the efficiency of ECOWAS interventions However, they do recognize it as the one organization which is designed to represent the full region, and as such, they are loath to let ECOWAS die a slow death The proposal most frequently voiced by private sector operators, particularly those in the eastern corridor, closest to ECOWAS headquarters in Lagos, is that country-level public-private sector task forces be created to pursue recommendations on regional trade actively, including recommendations relevant to revitalizing ECOWAS and fully involving the private sector in its deliberations

2 UEMOA

The creation of the Union Economique et Monetaire Ouest Africaine was approved by the Heads of State of the member countries of the CFA Zone on the same day that the devaluation was voted by them The UEMOA treaty was ratified in April 1994 UEMOA is intended to be a CFA zone customs union which will ensure the harmonization of fiscal and trade measures in the seven member countries A joint committee of the EC, France, World Bank and IMF is providing technical assistance to UEMOA for the preparation of studies on fiscal policies

Summary of 1994 Action Plans for the National Enterprise Networks

MALI

1 **Improve competitiveness of Malian enterprises**

- Organize a televised debate to demonstrate the positive effects of the devaluation, using case studies, and to propose policy measures
- Monitor the impact of the devaluation on the private sector and propose new policies and incentives to spur economic development
- Draft legislation to remove the minimum tax on turnover
- Conduct seminars on business law/management and obtain video cassettes on competitiveness for members of the Network

2 **Facilitate access to finance for private enterprises**

- Assess the feasibility of creating a venture capital company, including local demand for venture capital and potential legal structures,
- Draft a proposal to create a venture capital firm obtain feedback from the private sector, government and donors, implement revised plan

3 **Improve dialogue with the State**

- Meet monthly with the presidents of the National Assembly and the Parliamentary Finance Committee
- Organize an annual dinner-debate with the heads of the Government's Central Services on improving public/private sector relations
- Organize a trip to Accra for the Malian Minister of Finance to meet the Ghanaian Enterprise Network to discuss policy reform

4 **Ensure the sustainability of the Network**

- Develop an internal databank on business opportunities for members
- Establish an annual Network budget and assess member dues,
- Organize periodic meetings with donor agencies to keep them informed of Network activities and to provide input to donor project design

GHANA

1 **Improve dialogue with the State**

- Review the role and influence of key parliamentarians and other stakeholders in Government in context of new institutional structures,
- Promote and pass the Private Sector Impact Bill, now in draft
- Sustain Network influence within the Private Sector Round Table,
- Develop strategic alliances and hold quarterly meetings with other associations and donors publish monthly Flash on Network activities
- Organize two dinner-debates on key reform issues in 1994
- Select and utilize applicable influence mechanisms of the Japanese Keidanren
- Improve advocacy and association management skills through USAID or IPC resources
- Collect analyze and disseminate information on key reform issues

2 **Promote financial restructuring of enterprises**

- Create an Investment Club for the Enterprise Network
- Propose a draft bankruptcy law (U S model Chapter 11),

- Create a database of all financial institutions and investments in Ghana
- Promote specialized financial instruments in Ghana, including mutual funds and private management of SSNIT pension funds
- Participate pro-actively in the design and implementation of the Business Fund and the Government s divestiture program

3 **Improve competitiveness of Ghanaian firms**
- Promote partnerships and foreign direct investment in Ghana including publication of an Investment Guide on Ghana
- Develop a central database of regional trade opportunities for the Network
- Collect existing studies and carry out new research on informal sector capital mobilization and cross border trade

4 **Foster national entrepreneurship development**
- Initiate a Business Forum and endow a Chair of Business at the University of Ghana
- Develop/circulate publications Business Leaders in Ghana Network Directory The Networker

5 **Ensure Network sustainability**
- Register the Network as an NGO to allow it to join the Private Enterprise Foundation and secure premises at the same
- Establish membership criteria and a membership fee of $250 per annum, increase membership based on criteria
- Recruit a university graduate to complete the Network publications,
- Organize two televised debates between government and private sector
- Establish contact with relevant EEC officials and U S Congressmen

<u>GUINEA</u>

1 **Improve dialogue with the State**
- Analyze obstacles to dialogue with the State develop an advocacy strategy
- Form strategic alliances with the Chamber of Commerce and the Employers' Federation
- Develop contacts/linkages with key government commissions/policymakers including Economic and Financial Coordination Committee National Investment Commission Office of Promotion of Private Investment National Assembly and Economic and Social Council

2 **Improve access to credit**
- Analyze existing financial instruments and their accessibility
- Establish a joint private sector/banking consultative group to discuss issues
- Implement a training workshop for the private sector on banking operations
- Monitor application of regulations on property rights mortgages and liens
- Lobby for the creation of a Studies and Technical Assistance Fund Guarantee Fund and an Investment Bank

3 **Foster national entrepreneurship and improve the image of the private sector**
- Publish articles on entrepreneurship
- Organize television and radio broadcasts
- Undertake philanthropic activities,
- Select an Entrepreneur of the Year using management/social criteria

4 Improve the functioning of the Port of Conakry

- Assess problems encountered by private operators at the port (e g , security, cost, labor monopolies docking services),
- Establish a quality control commission to make recommendations for operational improvements

5 Promote cross-border trade and investment

- For the Regional Network, draft a simplified Manual of Ecowas Protocols

SENEGAL

1 Foster national entrepreneurship by creation of new enterprises and the strengthening of existing firms

- Create an Investment Club develop databank of projects mobilize resources among members, take equity positions in new/existing firms evaluate ways of using ISTA/ITA research for industrial projects, create an Investment Newsletter or investment section in The Networker
- Improve management/technical skills of Network by training conducted by Network members
- Improve the image of the entrepreneur by offering prize for outstanding entrepreneurship and organizing student internships in firms

2 Improve competitiveness of Senegalese products

- Create a databank of business opportunities on local level and of regional opportunities and successful new business ventures,
- Training of members in quality standards

3 Facilitate financial restructuring of private enterprise

- Analyze the feasibility of creating a Mutual Guarantee Fund

4 Improve dialogue with the State

- Improve Network skills in lobbying through training sessions,
- Establish strategic alliances with parliamentarians and donors

(IMF), public finance management and compilation of statistics (France) customs union mechanisms and action planning (World Bank) and harmonization of economic policies and design of economic indicators (EC) The Central Bank of West Africa (BCEAO), based in Dakar has assumed the leadership role for the UEMOA According to the World Bank, the private sector is to be associated in the deliberations on UEMOA trade policies The private sector organization selected to represent the private sector is the Chamber of Commerce in each member country UEMOA is intended to create a common external tariff within the next three years The World Bank technical assistance team indicates that there is strong political support from the heads of state for moving quickly ahead with this initiative the first step being the removal of quantitative restrictions on regional imports, followed by the simplification of the overall tariff structure, and ultimately by the adoption of a common external tariff

UEMOA assumes that within the common market it represents, there will be no non-tariff barriers on intra-regional trade, no restrictions on the movement of labor and capital, and well-coordinated systems of business laws and regulations The predecessor union to UEMOA, CEAO did not succeed because the members states did not pay their contributions and each country developed its own system of external tariffs It is unsure whether the member countries will behave differently under UEMOA While there are definite benefits to be gained from harmonization of fiscal and trade policies in the CFA zone countries, most private sector operators question just how successful regional trade within UEMOA can be without trade links to non-UEMOA countries, most particularly Ghana and Nigeria This is particularly relevant for three of the UEMOA members, Benin, Niger and Togo, whose trade links are far stronger with Nigeria than with the rest of the UEMOA members In any regional trade calculation, it is important to bear in mind that Nigeria represents fully one-half of the potential market (100 million of 200 million persons) in the region, with a huge demand for agricultural and mineral products which it is unable to satisfy itself

Further, at this time of economic crisis for the entire subregion, private business persons in the non-UEMOA countries view the creation of a "fortress CFA Zone" as a negative measure The predominant recommendation on their part in lieu of promoting subregional groupings, is the pursuit of open markets by each country in the region, intended to achieve a higher degree of international competitiveness The involvement of the four key players in the regional economic context, i e , Senegal, Cote d'Ivoire, Ghana and Nigeria is key to promoting increased trade Ghana and Cote d'Ivoire have comparative advantages in agricultural production, while Nigeria and Senegal have strong demand potential Bringing the public-private sector task forces of these countries together to discuss concrete measures for removing taxes on trade with neighboring countries and for reducing administrative procedures and controlling bribes from customs agents, police and other border officials, would appear a more productive approach to regional integration under the SRI Amendment, as opposed to support to the UEMOA, which is already receiving extensive assistance from major donor organizations

3 CILSS

Many of the private sector operators consulted in this study had little knowledge of the programs and activities of the CILSS, Comite Inter-Etats pour la Lutte Contre la Secheresse dans le Sahel This is understandable, due to the CILSS' mandate to coordinate government and donors initiatives to ensure food security and natural resources management in the Sahel The CILSS organization does, however, collect or have access to a variety of types of information which could be useful to private business persons in the region, most notably information on the quality of soils and rainfall (AGRHYMET), information on cereals prices (Procelos) and market and price information on livestock and certain transport and distribution channels (Livestock Action Plan)

4 CINERGIE

Private sector operators in the region had limited knowledge of CINERGIE, except for the contact with Cherif Seye who had attended several of the Enterprise Network's regional meetings However, in line with the information needs of private business persons and in light of CINERGIE's basic objective of furthering regional integration CINERGIE should establish communications channels with the various programs to obtain relevant data which could then be transmitted to the regional office of the Enterprise Network of West Africa

5 Enterprise Network (Regional)

In addition to the eleven national networks, the Enterprise Network also has a coordinating body on the regional level Each of the national networks elects a coordinator and designates two to three individuals to attend the quarterly meetings of the Regional Enterprise Network, where information on various policy reform initiatives and on crossborder trade and investment opportunities is exchanged

The Executive Committee of the Regional Enterprise Network recently voted to formalize the regional organization The Regional Network will be located in Accra, Ghana, and will share space with the Ghanaian National Network, which is also in the process of being formalized The Regional Network is now in the process of developing a budget to finance a two-person staff (Information Officer and a bilingual secretary) and basic hardware, software and documentation to service the information needs of its membership

IV CASE STUDIES OF DONOR ACTIVITY TO SUPPORT PRIVATE SECTOR PARTICIPATION IN REGIONAL TRADE

A Case Study Livestock Action Plan[16]

1 Background

The AFR/SWA buy-in to the Implementing Policy Change (IPC) Project has successfully assisted several West African nations to implement reforms originally recommended in the jointly-funded AID/World Bank document of October 1991, 'Liberalizing Regional Markets for Livestock Products " This initiative has been vigorously promoted within the context of the so-called "Nouakchott Initiative" by several regional organizations (including CILSS, CEBV, Cellule Cinergie), host-country governments in Burkina Faso and Mali, and USAID/Bamako, the Ivorian and Burkinabe rail companies and private traders, transporters and other service providers The recent devaluation of the CFA franc and subsequent disequilibria in the regional economy have underlined the importance of savings or transfers created by the Action Plan and inspired renewed commitment to trade liberalization by public and private actors in the region

2 The Action Plan Approach

The goal of the IPC Action Plan (AP) is to improve efficiency of intra-regional trade in livestock and livestock products through a series of policy, administrative, and institutional reforms that are reducing costs to Sahelian exporters and consumers in coastal markets The Action Plan presents an integrated approach to reform that is built upon the convergent interests of government and the private actors who are the ultimate beneficiaries of reform

Recommended reforms, for the most part, have required little or no investment on the part of the public sector, nor do the reforms significantly reduce or erode government revenue Savings to the relevant economies are derived from (a) reducing or eliminating rents on livestock commerce, (b) lowering legitimate transaction costs, (c) eliminating or reducing illegitimate transaction costs (bribes, extortion by uniformed services, and unofficial fees levied by official services) and (d) improving the quality of administrative and commercial services provided to traders

The Action Plan was derived from a rapid appraisal of livestock trade in the Central Corridor of West Africa that sought to identify barriers to efficient trade Subsequent recommendations were based on several specific guidelines (a) basing reform recommendations solely on criteria of economic efficiency, (b) basing strategy on stakeholder analysis, which provided for the mobilization of support by economic actors and beneficiaries, (c) basing implementation on consensus building among organizations, agencies and actors having overlapping interest (including donors)

[16] This project is officially known as the Joint AID/World Bank Action Plan to Liberalize Regional Markets for Livestock Products in the Central Corridor of West Africa

3 Action Plan Accomplishments

Among the principal accomplishments achieved by Action Plan implementation between 1992-1994 were the following

(a) Establishment of national coordinating committees for reform implementation in the countries of the Central Corridor,

(b) Suppression of all export and export-related taxes for livestock traders in Burkina Faso and establishment of a fixed (as opposed to regionally variable) schedule of taxation on annual turnover (patente),

(c) Suppression of "voluntary" levies on vehicles by Ivorian transport and trader syndicates,

(d) Suppression of livestock export licenses in Mali and suspension of all but one administrative formality required for livestock export activity,

(e) Reduction in the number of road control posts in all three nations of the Central Corridor;

(f) Establishment of a market information system providing price and supply data for key Sahelian and coastal markets,

(g) Formulation of Action Plan II, which identifies more wide-ranging reforms aimed at reducing high transport costs and marketing inefficiencies for livestock and other agricultural commodities

4 Lessons Learned from Action Plan Implementation

Just as the reform agenda identified in the Action Plan comprised a heterogeneous mix of legal, operational, institutional and informational actions, progress to date stems from initiatives undertaken by both public and private actors, individually or in concert

Among the lessons learned from implementation of the Action Plan are the following

- Effective reform implementation requires political and institutional support for reform derived from multiple sources While impartial diagnosis (such as that provided by donor technical assistance) can be invaluable, reforms undertaken thus far result from an evolutionary process whereunder interests or the private sector, policy makers, donors and the media converge

  A corollary of this lesson is that official agencies are rarely provided incentives for the risk-taking by bureaucrats that necessarily accompanies reform Hence, activism by stakeholders and reform beneficiaries can be invaluable in helping to build a critical mass of support for reform within administrative hierarchies

- Heterogeneous approaches to promoting reform are necessary, relative to the type of reform required For example in Burkina Faso changes in government levies have been the result of negotiation and compensation within the context of donor programs In Mali, progressive technocrats have championed administrative reform of trade in an environment that is politically conducive to economic liberalization In both the Côte d'Ivoire and Burkina Faso, reforms related to the conduct and control over cross-border trade have resulted from lobbying by stakeholders who have used donor assessments within the context of negotiations with government

- While reform will often engender countermeasures, aimed at recovering lost revenue or privileges, such countermeasures are not always a diversion from the objective of the reform In certain instances they may simply be a necessary step of the phasing-in of reforms, a means of softening anticipated resistance from the beneficiaries of the pre-reform status quo In other instances (e g , suppression of CBC and ONAC levies in Burkina Faso) economies may result simply through a compression of administrative procedures and reduction in the number of opportunities for rent-seeking

- The promulgation of new decrees does not in and of itself constitute reform New laws, procedures, rules, etc , require (a) education of the affected constituencies and those responsible for enforcing or adopting reforms, and (b) monitoring and enforcement for compliance

- For reasons less related to institutional mission than to the dynamism of individual leaders, some institutions are simply more progressive than others Some governments, institutions, or stakeholders are focusing on actions that they perceive to be of the greatest priority Others are focusing on actions they perceive to be within reach over the short-term, in the interest of demonstrating success Still others express willingness to take on bold, high-risk reforms in the belief that only deep-cutting reforms will make a difference

- Not all resistance to reform is based on changing economic circumstances engendered by reform "Turf" issues (institutional rivalries) can create barriers to progress when institutional actors perceive that they are losing control over technical or action agendas Donor and government coordination is essential to the successful implementation of broad technical programs, in spite of the fact that it is time consuming

B Case Study The Enterprise Network of West Africa

1 Background

The objective of the Enterprise Network of West Africa is to create a private sector network in West Africa to influence the formulation and implementation of policy which promotes the contributing role of the private sector in development, and which seeks to promote crossborder trade and investment in the region

The concept grew out of an AID/Club du Sahel-sponsored November 1991 Regional Conference held in Dakar entitled "The Private Sector Operator's Perspective on an Agenda for Action ' The original intent was to create a regional network to lobby for change in the four areas addressed by conference (finance, markets, private sector organization and dialogue with the State) An ad-hoc Network Steering Committee was created, drawing from the Dakar conference participants

The first meeting of the ad-hoc Regional Network Steering Committee was held in March 1992 in Cotonou A consensus was achieved to move forward with the Regional Network It was decided that members would be drawn from national networks, to be created locally In August 1992, a group of selected steering committee members visited Washington to introduce the Network to major donors and U S business leaders In September 1992, funding for technical assistance to the Enterprise Network was provided by USAID's AFR/ONI office to the Implementing Policy Change (IPC) project The project's focus was policy reform to support private sector development, through improved dialogue with the State

In November 1992, the second meeting of Regional Network Steering Committee was held in Lagos It was decided to organize a follow-on regional conference in November 1993 to examine reform achievements since Dakar and to develop action plans on priority issues affecting the private sector in West Africa

From November 1992 to August 1993, the IPC Technical Assistance team assisted networks to build national networks, developed a strategic plan based on their reform agenda, conducted stakeholder analysis, define influence strategies (advocacy) and obtained policy-related information

In March 1993, the third meeting of the Regional Network Steering Committee was held in Abidjan Networks reported on their individual strategic plans The national coordinators agreed on the four issues for the November 1993 Regional Conference Financial restructuring of private enterprise, fostering national entrepreneurship, improving dialogue with the State, increasing regional and international competitiveness

In August 1993, the fourth meeting of the Regional Network Steering Committee was held in Accra Networks again reported on progress made in carrying out their strategic plans Draft working papers for the regional conference were presented

In November 1993 the Regional Network Conference was held in Accra Over 80 private sector delegates from ten countries attended all sessions Action plans for private sector-initiated activities to create a better business climate were adopted

In January 1994, immediately after the CFA franc devaluation was adopted, the fifth meeting of the Regional Network Steering Committee was held in Dakar Network coordinators drafted a regional action plan and sustainability plan and an executive committee for the Regional Network was elected, composed of three Network coordinators

The sixth meeting of the Regional Network Steering Committee is scheduled for June 1994, in Banjul, the Gambia Participants will discuss private sector-led activities to restructure the formal private sector in the post-devaluation climate and to increase crossborder trade and investment Special financial instruments to promote such activities will also be discussed, including stock markets, venture capital, mutual funds and pension and insurance fund investments

2 The Enterprise Network Approach

Enterprise Networks are defined as informal and locally driven organizations serving as catalysts in the policy reform process, with a results-oriented strategic plan, seeking long-term sustainability and profiting from cross-fertilization of experiences and information on trade/investment opportunities on the regional level

The more than 250 Network members are second generation entrepreneurs aggressive, innovative, impatient Many have been educated abroad and are familiar with modern management techniques

Project methodology entails the following

1 Process-based technical assistance
2 Networks created through a process of member cross-selection (local ownership)
3 Strategic management as a tool, including a plan identifying the objectives, activities and schedule to carry out the networks' policy agenda
4 As informal organizations, networks play a catalyzing role
5 Focus on sustainability national networks self-fund
6 Cross fertilization (networking) on policy change and to do deals
7 Building advocacy skills stakeholder analysis, influence strategies
8 National policy agendas drive regional agenda

3 Enterprise Network Accomplishments

- Creation of eleven national networks
- Development of a strategic plan and implementation of one priority reform initiative by each network
- Organization of 2 regional strategic management/advocacy workshops
- Organization of the Accra Regional Conference to debate 4 issues
- Creation of a regional network member/business opportunity directory
- Publication of four bilingual newsletters
- Publication of IPC technical note on advocacy
- Preparation of IPC research case study on the Enterprise Network
- Implementation of Accra action plans, including

    - development of regional databases on trade and investment opportunities, training resources, reform initiatives, especially fiscal and export promotion

- creation of private sector financial institutions, focusing on local savings mobilization and beginning with the creation of investors' clubs

- development and advocacy of new bankruptcy laws and fiscal reforms which will facilitate financial restructuring, rather than liquidation

- improvement of the image of the local private sector through information, communications, training, using their own resources

- focus on innovation and building internal and external R&D links

- research and information dissemination on ECOWAS protocols

4 Lessons Learned from the Enterprise Network Initiative

- The political environment is kev- most success has occured in the four countries where traditional political power is losing ground or has disappeared

  Under the traditional power structure, all potential counterforces were strictly controlled The private sector was forced to express itself through chambers of commerce which were state-controlled, at least in francophone Africa

  The three main success stories among networks are all in countries where the traditional power structure has collapsed/deteriorated or is seriously threatened GHANA, MALI, and GUINEA

  In Ghana, there was no history of collusion between President Rawlings and the private sector The policy environment is among the most favorable in Africa Presidential advisors are strongly pro-private sector, the private sector is very outspoken, and Parliament is moving from a rubber stamp to an interventionist mode

  In Mali, there is a new political system with an active and interested legislature Formal private sector organizations have been discredited as seeking to defend only their own interests and a representational vacuum existed which was easily filled by the Network

  In Guinea, recent democratic elections were successful and considerable progress has been made in improving the basic business climate The formal private sector organizations, however, are very weak and non-representative

- Leadership and membership of the networks are critical to their success

  The "moral authority" of network leadership is an absolute requirement for its success honest, well-respected business persons without political motivations

  Membership of second generation entrepreneurs is a factor in network success This usually implies a new generation, often trained abroad, with knowledge of modern business management The network gives these entrepreneurs a communications channel and they are willing to devote human and financial resources to the Network (time and money) They understand that to maintain their membership they must produce short-term results, in addition to longer-term reforms Example they are lobbing to change the Exchange Control Law to permit foreign investment in the stock exchange in Ghana

- Donor "moral support" increases credibility and opens doors

  The moral support of local donors is a key factor in the Network's credibility vis-a-vis the government because donor support opens doors and provides access to information Moral support does NOT imply financing

- Doing deals is the glue

  At the end of the day, Network members are business persons looking to profits An important by-product of their networking is the ability to do regional trade and investment deals This is "corridor work" at the regional meetings, as is pointed up by the following successful ventures Gambian/Senegalese joint venture to create a waste management firm and a poultry farming venture in the Gambia, Burkina Faso/Ghanaian joint venture in poultry farming, Mali/Ghana livestock exports, regional management/CPA subnetwork to bid on World Bank projects

- Informal associations deflect accusations of political partisanship

  Experience to date appears to confirm that the "informal" organizational model was the appropriate start-up model for the Networks As such, they have not been viewed as rivals by government or by the traditional private sector organizations With time, should they opt to move beyond a catalytic role to one involving substantive policy analysis, they may require staff support, at which point they may require a formalized status

- Access to and exchange of information are critical needs

  Networks lack access to information related to policy/legal/regulatory models in other countries (developed and developing) to serve as guidelines for proposed changes in West Africa Other serious deficiencies exist in accessing reliable market and technological information

V RECOMMENDATIONS TO DEVELOP PRIVATE SECTOR POLICY CAPACITY

A Institutional Development to Promote Dialogue

1 Establish national working groups or task forces (public/private) to develop national strategy to improve regional trade

Recent inroads of democratization have created new opportunities for forging consensus between government and private economic actors on policy issues affecting economic life in the nations of West Africa However, most nations of the region have had difficulty in bringing policy debate and dialogue out of unwieldy and unmanagable public fora

AID can help to promote consensus-building on policy reform by providing technical assistance for the establishment of national working groups or task forces on issues to promote regional integration In several pilot nations, technical assistance would provide strategic management tools to a small task force of senior public officials and representatives of the private sector for the purpose of creating national strategies or action plans for policy, administrative, regulatory and other reforms This same model was followed successfully for the development of the Eastern and Southern African Trade Initiative[17] Each country created a technical working group to cooperate with the co-sponsors to build subregional consensus The national working groups' preparatory work served as the basis for two technical workshops designed to establish a common program of action

Technical assistance would entail the provision of consulting services to the task forces to facilitate the development of strategic action plans and to subsequently prepare for the establishment of a common regional action plan To the extent possible, these task forces should focus initially on initiatives which might serve to revitalize or strengthen the ECOWAS organization, or at the very least, those actions which might serve to strengthen economic ties throughout the region--including both anglophone and francophone countries Recommendations for involving the private sector in ECOWAS deliberations should be given priority consideration by the task forces

Technical assistance would also facilitate periodic (quarterly) monitoring and evaluation sessions

2 Provide training to private sector groups in areas which will support/foster their involvement in regional trade

As pointed out earlier, the response to emerging opportunities for interest group politics varies from country to country Organizational skills and familiarity with the new political process among non-governmental actors remain poor

[17] For a more detailed discussion of this initiative see Concept Paper on the Initiative to Facilitate Cross Border Private Investment, Trade and Payments in Eastern and Southern Africa and the Indian Ocean Brussels 24 June 1993

To achieve progress in the process of policy dialogue with the government private sector organizations and associations must build skills in the following areas

- strategic planning to develop a reform agenda
- information collection and analysis
- stakeholder analysis
- advocacy
- monitoring and evaluation of policy impact

The SRI Amendment should target skills development in the above areas among all interested private sector organizations and NGOs, to strengthen their capacity to intervene meaningfully in the government's decisionmaking process This training could be provided to other NGOs by members of the Enterprise Network Alternatively, a capacity for conducting such training might also be developed within Cinergie, in the context of its support role to local organizations to promote regional trade

Training in areas relative to inter-country financial transfers, distribution/transport, marketing and quality control should also be provided to local producers according to demand Enterprise Network members from management consulting and marketing firms and training firms are candidates for conducting such training sessions

3 Strengthen policy reform groups working on regional trade initiatives e g Cadres de Concertation

Since the January 1994 devaluation of the CFA franc, most nations of West Africa have begun or announced their intention of devoting greater energy to promoting increased regional integration At the same time, numerous and disparate initiatives sponsored by donors and regional organizations (including the Conference of Ministers of Agriculture of West and Central Africa, CILSS, the Communaute Economique du Betail et Viande, etc) have adopted a model of inter-ministerial and private sector "Cadres de Concertation" (coordinating committees) as a means of identifying appropriate strategies to promote regional integration The absence of coordination among these various groups, as well as emerging rivalries, strongly suggest the need to coordinate these various initiatives better

Based on its successful experience in promoting regional networks of entrepreneurs and government officials, along with its ongoing support for regional institutions, AID should consider providing technical assistance for the purpose of coordinating these many initiatives that share a single or overlapping purpose To the extent that it may be possible, AID could provide assistance enabling existing cadres de concertation and similar groups to (a) inform the public about their activities (b) translate their work into a form that is suitable for use by policy-makers, and (c) develop a greater capacity for strategic management within such groups

4 Centralize and disseminate information on regional trade issues within Cinergie

It is recommended that the Club du Sahel reevaluate the parameters of CINERGIE's mandate and activities and reexamine its staffing to permit the unit to function in a support role to the Enterprise Network of West Africa and to other NGOs involved in regional trade issues Specifically, CINERGIE could serve as a clearing house for information available to it from a variety of sources which it could refer to the regional office of the Enterprise Network for distribution to all of the national Networks

This information should include the following

- relevant technical information on the quality of soils and rainfall, available from AGRHYMET
- information on cereals prices and producers in the Sahel, available from the CILSS Procelos project
- market and price information on livestock and certain transport and distribution channels, available from the CILSS Livestock project
- information on demographic trends in the region, available from the CINERGIE long term perspectives study, led by Jean-Marie Cour
- data on changes in volume and value of trade in the region (ADB, BOAD, Ministries of Trade, Customs and Ports)
- status of modifications in legal and regulatory regimes in the region (Ministries of Trade)
- copies of regional and bilateral trade protocols and agreements (ECOWAS, UEMOA)
- DAC studies on the impact of foreign assistance (OECD/Club du Sahel)
- information on other trade information systems (UN/OECD/USTR)

B Establish a Regional Private Trade Information System

It is recommended that the SRI Amendment serve to assist the the Regional Enterprise Network to create an information system within its regional office, including the basic hardware, software and documentation required to service the information needs of its membership The following steps should be envisioned in this process

1 Install communications capacity within Regional Network office

This would include the necessary hardware (fax, telephone, computer, modem) and software (database systems, possible linkages to on-line information services or bulletin boards, such as Trade Point or MIGA's IPAnet)

2 Design pilot questionnaire-based information system the initial system would be extremely simple, relying on a monthly questionnaire to provide regularly updated information on all or part of the following

- actual production, export, import and direction of trade data by country, including import prices and quantities

- market information product prices, availability, demand, quality and quantity required, packaging, consumer preferences for principal products exported and imported of the various countries in the region
- Surplus and shortage information for principal consumption goods
- References on reliable suppliers and importers
- Information on sources of equity and possibilities for tapping long term resources for private enterprise
- transportation costs and availabilities
- any modifications to the existing legal or regulatory frameworks
- creations and suppressions of administrative controls at borders

For commodities with potentially high demand, or based on specific requests, a system to provide weekly price data could be developed

The questionnaire would be filled out by each Network and returned to the Regional Network office by a given deadline Each network would be responsible for validating the information it supplies The Regional Network Information Office would synthesize and retransmit information via fax to all of the National Networks The national networks would be responsible for local dissemination and possible commercialization of the information

3 <u>Identify existing sources of complementary information</u>

Each network and the technical assistance team would assess sources of complementary information, including development journals, market newsletters in Europe and the U S , donor reports, World Bank and USAID studies, etc

C Carry Out Practical Studies

The SRI Amendment should provide for technical assistance (African where possible, complemented by expatriate as necessary) to carry out private sector-led studies on a series of major impediments to trade and commodity-specific comparative advantage and marketing assessments The following are examples of the types of studies which would be useful

1 <u>National private sector-led comparative advantage studies</u>

It is recommended that the SRI Amendment consider funding private sector-led studies on comparative advantages in the region, preferably in the four largest potential trading partners (Cote d'Ivoire, Ghana, Nigeria, Senegal) and possibly including Niger, which has a variety of potential horticultural exports In this context, the private sector firms retained to conduct such studies should review the comparative advantage studies carried out by the West African Industrial Economists' Network

2 <u>Subsectoral policy action plan on light manufacturing</u>

It is recommended that the SRI Amendment consider funding a market assessment of light manufactured goods in the region, with emphasis on aluminum and plastic products from Nigeria Ghana and Cote d'Ivoire, to culminate in an action plan outlining the necessary policy reforms to facilitate the free movement of these goods in the region

3 Transport analysis for all major axes

Numerous studies and interviews have established that transport costs and infrastructural and organizational deficiencies are one of the most serious cost barriers to more efficient regional trade A number of innovative solutions have been proposed by both donor organizations and African transporters, including the systematic deregulation of cross-border transport and the creation of regional freight clearinghouses ("bourses de fret") which would provide transporters with up-to-date information on transport needs in coastal and inland markets

Technical assistance should be provided to examine the feasibility of deregulation and regional freight clearinghouses Such assistance would entail an updated assessment of regulatory barriers to international transport, an assessment of information capability for the creation of a regional freight clearinghouse in a test zone (the central corridor?), the drafting of a business plan for the creation of a privately managed clearinghouse and initial organizational development assistance to promote coordination among existing transporter organizations in the test zone

4 Mechanisms to Expedite Inter-Country Transfer of Funds

Costly and inefficient performance by banks in West Africa has been identified as a serious impediment to regional integration, as well as domestic commerce in many nations of the region Of particular concern are inefficiencies related to the cross-border movement of capital between African states sharing common borders and economic interests

Technical assistance would provide a valuable means of addressing these bottlenecks and would have as its objectives (a) assisting private businessmen to advise banks on the need for more efficient services, including the provision of diagnostic case study assessments of chronic deficiencies, (b) assisting banks to identify and implement management tools for improved performance (reducing costs and facilitating more timely transfers), (c) assisting governments to identify and implement reforms to lower administrative and other barriers to capital movement, (d) promoting relevant negotiation within regional organizations, such as ECOWAS and UEMOA, on necessary reforms of existing protocols and regulations (e g , "domiciliation bancaire" and the West African Clearing House)

D Networking

1 Linkage among various networks

As noted above, AID's experience in promoting coordination among public and private sector actors, among regional organizations and among other donors should be mobilized and extended for the purpose of helping to coordinate the many emerging "networks," "reseaux" and "cadres de concertation" AID's SRI project is a credible vehicle for improving communication on technical and organizational issues not only between its current participants, but also among quasi-formal networks that have been established by other donors in the region

This assistance can be justified by the need to resolve existing redundancies between disparate initiatives and the need to provide all groups that are concerned with promoting regional integration with timely information on progress that is underway

It is recommended that consideration be given to the recruitment of a full-time advisor on regional integration, probably based in West Africa and possibly assigned to support CINERGIE The advisor's principal role would be to (a) collect, synthesize and disseminate information on regional integration initiatives being carried out by other donors, regional organizations or governments, including information on regional integration initiatives in other parts of the developing world, such as the Eastern and Southern African Initiative, and (b) identify areas of conflict, redundancy and possible collaboration among ongoing or planned initiatives in the region

2 Trade associations by product/service

As trade associations develop in the various countries in West Africa, the SRI project should assist them in networking among themselves Study groups to examine quality control issues, workshops on export financing, information sharing on suppliers and costs of packaging materials are all activities which could be extremely beneficial to these producers in support of both regional and international trade

ANNEX 1

COUNTRY PROFILE - BENIN

The regional trade scenario in the Eastern Corridor of West Africa (Ghana Togo, Niger Benin Nigeria) is dominated by Nigeria an economic force due the size of its population and its natural resources, notably oil

After its civil war over Biafra, Nigeria promoted the development of border zones where lively trading took place, particularly between Benin and Nigeria However, by 1983 the level of fraud was such in these areas that Nigeria expelled the foreign immigrants and ultimately closed the border in April 1984 When General Babangida came to power in early 1986, he reopened the borders and began dialogue with Nigeria's neighbors on trade cooperation The official trade relationships are reinforced by traditional exchanges which have always occurred between Nigerian and Benin, due in large part to the common ethnic groups on both sides of the border In the 1980s, the policy distortions between countries in the Eastern Corridor have fueled crossborder trade, weakening the "official" borders and contributing to the development of the informal sector

In the context of West African trade, Benin had been called a "warehouse state' due to its large reexport trade with its huge neighbor, Nigeria This trade grew up as a direct outgrowth of the non-convertibility of the Nigerian naira and of the Nigerian bans on imports of food products, such as rice or wheat, which Benin traders subverted In exchange for its reexports, Benin imported Nigerian petroleum products and cheap manufactured goods produced in Nigeria or imported from Southeast Asia

The smooth transition in Benin from a Marxist state to a democracy brought in large amounts of external capital from repatriated Beninese and from donors This capital was used largely to fund expanded reexport activities, primarily in rice, wheat and used cars from Europe

Beyond its reexport trade, Benin produces a variety of tree and annual crops for export and local consumption, such as cocoa, palm oil coffee, cotton, groundnuts, corn and yams Output in these subsectors had suffered due to low producer prices However, output is on the upswing in the wake of the CFA franc devaluation and a renewed interest from the private sector in potential exports It was also noted during the survey that certain foreign buyers were directly present on the Benin market for the first time, offering to buy cashew nuts from producers at prices close to world market prices

Several of Benin's importers appear to have seen the handwriting on the wall and are seriously reevaluating their reexport activities and beginning to restructure their companies towards exports of local agricultural products

The regional trade survey conducted in Benin resulted in the following general observations concerning trade potential, obstacles to trade, private sector involvement in trade policy and recommendations for increasing regional exchanges

1 Extent of Formal Regional Trade

Statistics concerning the volume and value of trade between Benin and Nigeria are more readily available than for other countries in the region thanks to the extensive survey work of Professor John Igue and his team of researchers based in Benin whose work has been funded by the OECD/Club du Sahel and the Caisse Francaise de Developpement Dr Igue s book L'Etat Entrepot au Benin (The Benin Warehouse State) and two recent reports L Integration par les marches dans le sous-espace est (Market Integration in the Eastern Corridor) of April 1993 and 'Le Commerce Frontalier entre le Benin et le Nigeria (Border Trade Between Benin and Nigeria) of April 1994 were consulted during this survey The latter report is the first part of a more extensive study which will include a detailed analysis of the modifications in trading patterns subsequent to the CFA devaluation This first analysis deals with imports of Nigerian products to Benin from Nigeria, reexport of goods from Benin to Nigeria trade in petroleum products coming from Nigeria and the operations of the parallel exchange market between Benin and Nigeria

Certain of the preliminary conclusions are summarized below

a Principal products imported from Nigeria to Benin

In addition to analyzing the actual volume in tonnage of 18 different imports from Nigeria to Benin, the report, places or categorizes these products as follows

- products for which Benin is heavily dependent upon Nigeria, based on rural household needs and income generation possibilities for the poor in Benin

  pharmaceutical products
  soaps and detergents
  vegetable oils
  gasoline and household kerosene
  fabrics, especially Nigerian Fancy
  two-wheeled vehicles
  automobile spare parts

- products which compete with industries in Benin

  plastics
  concrete presses
  carbonated drinks
  beer

- products which compete with formal imports to Benin

  refrigerators
  air conditioners
  radio/tape players

b. Principal products reexported from Benin to Nigeria

These products are considered of greater economic importance to Benin than imports from Nigeria due to the customs receipts they generate for the state. Initiated in 1973 to capture rents from raw materials from neighboring countries (phosphates from Togo, uranium from Niger and especially petroleum from Nigeria), the reexport activities in Benin have been adjusted over time to adapt to regional economic changes, but they have remained a primary source of fiscal revenue for the state. Benin traders import these products from the world market and resell them in neighboring countries, especially Nigeria. There are fourteen main products involved: milk, rice, wheat, vegetable oil, sugar, tomato paste, alcohol, cigarettes, tobacco, salt, tires, cotton cloth, electric batteries and used cars.

Four of these fourteen products are preponderant in volume and in fiscal revenue generation: rice, cotton, used cars and cigarettes. In 1992, a record year for imports to Benin, taxes on these four products represented 55% of state revenues, or 23.3 billion pre-devaluation CFA francs. The expanse of the reexport trade from Benin throughout the West African region has resulted in the creation of a sophisticated parallel financial market in Benin. The Dantokpa market in Cotonou, the largest in West Africa, converts every currency in the region and especially facilitates the exchange of the non-convertible naira.

In the period immediately following the devaluation of the CFA franc, the Igue survey noted that there had been a relative lowering in the volume of imports to Benin for reexport to the region, but not a dramatic lowering, as might have been expected. The additional cost of imported goods due to the devaluation of the CFA franc is partially offset by the artificially inflated value of the official naira rate. Despite the higher CFA value of imports, Nigeria still turns to the Benin reexport market due to the non-convertibility of its own currency, to the drying up of foreign exchange in Nigeria and to the natural trading dynamic between products imported from Benin and those exported from Nigeria. On balance, the reexport market has continued to operate at a lower level, with the most notable lowering in equipment such as used cars, and the least lowering in agricultural commodities, such as rice.

c. Informal trade in hydrocarbons with Nigeria

The products which are traded include gasoline, diesel fuel, household kerosene and motor oil. Professor Igue's study concludes that this parallel market is well organized, complex and even more active than before in the wake of the current economic crisis in the region. The removal of a large portion of the subsidies on the price of gasoline has not diminished the trade from Nigeria to Benin. A large number of players are involved, belonging to every socio-economic stratum, particularly the poorest segments. The commercial circuits which have been established cover the entire country of Benin. There is a large degree of competition due to the high profit margins involved.

d. Parallel financial markets between Benin and Nigeria

This large market has developed due to the need to ensure rapid and simple financial transactions among the various countries in the region. Cotonou is the largest center for this parallel market, due to the regional transit role of the Port of Cotonou and the international trade point which the Dantokpa Market represents

The financial market is organized along ethnic lines Each ethnic group is well organized with its own system of communications and contacts The Igue report notes that "the parallel market plays today a role of regulator of the distortions in monetary policy in effect in the subregion and facilitates a perfect bottom-up regional integration, while at the top the obstacles remain insurmountable This functioning of the West African economy at two speeds could negate the expected effects of the CFA franc devaluation, just as it could also lessen its negative impact "

According to anecdotal information from Benin business people, the following other products have trade potential

Product/service	**X**	**M**	**Country**	**Volume**	**Comment**
Fish from Aquaculture	#		Nigeria	large	transport/ financing
Vegetables Corn, yams	#		Niger Mali	large	transport
		Nigeria			
Salt		#	Senegal	moderate	transport
Packaging Materials		#	Nigeria	moderate	quality

2 Existing Regulatory, Administrative and Legal Constraints to Regional Trade

Following are specific constraints which were cited by business persons during the survey

- there is no State policy support for export operations which is a critical need in the wake of the CFA franc devaluation

- import restrictions or outright bans in Nigeria fuel informal trade, especially in cereals, sugar, textiles

- ECOWAS trade protocols are not known or applied

- administrative procedures at customs can be daunting Transport of products from Nigeria to Mali can require up to one month due to delays at the border

3 Business Infrastructure Constraints

a Finance

i export finance

At present, the export finance infrastructure is nonexistent, particularly for exports to countries in the region There is no export credit and no mutual guarantee fund for exporters, despite proposals to create a fund and the excess liquidity of the banks

Vehicles for providing long term financing are needed Options such as tapping insurance funds or creating lease mechanisms should be studied

ii monetary and fiscal policy

The lack of a regional harmonization of monetary and fiscal policy can play havoc with trade between the countries in the Eastern corridor, which are all very closely integrated with Nigeria

iii inter-country transfer of funds

A sophisticated parallel financial market exists in Benin Its operations should be studied The formal banking sector, especially those banks with a regional presence such as the BOA or ECOBANK, should be encouraged to develop efficient and flexible transfer systems, patterned after the parallel market operations

The West African Clearing House (WACH) has not played the facilitating role in financial transfers for which it was created

b Transportation

i roads access to neighboring countries is good and the national road system is in good repair

ii trucks Benin has an adequate truck fleet, equipped primarily for transporting large bales of cotton, rice and wheat

iii spare parts spare parts are found easily, both imported and locally fashioned

iv maritime port management and security are good Cold storage is available for south/north shipments Sea transportation is essentially south/north, although some limited space is available periodically for transport west v air air freight is expensive, space is hard to come by

c Utilities

i electricity electric power supply is reliable

ii telecommunications while the quality of telecommunications is good to Europe and the CFA zone countries, it is very poor to Ghana and Nigeria Traders are often obliged to visit in person to conclude deals or obtain information

d Information

Information is a critical need To date, most information is compiled from personal contacts or through data supplied by the Chamber of Commerce of Paris or the International Chamber of Commerce in Geneva The National Council of Exporters (CNEX) in Benin has technical information on export standards and shipping conditions for European exports, but none for export in the region Information on existing regulatory regimes, financial instruments and reliable traders in the various countries is needed

Market information on local demand and existing product prices is needed

e Industrial infrastructure

Additional cold storage or freezing facilities are needed to support regional trade, particularly for fish A modern regional slaughterhouse with freezing facilities for Sahelian meat is also needed, which could package meat in quantities similar to those which can be obtained from Europe (i e , the 25 kilo cartons of frozen meat shipped from Europe)

4 Private Sector Coping Mechanisms

The informal sector trade is fully market driven responding to consumer needs and adapting transport and financial systems to facilitate trade Money changers line the roads from Benin into Nigeria The inconvertibility of the naira poses no problem for their transactions It is the modern, protected industrial sector which has yet to adapt to market conditions

5 Private Sector Organizations and Involvement in the Policy Process

There are two primary private sector organizations in Benin the Chamber of Commerce and the National Council for Exports The former, recently restructured, is attempting to gain credibility among economic operators after years of being an arm of the government The latter, organized in the last three years, has been an outspoken advocate of a transition to exports from Benin's traditional stance as regional reexporter of imported goods CNEX takes an active part in the policy process, ensuring that its membership is represented on government commissions and its opinion voiced in the written press and public radio and television media

The BOAD (West African Development Bank) has been the lead donor agency in organizing a national round table on issues affecting the private sector over the past two years The concluding sessions of this exercise are slated to take place in July 1994 CNEX officials, as well as representatives of the Enterprise Network (see below) are part of this consultative group and have been active in preparing technical reform proposals to improve the business climate in Benin and to foster the transition from a re-export dominated economy to a productive, export economy

The Enterprise Network of Benin was created in March 1994 It is composed of ten members from various sectors of activity in Benin (exports, law, accounting, finance, insurance, imports, agriculture and services) The Enterprise Network, due to the composition of its members, has adopted an export promotion philosophy and strategic plan The four primary objectives of that plan are

1 Promote the conversion of Beninese import enterprises to export activities

2 Promote creation of enterprises by streamlining regulations and providing incentives

3 Facilitate access to financing, particularly export financing

4 Improve and promote the use of arbitration mechanisms to resolve business disputes

The Enterprise Network is also keenly interested in linkages with other Enterprise Networks in the subregion, to pursue joint ventures (one member prepared a joint bid with a Ghanaian firm to buy out a state-owned poultry farm) and cross-border trade The Network has actively sought out traders from other countries and has exchanged price and market information with several of these counterparts (exports of Benin mineral water to Ghana and imports of shrimp from Ghana were discussed, among other items)

6 Regional Institutional Support to the Private Sector

Economic operators in Benin were insistent that ECOWAS must become both a political and an economic organization To achieve the latter, it must consult regularly and frequently with the private sector A serious effort to disseminate the trade protocols must be made Success stories should be documented and circulated

7 Requirements to Increase Private Sector Capacity to Intervene in the Policy Process

a Institutional Development

The development of networks among exporters and traders, both in Benin and throughout the region, is a key factor in achieving better trade cooperation Interviewees recommended that the various professional associations within the Chambers of Commerce should come together to discuss common issues and to establish study groups, both on national and regional levels

b Information Systems

The private sector strongly endorsed the need for a regional information system which would provide timely and reliable information on consumer preferences and availability of goods in the various countries of the region Information on the following was specifically identified as useful

- Production, export, import, and direction of trade statistics by country by year

- Product price availability, demand, quality and quantity required, packaging, consumer preferences for principal products exported and imported in the sub-region

- Surplus and shortage information for consumer goods

There was a strong consensus that any regional trade information system should be private sector operated Enterprise Network members recommended headquartering the information system within their office

c Training

Training would be necessary in the collection and analysis of data, the operation of the information system, the dissemination of the information the linking of the local system to the regional system, the monitoring and evaluation of the usefulness of the information to both the private sector and for intervention in the policy making process

d Networking

An effective network on both local and regional levels would require further development and linking of the Enterprise Networks and the development and linking of business associations with common interests (e g, traders and transporters) in and between countries Networking would also include liaison between business associations whose interests may partly overlap

8 Case study in regional trade initiative Frozen fish reexports to Europe using regional produce

In an interesting twist on his normal re-export operations, an Enterprise Network member has constructed a fish freezing facility in Cotonou, designed with the assistance of a Togolese competitor, to freeze fish from Benin and to import and freeze fish and shrimp from Ghana and Togo for export to Europe He was able to negotiate a multi-year supply contact with a Swiss firm which encouraged him to continue construction of his facility, despite the impact of the devaluation on his French franc-denominated loan-- i e , the doubling of his debt burden The entrepreneur is seeking additional supplies, primarily of shrimp, from neighboring countries and particularly from Ghana, for re-export to Europe The Ghanaian government, however, has refused to license additional fishing boats in Ghana and the existing supply from Ghana does not even meet the European demand, let alone allow for exports to Benin

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ANNEX 2

COUNTRY PROFILE - GHANA

Within West Africa, Ghana produces a wide variety of agricultural commodities and is well-endowed with forestry, fishing and mineral resources, as well as sizeable hydroelectric power resources

Although Ghana enjoyed relative prosperity in the first ten years after independence, a lengthy economic decline began in the mid-1970s and continued for the following decade Real GDP fell by more than 2% per annum between 1975 and 1982 High inflation resulted in the overvaluation of the cedi and high external debt The lack of savings, the emigration of skilled labor to neighboring countries and the deterioration of the infrastructure base, combined with a centrally controlled economy favoring protected, import-substitution industries over the agricultural sector, all fueled the economic decline

Faced with this dramatic decline, in 1983 the Government of Ghana introduced the Economic Recovery Program (ERP) which included recommendations from the IMF and the World Bank on structural adjustment measures The program was based on two elements a stabilization package intended to reduce inflation and an economic liberalization and export development program This ERP program is generally considered to have succeeded in spurring Ghana's economic growth Real GDP has averaged 4 7% per year between 1986 and 1992 The annual rate of inflation slowed from 125% at the end of 1983 to less than 15% in 1994 Special aspects of the program include a market-based exchange rate system which minimizes exchange rate distortion, removal of most price controls and liberalization of interest rates

The Government has begun a divestiture program to sell off state-owned enterprises It recently sold its interests in seven blue chip Ghanaian companies listed on the Accra Stock Exchange for $25 million It is also divesting its share in the Ashanti Goldfields Corporation and is considering privatization of Ghana Oil, Ghana Airways and Ghana Posts and Telecommunications

Ghana remains an agriculturally-based economy, although the relative share of GDP for this sector has declined from 53% in 1980 to 43% in 1990, while the share of the manufacturing sector has risen to 14% Ghana is the third largest producer ~~of cocoa~~ cocoa in the world Cocoa accounts for 27% of export earnings, with gold accounting for 441% and timber 13%

From a trade standpoint, massive overvaluation of the currency has been corrected Quantitative restrictions and foreign exchange controls have been removed Trade taxes have been reduced and trade volume responded with considerable expansion As imports were liberalized, policies were implemented to promote exports, beginning with the removal of export duties in 1987, and continuing with the elimination of export licensing in 1990 and the creation of an export financing mechanism in 1993 Certain elements continue to hamper exports the duty drawback system does not work, and it was only in 1994 that restrictions on joint ventures with foreign partners were reduced

A continuing problem is the pervasiveness of quasi-monopolistic state owned enterprises which has contributed significantly to limiting private investment to only 8% of GDP in Ghana or less than half that in low-income developing countries

The sluggish growth in agriculture in Ghana in contrast to post-adjustment Nigeria, has been a drain on the economy Part of the answer to this lack of growth is in the slow pace of public enterprise reform, including state-owned farms, marketing and distribution control, along with poor infrastructure

Ghana's trade with the rest of the world reached a plateau in recent years of around 18% of GDP Its export base is limited primarily to traditional exports, including cocoa, gold and timber Non-traditional exports account for only 6% of total exports In line with the East Asian experience, if Ghana is to achieve similar growth, it must export more aggressively, concentrating especially on agriculture, agro-processed products and light manufacturing The private sector must push for increased entry of foreign companies, quality control and better export infrastructure, especially telecommunications, warehousing and refrigeration, along with better management of public expenditures and incentives for private investment

Ghana has been exporting certain nontraditional goods to neighboring countries, but significant barriers still exist Considerable relative growth has been achieved in exports of handicrafts, fish, manufactured goods and horticultural crops The Ministry of Trade claims that half of all nontraditional exports are to neighboring countries, representing 30% of the value of these exports The official also noted that 80% of cross border trade transactions are "pre-paid" with only 20% settled through bank transfers

The regional trade survey conducted in Ghana resulted in the following general observations concerning trade potential, obstacles to trade, private sector involvement in trade policy and recommendations for increasing regional exchanges

1 Extent of Formal Regional Trade

There are few reliable statistics available on the volume and value of formal private sector trade between Ghana and the other countries of the region Some information is available through the Ghana Export Promotion Council, which tracks formal regional exports on the basis of the Export Foreign Exchange Form, known as the A2 (The complexity of the form is such that it is being eliminated in 1994 for all nontraditional exports to the region and to Europe) Import figures are available through the Ghana Statistical Services, based on data received from the three primary ports Border crossings are less closely controlled

Statistics on informal private sector trade in the region do not exist, although the volume and value of this trade is substantial There are, however, anecdotal data on specific products which are exported and imported by Ghana's private sector Listed below are examples of specific products traded

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EXPORTS

Product	Country	Volume	Comment
Aluminum goods (utensils)	Togo Burkina Faso Niger Benin	Moderate	Informal
Textiles	Burkina Faso Niger Cote d'Ivoire	Small	Informal
Handicrafts	Burkina Faso Niger	Small	Informal
Timber Furniture	Burkina Faso Niger Togo Benin	Moderate	Formal and Informal
Construction materials (pavement stone, aluminum roofing, iron rods)	Burkina Faso Niger Guinea	Moderate	Formal and Informal
Fruit juices	Burkina Faso Niger	Small	Informal
Eggs	Burkina Faso Togo	Small	Formal
Vegetables Yams	Burkina Faso Niger Togo	Moderate	Informal
Crude salt	Nigeria Burkina Faso Niger	Moderate	Informal
Cola	Burkina Faso Nigeria	Moderate	Informal
Chickens	Nigeria Cote d'Ivoire	Moderate	Formal

IMPORTS

Product	**Country**	**Volume**	**Comment**
Onions	Togo	Moderate	Informal
Livestock	Burkina Faso	Moderate	Formal*
Salted fish	Gambia	Moderate	Informal
Textiles	Cote d'Ivoire	Small	Formal and informal

* Livestock continues to be exported, rather than slaughtered meat, due to the demand for fifth quarter products (offal) which are highly perishable if the cattle is slaughtered in the north, and to the value of the hides

Several firms are engaged indirectly in formal regional trade two are in the crude salt sector, with exports to Nigeria (Panbros and Modern Salt Industries) and one in light manufacturing of aluminum goods, with exports to Cote d'Ivoire and Togo (Domod) However, Panbros, perhaps the largest "exporter" of the three mentioned above, does not engage directly in crossborder trade, preferring to sell its salt to a trader who handles the paperwork and transport questions which Panbros gave up in frustration This is the same tactic adopted by Ghana's primary soap manufacturer, whose largest distributor is on the border with Burkina Faso

According to anecdotal information from Ghanaian business people, the following products and services have trade potential

Product/service	X	M	Country	Volume	Comment
Dried Fish (Smoked herring)	#		Guinea Nigeria	large	training
Processed salt		#	Nigeria	large	processing
Fruits/vegetables	#		Niger Burkina Faso	large	transport
Poultry		#	Niger Burkina Faso	moderate	transport
Packaging, caps, boxes, cartons	#		Entire subregion	large	borders/NTBs/FX quality

Soap	#	Burkina Faso Mali Niger	moderate	contacts
Dried fish	#	Senegal	large	contacts
Fresh frozen fish	#	Mauritania	large	contacts
Wines, groceries	#	South Africa	large	networking
Corned beef	#	Burkina Faso	moderate	reopen slaughterhouse

2 Existing Regulatory, Administrative and Legal Constraints

Following are specific constraints which many businesspeople voiced

- administrative procedures and inspections at border crossing are costly and time consuming, complicated by the variation in legal systems and regulations between francophone and anglophone countries and by the language problem

- irregular closings of the Togolese border is a particular problem to Ghana

- already signed trade accords, primarily ECOWAS, are not applied

- arbitrary non-tariff barriers are in effect at border crossings, tolerated by "crazy politicians who could care less about treaties"

- until border customs officials receive explicit instructions to facilitate the formal sector trade in the region, there will be no improvement The progress made at the Accra Airport in facilitating the arrival of passengers has been accomplished through political will to change the previous untenable conditions The same degree of resolve will be needed if regional trade is to succeed Customs officials will also need training to increase their efficiency

- the complexity of administrative procedures reflects the European situation, rather than that of Africa Forms should be simple and procedures streamlined in the extreme, to avoid as many possibilities for bribes as possible In this context, the implementation of the Single Administrative Document as the transit permit for all goods within the ECOWAS region is an excellent initiative

3 Business Infrastructure Constraints

a Finance

i export finance

An export finance facility has finally been created, which alleviates some of the pressure for credit

ii monetary and fiscal policy

Having suffered successive devaluations amounting to nearly 28,000% in 20 years, Ghanaians have little patience with complaints from CFA zone countries that devaluation will ruin their economies and reflects a plot on the part of the developed world and multilateral donor institutions Ghanaians voice the hope that the francophone countries have now understood that a reasonably valued currency is a prerequisite to expanded trade

iii inter-country transfer of funds

Sahelian countries have long practiced a cash and carry payment regime However, the fact that letters of credit are not used affects trading volume Dealing through letters of credit requires that funds be transferred through European banks, which takes time In certain countries, bills of collection may be used, but they have been outlawed in Nigeria ECOBANK was mentioned as a possible regional banking solution to the transfer of funds, along with BIAO Meridien Partnerships should be sought out among the new commercial banks in the region, or more regional banks should be created

The West African Clearing House (WACH) has not functioned adequately, but could be a very useful tool if it were strengthened and the procedures streamlined

b Transportation

i roads access to neighboring countries is relatively good although the existing road infrastructure still requires considerable repair after nearly 15 years of neglect

ii trucks while Ghana's truck fleet is adequate, there are no refrigerated trucks for hire

iii spare parts spare parts can be imported from Nigeria iv maritime there is too little coastal transport Only limited return cargo space on boats bound for Europe is available Those carriers have no refrigerated space

v air air freight is expensive and there are no regular cargo flights Ghanaian civil aviation does not permit private carriers to engage in commercial cargo transactions

c Utilities

i electricity electric power supply is unreliable and expensive

ii telecommunications existing systems are very poor, with regular interruptions and transmission difficulties which particularly affect fax communications to Cote d'Ivoire, Senegal and Nigeria

d Information

There is a distinct lack of business information which would provide timely data on regional markets such as product prices, quantities available, demand for products, potential trading partners, and transportation availability and costs Information on the credit worthiness of potential trading partners would be particularly useful, as well as market research information, taxes and customs information, and transport information

Certain information is available on European markets through a group called COLEALP, an EEC-sponsored company in France which maintains a databank on selected producers and importers, as well as monitoring market prices of agricultural commodities Membership in the company is expensive, ranging up to $10,000 per year While the group is considered an elite club and new members must be sponsored by existing members, some form of group membership for West African exporters might be proposed

Timely information on European markets can be critical If produce is being dumped on the European market because of a company closing, sales from West Africa can be destroyed for 2-3 weeks This type of information is only available through personal contacts or the type of selective club which COLEALP represents

4 Private Sector Coping Mechanisms

Informal regional trade is thriving between Ghana and the Sahelian countries to the north Innovative barter arrangements are often used, trading Ghanaian salt or cola nuts for vegetables from Niger or Burkina Faso The inconvertibility of the cedi has not impeded these transactions The numerous devaluations of the cedi have, in fact, promoted trade between the countries

5 Private Sector Organizations and Involvement in the Policy Process

The private sector generally concurred that regional trade holds considerable economic promise for the country, since it would allow producers to become graduallv accustomed to higher standards of quality productivity and reliability of delivery The regional market is not as demanding as the international marketplace and would serve as a transition stage for Ghanaian exporters However, it will be necessary for the private sector to mobilize and push for dismantling obstacles if this possibility is to become a reality

In Ghana the private sector organizations are taking an increasingly active role in the policy process The government has encouraged regular dialogue with the Private Sector Advisory Group, made up of four representatives from the business community There are plans for this group to be replaced by the Private Enterprise Foundation, which would include the Association of Ghanaian Industrialists (AGI), the Chamber of Commerce, the Federation of Association of Ghanaian Exporters and the Enterprise Network

Currently, the AGI is the most visible and vocal of the organized private groups, although the Enterprise Network with its expanding membership and its strategic plan for policy reform, is another emerging advocacy group for reform

The Enterprise Network of Ghana, one of the more dynamic of the Networks within the region, is recognized as having a critical role to play in the development of trade linkages in the region, particularly in light of its ability to foster one-on-one relationships between economic operators for the purpose of pursuing joint ventures or trade exchanges

The Ghanaian Network had also offered to serve as a centralization point for documentation on ECOWAS protocols and commissions

6 Regional Institutional Support to the Private Sector

Regional trade blocks are functional in nearly every geographic area of the world, with the exception of West Africa ECOWAS must focus on identifying and promoting the exploitation of comparative advantage in the region

Ghanaians, just as Nigerians, recognized the benefits derived from certain ECOWAS initiatives, such as the automobile brown card insurance scheme, the waiver of visas for business travel and the regional highway projects

Although it has not been aggressive in developing linkages or providing market information, the West African Chamber of Commerce should be evaluated to determine what contacts it might facilitate and to what sources of information it has access

7 Requirements to Increase Private Sector Capacity to Intervene in the Policy Process

a Advocacy

In each country, committees of private sector operators and associations who are responsible for lobbying and creating awareness through the media of what's to be gained from increased regional trade must be created A national joint public/private sector task force is a critical element in forging a workable partnership in the region

Business persons who are successful in their own countries must assume an advocacy role Practical solutions to economic problems must be found and publicized The Enterprise Network was cited as a primary promoter of this approach

Business persons, in Ghana's particular political economy, noted that the growth of democratic institutions is needed to enhance the functioning of the market in West Africa This entails, in their opinion, a dedicated move towards privatization of the means of production and accountability of elected officials, which will reinforce the application of signed treaties such as that governing ECOWAS

b Information Systems

The private sector strongly endorses the need for a regional information system which would provide timely and reliable information on consumer preferences and availability of goods in the various countries of the region Private business operators stressed that, outside the Enterprise Network, there is little meaningful contact between anglophone and francophone business persons in the region

The TINET system was funded by the International Chamber of Commerce in Geneva and allowed the Ghanaian Chamber of Commerce to create a central documentation and information center While this center is not linked to any others in the region, it does, however, provide access to local entrepreneurs to information on regional and European trade fairs, sourcing opportunities in Europe and directories of other Chambers of Commerce worldwide The TINET initiative also prompted the publication of a Ghana Business Directory, published approximately every five years with a listing of firms, principals, areas of activity, banking references and contact information

Ghanaian business people expressed interest in receiving regular information on

- Annual production, export, import, and direction of trade statistics by country
- Market information product prices, availability, demand, quality and quantity required, packaging, consumer preferences for principal products exported and imported of the various countries in the sub-region
- Surplus and shortage information for principal consumption goods

- References on reliable suppliers and importers

- Information on sources of equity and possibilities for tapping long term resources for private enterprise

There was a strong consensus that any regional trade information system should be private sector operated and should be simple and streamlined

Information on the types, quantities and quality of exports from Europe, and to a limited extent, the U S , available from ECOWAS or through the Office of External Trade in each of the region's countries, should be distributed to private sector representatives so that they might evaluate to what extent import substitution proposals could be made for similar products from the region There is particularly good potential for countries such as Senegal, Ghana and Mauritania to collaborate and organize to meet the verv high demand for fresh and frozen fish in West Africa, which is currently being supplied from Europe

c Studies

In Ghana, studies on comparative advantages of certain products, such as light manufactured goods in aluminum or plastic, were recommended

d Networking

Networking was emphasized repeatedly by Ghanaian entrepreneurs as the best method for developing regional trade Many recommended an expansion of the Ghanaian trade fairs, know as Ghana Solo, in which Ghanaians invite foreign delegations to visit Ghana to familiarize themselves with Ghanaian products and services, including pineapples, handicrafts, poultry, aluminum and plastics, etc One such fair was conducted for Benin and another for Burkina Faso, with a large number of follow-on inquiries from buyers in both countries A key target for such a trade fair is Guinea For the CFA zone countries, this type of trade fair should hold considerable interest in the wake of the recent devaluation

A successful example of networking was given in Ghana seven local exporters of pineapples had associated to undertake group marketing in Europe along with joint procurement of cartons for packaging and other inputs They have undertaken an advocacy campaign with the government to install modern pineapple storage facilities at the port, which could be expanded to include yams and fresh fruits The group is considering converting the venture to a profit-making entity and marketing its produce in Europe under a common brand name, thus excluding other Ghanaian produce which does not yet meet international fruit standards The group is also negotiating with major freight forwarders in order to obtain access to refrigerated containers

Several private business people voiced interest in setting up good regional private export companies to research and promote regional exchanges

Another potentially useful network would be between groups like the newly created Federation of Associations of Ghanaian Exporters (FAGE) which includes all major export trade associations Bringing these groups together on a regional basis could provide an interesting exchange of information and policy reform models to encourage regional trade

8 Case study in regional trade initiative

A pineapple exporter compared prices and delivery times in Cote d'Ivoire and France for cardboard cartons in which to ship his produce He opted for purchasing Ivorian cartons, thinking the delivery time would be considerably less than that required from France However, he was unable to communicate regularly by phone or fax with the Ivorian supplier, due to poor telephone connections from Accra He was forced ultimately to send one of his senior managers to follow up on the transaction in Abidjan It took two weeks for the cartons to be loaded on trucks from the time the order was placed and another 2 days to transport them into Ghana Payment was made by wire transfer in dollars to a bank in Paris and then transferred to Cote d'Ivoire, with considerable delay since the order took place shortly after the CFA franc devaluation The Ghanaian exporter indicated that he prefers ordering from France, despite the higher cost, to avoid the complications involved in regional transactions

ANNEX 3

COUNTRY PROFILE - GUINEA

In its tenth year since the demise of the Toure government, Guinea has made progress in the repair and opening of its economy Since 1984, the government instituted policies aimed at liberalizing and rebuilding Guinea's economy Faced with many pressing needs, it moved on several fronts elimination of most controlled prices and subsidies, opening of most of the economy to free enterprise, the liquidation or privatization of most state-owned enterprises, and the rehabilitation of the country's physical infrastructure and the agricultural sector It also enacted investment, labor, commercial, accounting and tax codes, took steps to reform its banking sector, allowed its foreign exchange rates to be determined by market forces and simplified its tariffs

Progress has been made in rehabilitating the physical infrastructure, although much remains to be done The matter of a viable physical infrastructure bears heavily on the future of Guinea's trade with its neighbors and other countries of the region

In spite of the fact that there has been improvement in the administrative, regulatory and legal environments since the end of the Toure years and that Guinea's trade policy is characterized as "very open," businesspeople still consider the bureaucracy to be an impediment to doing business Businesspeople also voice a growing concern over the lack of coherent, standardized trade (including transportation) legislation applied between the region's countries

1 Extent of Formal Regional Trade

Currently, there are no reliable statistics available on the volume and value of formal private sector trade between Guinea and the other countries of the region Statistics for informal private sector trade in the region simply do not exist There are, however, anecdotal data on specific products which are exported and imported by Guinea's private sector

Regional markets are presently very small, accounting for only an estimated five per cent of West Africa's total trade Guinea's trade with the region primarily consists of basic food and consumer products The exception is gold, of which an estimated $20-30 million is exported to Mali and to Cote d'Ivoire

Examples of specific products traded are provided below

EXPORTS

Product	Country	Volume	Comment
Pineapples	Senegal	just starting	formal and informal
Mangoes	Senegal	just starting	formal and informal
Bananas	Senegal	just starting	formal and informal
Coffee	Senegal Gambia	moderate	informal for reexport
Rice	Senegal	unknown	informal for reexport
Lubricating Oil	Sierra Leone	moderate	formal

IMPORTS

Product	Country	Volume	Comment
Livestock	Mali	moderate	function of price
Salt	Senegal	unknown	informal
Soap	Mali	just starting	formal
Construction Materials	Ghana	moderate	formal and informal
Cottonseed Oil	Mali	just starting	formal

According to anecdotal information from Guinean businesspeople and the government, the following products have trade potential

Product/service	X	M	Country	Volume	Comment
Fish (frozen/dried)	#		Mali	large	transport
Pineapples	#		Sahel	large?	transport

Mangoes	#		Senegal	large?	transport
Avocados	#		Sahel	moderate	transport
Palm oil	#		Sahel	moderate	transport
Root crops	#		Sahel	moderate	transport
Other vegetables	#		Sahel	moderate	transport
Beef, lamb		#	Mali	large?	function of price
Chicken		#	Senegal	large?	

2 Existing Regulatory, Administrative and Legal Constraints to Regional Trade

Following are specific constraints which many businesspeople voiced

- fraud, pilferage, corruption and petty administrative obstacles are problems

- government institutions are still obstacles, in the sense that some remain "heavy on the Marxist side" in terms of attitude toward business

- the weight of the tax system on business

- the lack of regional coordination in the application of already signed trade accords One exporter reported encountering Senegalese import duties of 65% on pineapple juice in 1991 Another reported a Senegalese prohibition on trucks destined for Gambia with palm oil and cola nuts

- the lack of harmonization between countries in trade legislation

- the fact that existing regulations are often confusing and misapplied

  Shell Oil produces lubricating oil products in Guinea and exports certain quantities to Sierra Leone Legally, these exports are to be made tax-free, yet the existing regulations are so confusing that the authorities feel the exporter has to pay the <u>import duty</u> on lubricants

- some countries do not recognize Guinean trade documents

- the financial sector, including the monetary system, is not oriented to promote investment in production activities

The government as part of its 1994-1995 Action Plan, is starting to seek the help of the private sector to rid itself of the many obstacles to the efficient conduct of business Moreover, it is interested in a continuing dialogue with the private sector not only to do away with obstacles, but also to promote the economic development of the country with a strong emphasis on export potential

3 Business Infrastructure Constraints

In Guinea's case, perhaps more important than the regulatory, administrative and legal constraints, are those imposed by a deficient business infrastructure Virtually all elements of Guinea's physical infrastructure seriously deteriorated under the 26 year long rule of the Toure regime While there has been improvement in the transportation and utilities sectors, there still is much to be done

a Finance

i export finance

at present, the export finance infrastructure is lacking There is no export credit available, no pre-financing mechanisms for exporters nor is there export insurance

ii inter-country transfer of funds

there are serious delays in the transfer of funds between Guinea and the cfa zone countries occasioned by a low ceiling on the amount of funds which may be transferred to/from Guinea without Central Bank approval Reportedly, transfers to/from anglophone countries take an inordinate amount of time

A Guinean businessman reported the following "trail" for a transfer of the equivalent of $1000 from his bank in Bamako to his bank in Conakry

1 Request made of his Conakry bank for transfer of funds,

2 Request sent to Central Bank of Guinea because the amount requested exceeded the ceiling (approximately $ 400) for simple bank to bank transfer of funds,

3 Approval of Central Bank returned to his Conakry bank,

4 Conakry bank requests transfer from the bank in Bamako,

5 Bank in Bamako requests approval of the BCEAO (Central Bank of the West African States),

6 BCEAO sends approval to transfer to Bank in Bamako,

7 Bank in Bamako transfers funds to Conakry bank,

8 Conakry bank notifies Central Bank of Guinea,

9 Central Bank of Guinea approves release of funds

Total time involved for this simple transfer 3 weeks

iii bankruptcy law

such a law was promulgated in 1992 and provides for liquidation and restructuring procedures, but according to businesspeople, it is just "paper," in part because there is no market for the assets of a company in bankruptcy

b Transportation

i roads access to neighboring countries ranges from difficult to almost non-existent (Guinea-Bissau) This problem will be partly resolved by current multilaterally funded road building projects

ii trucks while Guinea's truck fleet is growing, there are still no refrigerated trucks for hire Also, there is no transport industry association in place to act for its members and play an advocacy role vis-a-vis the government

iii spare parts since the scale of the market does not yet justify after-sale service, spare parts are not found easily and they are expensive

iv rail other than the rail lines to Guinea's bauxite centers, the remainder of the rail system is inoperative for business purposes

v maritime port (Conakry) fees are high and the port needs management help for its operation Sea transportation costs are high and serious delays are incurred because of the small volume of goods moving to/from Africa as well as within the sub-region, necessitating cargo consolidation by shippers in Dakar For example, containers of merchandise originating in Abidjan destined for Conakry go first to Dakar to be consolidated with goods from Europe for Guinea Also, there are no refrigerated/freezer boats available

vi air air freight is expensive and space is often unavailable In addition, there are no companies running air charters in Guinea This situation is further complicated by the fact that Air Afrique is promoting the passenger side of its business to the detriment of its freight side There are no cold storage nor agricultural produce packing/conditioning facilities at Conakry's airport

c Utilities

i electricity reliable electric power is still a problem as the system suffers from outages

ii telecommunications while there has been some improvement, telephone, telefax and telex communications can not yet be considered reliable Some businesses rely on cellular phones and or radio

d Information

There is a distinct lack of a business information system, allowing businessmen and women to know such basic regional market information as product prices, quantities available, demand for products, potential clients and their addresses/telephone numbers, and transportation availability and costs Businesspeople also lack access to historical price and production statistics as well as country industrial statistics, even including the products that each country's industries produce

e Industrial infrastructure

Much of the industrial infrastructure which characterizes a modern, formal private sector remains to be created This infrastructural component is comprised of the forward, backward and lateral linkages between business activities, ranging from agricultural production to manufacturing, and includes such activities as packaging, intermediate goods' production, supply of raw materials and a wide range of services

4 Private Sector Coping Mechanisms

The formal private sector is just starting to develop ways in which to cope with the various obstacles confronting it Unfortunately, both the Chamber of Commerce and the Federation of Employers (patronat) have negative images for the private sector The choice, according to private sector operators, is to change and strengthen the Chamber of Commerce, or develop industry associations and use the Enterprise Network, or some combination of the three mechanisms

The formal private sector realizes that it must organize itself, must gain access to reliable information, and must educate and work with the government to create the policies to bring about an environment conducive to success for business and trade It recognizes that an important part of this process will entail working with the authorities of the various countries of the sub-region to promote and consolidate economic integration and therefrom, regional trade It also recognizes the need for changes which will motivate the "quasi-formal" component of the private sector to enter the formal sector and eventually the informal component

> Nowhere is this clearer than in the truck transportation area, where, as the head of a large trucking firm stated, "there is no transporters association because the informal trucking sector is ten times more important than the formal trucking sector "

5 Private Sector Organizations and Involvement in the Policy Process

The consensus of the formal private sector operators is that currently private sector support organization participate very little in the policy-making process As noted in 4 above, the private sector has little regard for the Chamber of Commerce and the Patronat as effective organizations It feels that industry associations and the Enterprise Network hold more promise as organizations which will be able to be involved in and affect the policy process

While the Enterprise Networks' creation was very recent, the Guinean members feel that the ENs, as a group, can develop and put into place, an action plan to promote regional trade Moreover, the government is interested in continuing and expanding its dialogue with the private sector via the appropriate interlocuteur The government's interest is at least somewhat borne out by an early April meeting between Ministry of Commerce and Agriculture representatives and exporters of the Agricultural Marketing and Investment (USAID funded) project, at which issues and problems of both sides were discussed and solutions sought

The Association des Commercants de Guinee, fairly recently organized, has already discussed a number of problems with the Ministry of Commerce These contacts with the Ministry have not yet led to involvement in the policy-making process

6 Regional/local Institutional Support to the Private Sector

Locally, the two private sector support organizations which currently offer support to the private sector are the Association des Commercants de Guinee and the Enterprise Network The Chamber of Commerce is reportedly well-equipped (hardware) to provide informational support, but can not give adequate information nor any feedback Some businesspeople do feel that, properly organized, the Chamber of Commerce could be influential in promoting regional trade

The Association des Commercants de Guinee, with more than 3000 dues-paying members, plans to establish an information system for its members through collaboration with other like associations in the sub-region It plans to publish timely market and transportation information for its membership Its president states that the Association has no qualified individual(s) to set up and run the information system The Association also plans to hold a conference this Spring on the effects of the cfa devaluation on its members - to this end it has distributed questionnaires to selected members and to the banks in Conakry

The Enterprise Network has established its 1994 Action Plan with the following strategic objectives

- development of an advocacy strategy and establishment of linkages with key government policymakers in order to be able to carry on a continuing dialogue with the government
- improve the private sector's access to credit by working closely with the banking community on the one hand, and training the private sector on banks' lending requirements, on the other hand

- organize and implement a public relations campaign to strengthen the image of the private sector and promote entrepreneurship on a national basis

- improve the operations of the Port of Conakry

- prepare and publish a simplified manual of ECOWAS trade protocols as a means of helping to promote regional trade and investment

With minimal financial means at its disposal, the Division of External Trade of the Ministry of Commerce is currently of little assistance to the private sector in helping it meet its informational needs

7 Requirements to Increase Private Sector Capacity to Intervene in the Policy Process

a Institutional Development

The private sector would require assistance in developing a public relations effort to promote its role in the policy-making process vis-a-vis both the general public and the government A public relations strategy would include increased public awareness and understanding, including that of the government, of private sector development issues and how it and market economy institutions fit into Guinea's economic future

Another requirement will be the strengthening of linkages with the already existing information infrastructure, e g , the media, the EN, the Chamber of Commerce, business associations - so that this infrastructure can disseminate real success stories widely and maintain the momentum of the private sector in the policy decision-making process

The information system implies the creation of conditions whereunder independent local institutions, e g , the Enterprise Network, the Association des Commercants de Guinee, the Chamber of Commerce can contribute to the system and use the system effectively and fairly

b Information Systems

As part of a regional information system, the installation of a information system making available on a timely basis the following categories of information

- Already existing trade agreements and associated documentation, simplified "manuals" of the CEDEAO trade protocols signed

- Annual production, export, import, and direction of trade statistics by country

- Market information product prices, availability, demand, quality and quantity required, packaging, consumer preferences for principal products exported and imported of the various countries in the sub-region

- Surplus and shortage information for principal consumption goods

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- industry information by country

A key component of an information system will be its organization and that of the users

c Training

Training would be necessary in the collection and analysis of data, the operation of the information system, the dissemination of the information the linking of the local system to the regional system, the monitoring and evaluation of the usefulness of the information to both the private sector and for intervention in the policy making process

Training would also be necessary in private sector advocacy and lobbying efforts This will be a necessary part of organizing the private sector so as to obtain consensus on issues and establish a common strategy providing for well-coordinated interventions vis-a-vis the government Training should also include a component for the appropriate government agencies, e g , Ministry of Commerce (Division of External Trade), Ministry of Integration and Ministry of Agriculture

d Networking

Presently, there is little formal structure through which the Guinean private sector can operate effectively vis-a-vis the government as well as on the regional level An effective network on both local and regional levels would require further development and linking of the Enterprise Networks and the development and linking of business associations with common interests (e g, traders and transporters) in and between countries Networking would also include liaison between business associations whose interests may partly overlap Most business information is obtained through personal contacts and travel to markets

There should be provision for periodic collaboration between this private sector structure (s) and that (those) of the government to exchange information and experiences/lessons learned

ANNEX 4

COUNTRY PROFILE - MALI

In 1985, in concert with the IMF, World Bank and other donors, USAID launched its Economic Policy Reform Program To date, significant progress has been made in most areas the targeted tax rates were reduced and price controls were taken off all products except petroleum products Firms gained much more latitude in setting profit margins, the cereals' markets and trade were liberalized, a number of SOEs have been privatized, favorable changes have been made in customs duties, and explicit export taxes were eliminated

Nevertheless, the potential effects of trade liberalization, as in many other African countries undergoing structural readjustment, were neither explored nor anticipated A number of businesses went under and many continue to operate at levels well below their design capacities Mali's private sector particularly suffers from a very small scale, fragmented (outside Bamako) domestic market which offers little opportunity to profit from economies of scale as well as little attraction to investors, whether foreign or domestic

The January devaluation severely affected those companies dependent on imported raw materials, semi-finished goods and final products as prices effectively doubled Customs duty receipts fell because companies are simply not operating or have significantly reduced production Many companies lack the financial means to keep going, much less expand The premise was that with devaluation there would be a drop in use of foreign exchange with a positive budget effect, and receipts to the State would effectively become larger Yet this was static analysis if a business before devaluation paid 20 million cfa (including customs duties) for a shipment of merchandise, the government expected that the business would have 40 million cfa (including customs duties) to pay after devaluation - but this certainly was not the case, as many firms slowed or suspended operations and did not import

The fact that tariffs can change 3-4 times per year, with no notice, makes financial planning difficult for business The budgetary needs of the Treasury drive the country This may certainly become more evident later this year, since first quarter 1994 forecasted customs duties receipts were revised downward from 7 5 billion cfa to less than 2 0 billion cfa (Le Republicain, Bamako, April 6, 1994)

1 Extent of Formal Regional Trade

As is true in the rest of the region, there is a paucity of complete, reliable statistics available on the volume and value of formal private sector trade between Mali and the other countries of the region Statistics for informal private sector trade in Mali simply do not exist There are, however, anecdotal data on specific products which are exported and imported by Mali's private sector

Mali's trade with the region primarily consists of livestock basic foodstuffs and a few consumer products Mali is part of the Central Livestock Corridor along with Burkina Faso and is a large supplier of animals to Cote d'Ivoire

Examples of specific products traded are provided below

EXPORTS

Product	Country	Volume	Comment
Millet	Senegal Mauritania	moderate	formal and informal
Sorghum	Senegal Mauritania	moderate	formal and informal
Corn	Senegal Mauritania	moderate	formal and informal
Cottonseed oil	Guinea	just starting	formal, depends on increasing cotton production
Soap(household)	Guinea	just starting	formal
Livestock	Cote d'Ivoire Senegal Guinea Gambia Mauritania Ghana	large	formal(mostly) and informal, in long-term will depend on Cote d'Ivoire's and Ghana's own cattle industries

IMPORTS

Dried Fish	Senegal	moderate	formal and informal
Chickens	Senegal	moderate	formal
Onions	Niger	moderate	formal and informal
Re-exported Consumer Goods	Nigeria	large	informal

According to anecdotal information from Malian and neighboring country businesspeople, as well as the government, the following products and services have regional trade potential

Product/service	X	M	Country	Volume	Comment
Fish (frozen/dried)	#		Guinea Senegal Mauritania	large	transport
Pineapples		#	Guinea	large?	transport
Mangoes		#	Senegal	modest	transport
Avocados		#	Guinea	moderate	transport
Palm oil		#	Guinea	modest	transport
Root crops		#	Guinea	modest	transport
Other vegetables		#	Guinea	modest	transport
Beef, lamb	#		Guinea	large?	function of price
Frozen beef	#		Ghana	?	under study
Chicken		#	Senegal	large?	function of price
Eggs		#	Ghana	moderate	
Rice		#	Sahel	large?	function of price, ability to produce in sufficient quantity

2 Existing Regulatory, Administrative and Legal Constraints

As in the other West African countries which have undergone structural adjustment, there has been improvement in the administrative, regulatory and legal environments over the past five years This improvement has been spearheaded by progressive technocrats in the National Directorate of Economic Affairs In Mali, as elsewhere, businesspeople still consider the bureaucracy to be an impediment to doing business With respect to regional trade, they are particularly concerned about their country's constantly changing tariffs, and as in the other countries of the region, an absence of coherent, standardized trade (including transportation) legislation applied between the region's countries

Following are specific constraints which many businesspeople voiced

- Corruption and petty administrative obstacles This is caused and aggravated by the fact that "one person (the civil servant) is working for 50 " It is very difficult to raise their salaries and equally as difficult to reduce the number of civil servants

- It is impossible to be transparent, honest and survive as a business, especially a new one If one is transparent, the fiscal burden is so high that it can drive a business into bankruptcy

- the lack of regional coordination in the application of already signed trade accords Still a great deal of control over the movement of goods and people The government is not following up on trade agreements

- the lack of harmonization of inter-country trade legislation

- The inability to get viable information regarding regulatory and administrative requirements pertaining to regional trade

- while there is a bankruptcy law in place, it is not applied "the judges are corrupt and the functionary doesn't eat " The Guichet Unique is in place, but is a failure "all functionaries "

- the lack of an explicit export promotion policy, with tax advantages

The government is beginning to make an effort to get rid of the many obstacles to the efficient conduct of business Both the Ministry of Public Works and Transportation and the Ministry of Rural Development have brought the country's exporters together to identify the problems which impede the export of agricultural commodities and livestock and to see how the problems can be resolved

3 Business Infrastructure Constraints

Many businesspeople feel that the business infrastructure constraints are equally as restrictive as the regulatory, administrative and legal constraints While there has been improvement in the transportation and utilities sectors, there still is much to be done a Finance

i export finance

There is no export finance infrastructure, export credit is very difficult to get, there are no pre-financing mechanisms for exporters and no export insurance

ii inter-country transfer of funds

there is a diversity of opinion regarding the transfer of funds, with some businesspeople reporting that, in general, transfers within the cfa zone are fairly rapid, while many others complain of long delays and high costs A simple transfer of funds from Mali to Ghana on the other hand, can take a week or more, as the Malian bank works through its correspondent bank in France which in turn works with its correspondent bank in Ghana Letters of credit present no delays, however, one must be a resident of Mali to be able to import and/or export, must produce an "intention to import," produce a bill and the approval of SGS to get the authorization to transfer funds from the BCEAO

b Transportation

the state of Mali's transportation infrastructure varies according to component

i roads

businessmen cite roads as being the principal transportation problem, stating that when one loads a truck, one does not know when it will arrive at its destination On the one hand, access to Burkina Faso, and therefrom Cote d'Ivoire is good with paved roads to Abidjan, while on the other hand, access to Guinea is very bad, with no paved roads on either side of the border

ii trucks

availability of trucks to ship livestock can be a problem, if cotton is to be moved, cotton pushes out cattle

iii rail

While it costs less to use the Dakar-Niger railroad, speed, reliability and security are better when trucking from Abidjan The problems with the Dakar-Bamako rail link stem from poor management, the fact that during the rainy season it can take one month to ship goods from Dakar to Bamako, occasional derailments, and busy periods when food aid, fertilizer and cotton from CMDT get priority over other merchandise

iv air

air freight is expensive and space is often unavailable Air Afrique recently embarked on a policy of favoring passengers over freight, by offering special promotions for passengers, and at the same time increasing freight rates

c Utilities

i electricity

reliable electric power is still a problem as the system suffers from outages

ii telecommunications

telephone, telefax and telex communications have improved and can be considered fairly reliable Some businessmen, however, complain that telecommunications within the sub-region can be problematic Communications with Guinea is cited as the worst case

d information

For cereals' prices and market information, Mali is part of a regional, standardized database (SIM) covering Mali, Burkina Faso, Chad and Niger Traders report that this information system is reliable Unfortunately, this system does not extend to the coastal countries With respect to livestock market information, Mali and Burkina Faso have good sets of monthly information, Niger's is fair Mali's information system "communicates" well with Burkina Faso's system

Businesspeople complain, however, that while business information is transmitted by radio, it is old Dissemination is also a problem, as the head of SEDIMA (Senegal) reported - he could not access the information that southern Mali had a surplus of corn at the time of the devaluation They feel that travelers' information is faster and more accurate, and also state that if one knows agents at OMBEVI, one can get market price and quantity data rapidly OMBEVI reports market information on livestock and meat weekly over the radio (this information, until recently, was also given over television, however, it stopped - presumably for budgetary reasons) Burkina Faso and Cote d'Ivoire also give this information CILSS prepares a condensed report, giving numbers of animals sold and prices (both minimum and maximum) in principal markets (The market information network between Burkina Faso, Mali and Cote d'Ivoire was established as a result of AID technical assistance through the Implementing Policy Change Project)

As in the other countries of the sub-region, information is mostly obtained through other importers, exporters, transporters, clients, suppliers and personal contacts Some report that the SYDONIA system installed in the customs service provides some useful data on imports Generally, they feel that the business information constraints center about a lack of timely, accurate computerized information on product prices, quantities available, demand for products, need to know other countries' industrial (or sectoral) information (who produces what), shortages and surpluses, transportation costs and availabilities, potential clients (including addresses and telephone numbers), reference prices of competitive products, and trade information across the product/service spectrum, including laws, regulations and agreements e Other

- packaging in general is poor and does not meet special needs

- the need to change the "culture" from one of importing to one of exporting

- the fact that both SOEs and private companies (not only in Mali) do not understand export pricing Examples UCOMA (Mali) only gives prices ex-factory, COYAH, the company which produces bottled water of the same name in Guinea, quoted an ex-factory price to a Malian importer which was more than the retail price of AWA (Ivorian bottled water) in Bamako

4 Private Sector Coping Mechanisms

Members of the formal private sector recognize that the sector is poorly organized and that neither the Chamber of Commerce nor the Patronat (the Federation of Employers) are representative or are heard Private sector operators see a combination of strengthened trade and business associations (e g , the Enterprise Network) with credible leaders, and a 'professional" (private sector) Chamber of Commerce as the initial means to cope with the various obstacles confronting it

Formal private sector operators are trying to get access to modern information systems, because the traditional (informal sector) systems are not transparent and they are "closed to the formal sector This is symptomatic of a larger problem, i e , that the formal and traditional systems are antagonistic toward one another This is evident in Abidjan, for example, where butchers who are not part of the traditional "network," will not get meat if there is an overall shortage, when meat is in surplus, these butchers will have access to it

Businesspeople increasingly maintain as little transparency as possible - knowing that current tax laws can drive them into bankruptcy Reportedly, very few formal sector operators pay taxes The fiscal system keeps the informal sector away, but it is the informal sector which keeps the economy going

As in the other countries of the region, the formal private sector increasingly realizes the need to organize, to gain access to reliable information, and to educate and work with the government to create policies which will be conducive to success for business and trade

5 Private Sector Organizations and Involvement in the Policy Process

As noted above, the formal private sector operators have little confidence in the Chamber of Commerce and the Patronat as effective support organizations, including involvement in the policy-making process They note that the Chamber of Commerce represents only an exclusive small number of importers, and thus does not really represent the formal private sector To be seriously involved in this process, operators feel that industry associations must be strengthened, citing the cotton industry association as the only one which is really active vis-a-vis the government They further state that producers associations (e g , fruits, vegetables livestock) need to be further developed from production to export taking primary producers into higher value-added stages of production

In this connection, there has been some early progress from the government side The Ministry of Public Works and Transportation brings together exporters to identify problems and look for solutions The Ministry of Rural Development has chaired a meeting with exporters to determine what the problems are with exporting agricultural products and livestock

As part of its 1994 Action Plan, The Enterprise Network has taken certain initiatives to improve private sector/public sector relations and therefrom increase and improve private sector dialogue with the government These include monthly meetings with the presidents of the National Assembly and the Finance Committee, televised private sector-public sector debates on the effects of devaluation, discussion of policy reform in Accra between the Minister of Finance of Mali and the Ghanaian Enterprise Network, and the drafting of legislation to eliminate the minimum tax on turnover (gross revenues), a tax which can particularly harm start-up businesses

6 Regional/local Institutional Support to the Private Sector

Locally, the two private sector support organizations which offer support to the private sector are the trade associations and the Enterprise Network The Chamber of Commerce of Mali recently held a conference on the impact of the devaluation, bringing the UMOA Chambers of Commerce together to try to link them up

The Enterprise Network has established its 1994 Action Plan with the following strategic objectives

- increased competitiveness of Malian firms via policies to promote exports, import substitution and financial restructuring of firms, prepare legislation to remove the minimum turnover tax
- increased access to medium and long-term financing for Malian firms via a venture capital company
- implement advocacy strategy vis-a-vis key players in the government
- develop business opportunity databank

Reportedly, the African Development Bank will soon be making operational an 'import/export bank," headquartered in Cairo, It should be noted that this project began in 1987

Other local and regional support is in the form of information availability with respect to cereals and livestock (see section 3d above)

7 Requirements to Increase Private Sector Capacity to Intervene in the Policy Process

a Institutional Development

In its 1994 Action Plan, the Enterprise Network is developing a public relations activity which will promote the role of the private sector in the policy-making process, will help the government and the public understand private sector development issues and how it and market economy institutions fit into Mali's economic future

The private sector will have to strengthen the linkages with the already existing information infrastructure, e g , the media, the EN, the Chamber of Commerce, the Patronat and business associations - to insure broad dissemination of real success stories and enhance the role of the private sector in the policy decision-making process

b Information Systems

As part of a regional information system, the installation of a local information system should make available import statistics, reference prices of competitive products, and local production statistics on a timely basis Such a system should be able to produce a monthly market information bulletin, informing private sector operators, for example, that "Senegal envisages importing such and such during a given time period "

Businesspeople would be willing to pay an annual subscription fee for timely and accurate market information attuned to their needs For the gathering and analysis of information, economic operators feel that "specialized units" should be set up The specific types of information they want is essentially similar to that which the Guinean economic operators want (for details, see Guinea's Country Profile)

According to a former FEWS representative, there would be no technical reasons why a six or eight country information system could not be set up, using existing phone lines, for approximately $250,000 Hardware and software and a phone line would cost approximately $5000/site, with the balance of the funds devoted to training and technical assistance The FEWS SIM, OMBEVI and CILSS systems could be the basis or a part of such a business information system in the sub-region

Presently, the Policy Reform for Economic Development (PRED) project is working with the FED, exploring the possibility of information systems for export markets In the near future, PRED is planning to visit Dakar, Abidjan, Cotonou, Lome and Ouagadougou to see what information systems are in place

Questions/issues which arise regarding such an information system are

1 How to share costs - does the private sector run it and provide information free of charge? Government information requirements would probably be limited relative to those of the private sector

2 Since virtually everyone in the private sector "wears more than one hat" - can private sector information system be operated and guarantee everyone fair access?

There will be competitors for information in the private sector, and control of information is a way of blocking others

3 How to control access? Since fees can be used to exclude people, fees have to be set to run the system At what point does someone get a lock on market via information, and use it to drive someone out How does one insure the integrity of the users?

4 There is the possibility of having multiple systems of data that are incompatible with one another, and the question arises of how to reconcile these incompatible systems The system may be compiling data from multiple sources, and these sources may need help in cleaning up their data

5 If done on a regional basis, there would have to be some sort of consistent standards Should there be government and/or industry standards?

6 It is likely that buy and sell orders will be "piggy-backed" on top of the information Where then does the information system lead - to courts, commodity exchanges (buying and selling operations), credit rating operations, etc?

7 The natural evolution of the information system must be anticipated, i e , realistic stages set forth as a path What readiness indicators will there be to say when the system moves on to the next stage, e g , step A (the basic information system) leads to step B (the information system + buy/sell and other opportunities), which may lead to step C (step B + formal commodity exchanges)

c Training

As is true for the other countries, training in data collection and analysis, system operation, information dissemination, linking with the regional system and monitoring/evaluation of the usefulness of the information to both the private sector and for intervention in the policy making process would be necessary

A second area of required training is that of training in private sector advocacy and lobbying efforts This training component will serve to help organize the private sector to obtain consensus on issues and establish a common strategy providing for well-coordinated interventions vis-a-vis the government Training should also include a component for the appropriate government agencies, e g , DNAE, Ministry of Rural Development, Ministry of Public Works and Transportation

d Networking

Presently, the EN is becoming a structure through which the Malian private sector can begin to operate effectively vis-a-vis the government as well as on the regional level An effective network on both local and regional levels would require further development and linking of the country Enterprise Networks and the development and linking of business associations with common interests in and between countries

The Reseau pour l'Integration Africaine (REPIA), another emerging organization, is seeking to promote progressive reform of government policy pertaining to regional integration and trade

Periodic collaboration between the private and public sectors for information exchange should be assured

ANNEX 5

COUNTRY PROFILE - NIGER

Following the collapse of world uranium prices over the period 1979-1981, Niger's economic performance derailed By 1983, Niger had a liquidity crisis since it was increasingly unable to meet its debt service requirements from export income at the same time that external capital sources dried up This led to an austerity program to restrain public spending and stabilize the economy The country's external debt, however, continued to rise,drought set in and the border with Nigeria was closed At the end of 1986, the government and the IMF set up a three year structural adjustment facility which called for certain economic policy reforms within the context of the Economic Recovery Program The principal policy reforms required were

- provision of an environment conducive to increased private sector activity via a changed and improved fiscal and administrative system
- reduction in the scope of price controls
- liberalization of marketing/trade
- reform of parastatal enterprises via privatization, reorganization and liquidation

Implicit in the acknowledgement of the government that one of its main roles was/is to provide an environment conducive to private sector growth is the importance accorded the private sector in the development of the economy and the withdrawal of the government from activities (business) which are not naturally (rightfully) those of the public sector

This Structural Adjustment Facility, coupled with the AID's Niger Economic Policy Reform Program (NEPRP) and the Agricultural Sector Development Grant, reduced the scope of price controls, liberalized the marketing of agricultural products and helped solve some trade problems and remove some trade barriers, including the lowering of tariffs by 50% on a list of intermediate goods Export taxes on all agricultural and livestock products have been done away with and administrative requirements to export have been eased Thanks to the structural adjustment reforms of the 1980s and donor interventions with the government, it no longer has the monopoly on policy decisions

As in other West African countries, the liberalization of the 1980s had deleterious effects on the formal private sector, not only because of its small scale and fragility, but also because it had little time to prepare for the changes liberalization entailed Niger has little significant trade with other countries, save Nigeria, in part because of its geography and the resultant high cost of transportation, and because of institutional blockages such as difficulties in getting the right of way for livestock to move

The effects of the January 1994 devaluation of the cfa franc were much the same as in many of the other countries in the cfa zone a precipitous drop in imports coupled with a slight increase in exports (based on anecdotal information) It was reported that Riz du Niger started to export rice after devaluation to the detriment of rice imports (broken) from Thailand Niger's government, as with most of the governments of the region never communicated the benefits of the devaluation to its people

1 Extent of Formal Regional Trade

Currently, there are few reliable statistics available on the volume and value of formal private sector trade between Niger and the other countries of the region, nor are there statistics for informal private sector trade in the region There are, however, some anecdotal data on specific products which are exported and imported by Niger's private sector

Niger's trade with the region is heavily skewed toward Nigeria, consisting largely of livestock, cowpeas and a few other vegetables Galmi onions are the one principal agricultural product which is exported to a number of coastal and other Sahelian countries

Examples of specific products traded are

EXPORTS

Product	**Country**	**Volume**	**Comment**
Cowpeas	Nigeria	large (32,000 tons in 1990)	formal and informal
Livestock	Nigeria	large	formal and informal
Onions	Cote d'Ivoire Nigeria Ghana, Togo Benin Burkina Faso Other Sahel	large (20,000 tons in 1992)	formal and informal
Rice	unknown	just starting	formal

<u>IMPORTS</u>

Product	Country	Volume	Comment
Fuel	Nigeria	diminished after CFA devaluation and subsidy removal	informal
Spare parts	Nigeria	large	informal
Reexported consumer goods	Nigeria	large	informal
Soap	Nigeria	large	informal
Textiles	Nigeria	large until naira fixed exchange rate enacted	formal and informal
Textiles	Ghana	small	informal
Plastic/ Aluminum goods	Ghana Nigeria	moderate large	informal informal
Handicrafts	Ghana	small	informal
Timber Furniture	Ghana	moderate	formal and informal
Construction materials	Ghana	moderate	formal and informal
Fruit juices	Ghana	small	informal
Crude salt	Ghana	moderate	informal
Vegetablles	Ghana	moderate	informal

According to anecdotal information from Nigerien businesspeople and the government the following products and services have trade potential

Product/service	X	M	Country	Volume	Comment
Fish (frozen/dried)	#		Coastal	moderate	transport
Corn		#	Mali	moderate	
Millet		#	Mali, Burkina	moderate	
Shea nuts		#	Burkina	modest	
Cowpeas	#		Nigeria	large	picked up after devaluation
Livestock	#		Nigeria	large	picked up after devaluation
Meat	#		Algeria	2-3 tons	post devaluation need formal company structure to increase exports
Onions	#		C d'Ivoire Nigeria Other Sahel, Coastal	large	can increase production, but need outlets
Textiles	#		West Africa	?	function of quality, price
Garlic	#		Gabon		
Onions	#		Central Africa	market test	favorable, but transportation costs prohibitive
Onion Powder	#		C d'Ivoire	?	FED financed prefeasibility study to produce for Cubes Magis
Peanuts	#		W Africa	moderate	
Peppers	#		W Africa	moderate	new niche
Other vegetables	#		Sahel	moderate	

2 Existing Regulatory, Administrative and Legal Constraints to Regional Trade

Despite the improvement in the administrative, regulatory and legal environments, the formal private sector still considers the bureaucracy, tariffs, non-tariff barriers, taxation and state monopolies to be impediments to doing business They feel there is a lack of political will to get rid of the obstacles, since there is no common policy in the region re regional trade

Following are specific constraints cited

- Heavy taxation, aimed at the formal private sector, which increases the price of goods
- Administrative problems with customs
- Illicit payments demanded by customs, police and the gendarmerie on the roads
- Monopolies of state owned enterprises which no longer have any raison d'etre
- The failure of ECOWAS, and the lack of harmonization between countries in trade legislation
- Nigeria's reimposition of non-tariff barriers
- Lack of government-private sector collaboration
- Lack of viable regulatory information regarding regional trade

3 Business Infrastructure Constraints

Niger suffers from much, but not all, of the business infrastructure constraints the other Sahelian countries suffer Other than relatively high cost, electricity supply is reliable (except when Nigeria shuts off Niger - which is rare) Water is expensive, but available and reliable in major population centers, and communications both internally and internationally are adequate The consensus is that transportation is the most important physical bottleneck to regional trade Following are the characteristics of the principal business infrastructure components as seen by private sector operators

a Finance

i export finance

at present, the export finance infrastructure is lacking no export finance, export pre-financing nor export insurance is available

ii credit

while the banks are awash in liquidity, the Nigerians having gotten rid of their cfa after devaluation, there is no credit available At present, there are only four commercial banks operating

iii inter-country transfer of funds

there is a lack of correspondent banks between Niger and Nigeria, and there can be long delays in the transfer of funds even between Niger and the other cfa countries While letters of credit can be opened quickly between countries, the reality of the situation can be somewhat different, as a Nigerien purchaser of lumber from Ghana found Following is a capsule description of the transaction

1 the buyer opened a LC at the BDRN in Niamey in favor of the Ghana Timber Marketing Board (GTMB) The transfer went through BCEAO in Dakar to the Bank of Ghana, which did not take much time The Bank of Ghana prepared the documentation for the export order

2 GTMB verified that the LC had arrived at the Ghana Commercial Bank

3 GTMB gave the authorization to buy via a contract of sale The buyer had to go to Ghana to the sawmill which wanted cash payment in cedis, stating that it would not get paid by the GTMB The buyer also had to go on the parallel market to get cedis with his cfa

4 GTMB gave a delivery order to the Ghana Commercial Bank - showing that the buyer loaded the lumber of the sawmill

5 GTMB went to the Ghana Commercial Bank, which paid the GTMB

6 GTMB reimbursed the buyer in cedis, who in turn had to go on the parallel market to get cfa

The financial side of this transaction took two weeks of the buyer's time and required him to be in Ghana The entire transaction, including the financial side, took two months

b Transportation

i roads

the primary road system is good, paved and well maintained Secondary and lesser roads are being improved The principal constraint are the complex, costly regulations governing the creation and operation of transportation enterprises Another serious constraint felt is that Niger's geography poses an added transportation cost which tends to make Nigerien goods less competitive for certain markets, e g , Cote d'Ivoire ii trucks

availability of refrigerated trucks for hire is minimal

iii rail

lack of rail connections to markets

iv maritime

Niger, being landlocked, depends on foreign ports for the entry of imports The use of foreign ports, Lome and Cotonou, plus the 1000 kilometer plus trip to Niamey adds significant per ton costs to merchandise delivered to Niamey

v air

air freight is expensive and space is often unavailable

This cost factor was borne out by the 1993 market survey made by CNCE and private sector operators in Central Africa for onions and garlic While the product characteristics were favorable, the transportation costs made them non-competitive

As in other Sahelian countries there are no cold storage nor agricultural packing/conditioning facilities at Niamey's airport

c Utilities

i electricity reliable, but high in cost

ii telecommunications good internationally and adequate internally The radio infrastructure, per se, is good in Niger as is indicated by the fact that daily market prices are available on the air from Kano, and by the nine applications recently made to open radio stations

d Information

As is true in other West African countries, there is a distinct lack of a general, reliable business and trade information system, which would permit the private sector operators to know such basic regional market information as product prices, quantities available, demand for products, potential clients and their addresses/telephone numbers, and transportation availability and costs While there are "networks" of traders and transporters, some businessmen feel that the networks are not organized and thus cannot furnish useful information Others, however, say that accurate information flows rapidly from/to friends ("networks") and contacts Both groups agree that there is a lack of longer term, or historical, information which would help "smooth peaks and valleys" re supply and demand and prices

4 Private Sector Coping Mechanisms

The formal private sector feels that a privatized Chamber of Commerce for which the legislation was prepared two years ago, will be helpful in surmounting the obstacles confronting it and could become a strong voice for the private sector While criticized for being weak, the Chamber of Commerce and its arm, the National Center for Foreign Trade (CNCE), is repeatedly cited as a source of business information, as the operator of a national commission on the impact of devaluation on the country and the private sector, and as an organization which should be strengthened, especially if privatized The private sector also feels that privatization of the Chamber of Commerce will permit the CNCE to become a more useful asset for the business community, especially for export promotion and trade information - two areas in which it is presently active

The consensus of the formal private sector centers on self-organization and therefrom on developing the "clout" to exert pressure on the government to motivate it to create the environment conducive for business success There is, however, some recognition that relations between the state and the private sector are getting better A privatized Chamber of Commerce is viewed as an effective vehicle both to create positive pressure and to promote better relations between the two parties Businessmen also recognize that access to reliable business/trade information will be key to successful regional trade

The onion producers organization is informal, but the best organized of the trade associations Members discuss prices on a daily basis, and want prices to be market determined

5 Private Sector Organizations and Involvement in the Policy Process

Private sector support organizations participate very little in the policy-making process As is true in many other francophone countries, the consensus is that there is little true government-private sector collaboration at the moment Present involvement is in the nature of "fire-fighting," i e , addressing immediate problems resulting from poorly conceived and/or applied government policies and regulations The private sector support organizations do recognize the necessity to maintain constant contact with the government so they can at least put out the fires that occur One very cogent comment concerned that fact that as an organization dealing with the government, one works with the person, not with a system or even with a position or office - and this is most troublesome because of the lack of continuity and consistency inherent in such an "arrangement "

While Niger's Enterprise Network was created only very recently (March 7, 1994), it has developed a preliminary action plan which addresses this issue As part of both a public relations effort and the institution of policy dialogue with the government, it plans to establish permanent contacts/"alliances" with key governmental players and organize regular conferences (debate format) with those governmental agencies involved with private sector matters and issues

The Conseil des Jeunes Entrepreneurs du Niger (CJEN) meets regularly with the Ministers of Commerce, Finance and Plan This organization states that so far results are not always conclusive and that better collaboration is needed if there is to be true involvement in the policy making process

SPEIN, the Syndicat Patronal des Entreprises et Industrielles du Niger, has five "commissions" charged with gathering and analyzing information which allows them to take positions on government policies The problem is that 'dialogue" occurs <u>after</u> the decision has been made by the government

6 Regional/local Institutional Support to the Private Sector

SPEIN, the patronat, is linked to a regional transportation association which includes Niger, Burkina Faso, Togo, Cote d'Ivoire and Benin Rules have been established, but the association is awaiting the agreement of private sector operators before proceeding

The Enterprise Network, while new and getting up to speed, is part of the regional network which is offering increasing support to its members and thus directly to the private sector The CJEN maintains relationships with other national and regional organizations via the Chamber of Commerce, in part because their members are interested in developing joint ventures in the region

Other than donors, only CILSS was cited as a regional organization which might have a role in organizing regional trade

The CNCE has a project with ITC (Geneva) for the diversification of import/export information sources The second phase of this project has been signed and once operational, should provide an information service available to all

7 Requirements to Increase Private Sector Capacity to Intervene in the Policy Process

a Institutional Development

The following recommendations were made by various private sector operators with respect to strengthening the private sector support organizations

- Modernize and strengthen the Chamber of Commerce
- Open SPEIN to other trade associations and other business organizations so as to have sufficient weight to pressure the government
- The provision of computer equipment, software, and training in business/economic data analysis and use
- Training for private sector support organizations (PSSOs) in those areas where they are weak

- Link up with the Ministry of Commerce's (Direction du Commerce Exterieur) information system which will be installed in June 1994

- Make the informal sector aware of market, product and legal considerations, such as supply and demand and the price system, availability/quantity of products, product quality, the other product requirements dictated by the market, and observance of contractual obligations

- Capitalize on the trade fairs and expositions which are held, get more product information from operators

- Do more of the training that CNCE sponsored - funded by USAID - a series of four seminars on cowpeas, livestock/meat, onions and hides and skins, which dealt with the production and market considerations This series of seminars was well received, and more importantly, out of these seminars came action plans - which to date have not been implemented

Solid institutional development will depend in part on the creation of conditions whereunder independent local institutions, e g , the Enterprise Network, the Syndicat National et Regional des Commerçants du Niger (SNRCN), the Chamber of Commerce/CNCE, SPEIN and other business associations can work together effectively and fairly, recognizing that individual organization's objectives are sometimes going to be different and that the differences, at times, will have to be subordinated to the effectiveness of the private sector as a whole in dealing with the government

b Information Systems

Information systems should be created at the level of the principal private sector support organizations, since what information is available currently, is very scattered According to private sector operators, such a system should include and be organized as follows

- prices, supply, demand, market characteristics, industry and production data in the subregion company information, information on fairs, expositions and other promotional vehicles

- information which is of the "quality" whereby the entrepreneur will be able to take advantage of it in a timely, effective fashion

- information of the SIM (FEWS) type, the system situated at a data center which is autonomous and sufficiently independent of the government The Chamber of Commerce should follow and disseminate this information regularly

- both the EN and the Chamber of Commerce are repeatedly cited as the organization (s) to establish and run the information system

- CRUAO should collect analyze and disseminate historical information (statistics) Information should be updated annually

- well organized trade associations will lead to better information availability

- the organization of the information system and that of its users, and where it is housed,' appears to be important to the Nigerien operators - just as important as it was to the Senegalese, i e , in private hands or at least in a privatized Chamber of Commerce

c Training

If an information system were cited at the Chamber of Commerce/CNCE, training in its use - from data collection to monitoring/evaluation of the information's usefulness would be necessary for regional trade, business in general, and for private sector participation in the policy making process

Training to make the private sector an effective advocate for itself and able to lobby the government will be a catalytic factor in organizing the private sector, in obtaining agreement on issues and in establishing an effective strategy and long-term plan providing for well-timed, appropriate interventions vis-a-vis the government Training should also include a component for the appropriate government agencies, e g , Ministry of Commerce's Direction du Commerce Exterieur, and the Ministry of Agriculture

Training for the Direction du Commerce Exterieur is important in light of the fact that in June 1994, with USAID provided commodities (computer, software and printer), it will have the beginnings of an information system

d Networking

Presently, there is the formal structure of the Chamber of Commerce through which the Nigerien private sector can operate - after a fashion Once privatized, the Chamber presumably would become more effective both locally and on the regional level An effective network on both local and regional levels would require further development and linking of the Enterprise Networks and the development and linking of business associations with common interests (e g, traders and transporters) in and between countries Provision for periodic collaboration between the private sector and the Direction du Commerce Exterieur, for example, would be useful for the exchange of information and experiences/lessons learned

An organization called Forum Francophone des Affaires (FFA), reportedly financed by Canada and France, exchanges information on business organizations, projects, joint venture possibilities, as well as on other business/investment opportunities Started in 1992, FFA is an assembly of francophone economic operators in 23 countries, which meets every two years It is reported to have 250 members There could be the possibility, as was suggested by one Nigerien businessman, to link SIM information with that provided by FFA, to have a viable, 'total" network-information system

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ANNEX 6

COUNTRY PROFILE - NIGERIA

After the oil boom in Nigeria in the 1970s, a precipitous decline in the terms of trade set in Driven in large part by the decrease in the price of oil, the decline began in 1981 and continued through 1986, setting the stage for the implementation of a major structural adjustment program in Nigeria This program put into place under General Babangida beginning in 1986, was a bold mixture of trade liberalization measures, exchange rate reform, banking sector deregulation and elimination of monopolistic agricultural commodity boards These reforms, although incomplete, produced several positive results particularly during the 1986-1989 period The World Bank reported in <u>Adjustment in Africa Lessons from Country Case Studies</u> that the structural adjustment program reversed the decline in GDP growth from -2% annually during 1980-1986 to more than +5% annually during 1986-1991 During this period, the ratio of investment to GDP also improved, as did growth in nonoil exports and agricultural production
However, beginning in mid-1989, the Babangida government focused more attention on political reforms than on economic matters The oil boom during the Gulf War resulted in an increase in government expenditures and lack of fiscal discipline

By 1992, inflation had escalated to an annual rate of nearly 100%, real GDP growth had slowed to 3 6%, foreign companies were increasingly withdrawing from the country and the budget deficit continued to climb, reaching 10% of GDP in 1992

With the military coup in November 1993, the Nigerian economy has begun an even more serious decline Real interest rates have been forced to negative levels The naira has been pegged at a rate twice that of the black market General Abacha's entourage is attempting to reintroduce a centrally planned economy through a wide variety of executive decrees The budget deficit is now over 15% of GDP and inflation continues at more than 100% per annum Production in every sector has slowed Certain firms have shut down completely, preferring to take a "wait and see" attitude in the current uncertain environment Industrial capacity utilization, already at only an average 38% in 1990, has declined further The few formally traded exports in the subregion have suffered refined petroleum products, cocoa-based products and rubber goods One source estimates that over $2 billion of revenue has been lost from January to April 1994, due to the exchange rate policy, and that more than $750 million is owed by the government to the private sector

In the context of West African trade potential, Nigeria remains the regional powerhouse, based on its population (representing half of the region's population), its installed capacity and its basic infrastructure and natural resources

However, with the artificial appreciation of the naira, Nigeria is isolating itself The consensus of the economic operators consulted in the eastern corridor is that if regional trade is to become a reality, Nigeria must be a primary player and must open itself to the West This will be a challenge, in light of the regional fear of domination by Nigeria, the country's reputation for corrupt and rent-seeking behavior (known in Nigeria as the "Nigerian factor"), the well-established circuits of informal trade with Benin and Niger, reexport circuits which extend all the way to Senegal for re-exports from Nigeria of cheap Asian consumer goods, and the nonconvertibility of the naira None of these obstacles is insurmountable, provided the political will exists to re-introduce policy reform (removal of import bans and arbitrary non-tariff barriers to trade) and to facilitate financial transfers between private operators

The regional trade survey conducted in Nigeria resulted in the following general observations concerning trade potential, obstacles to trade, private sector involvement in trade policy and recommendations for increasing regional exchanges

1 Extent of Formal Regional Trade

There are few reliable statistics available on the volume and value of formal private sector trade between Nigeria and the other countries of the region Statistics on informal private sector trade in the region simply do not exist, although the volume and value of this informal trade is substantial There are, however, anecdotal data on specific products which are exported and imported by Nigeria's private sector

Nigeria's trade with the region involves primarily Niger, Benin in West Africa and Cameroon and Chad in Central Africa Official intra-regional trade is fairly limited, comprised almost totally of fuel exports Existing non-tariff barriers and export controls force most trade into illegal channels Informal exports include fuel, consumer goods, vehicle spare parts, fertilizer and textiles Informal imports include cereals from Cameroon, livestock and fish from Chad, livestock and cowpeas from Niger, and rice and wheat from Benin, the latter imports most often driven by import restrictions imposed by the government of Nigeria

Examples of specific products traded are

EXPORTS

Product	**Country**	**Volume**	**Comment**
Fuel	Benin Niger	considerably diminished after subsidy removal and CFA devaluation	informal
Spare parts	Benin Niger	Large	informal
Re-exported consumer goods	Benin Niger and rest of region	Large	informal
Refined	Benin	Large	formal and

petroleum products (Total)	Togo Cote d'Ivoire		informal
Cocoa-based products (Cadbury)	Benin Togo Liberia	Small	formal and informal
Soap	Benin Niger and rest of region	Large	informal
Textiles	Benin Niger Cote d'Ivoire	Large until fixed exchange rate for naira	formal and informal
Plastic and Aluminum goods	Benin Niger Togo	Large	informal
Paints and pharmaceuticals	Benin Togo Ghana	Small	formal and informal

<u>IMPORTS</u>

Product	**Country**	**Volume**	**Comment**
Rice, Wheat	Benin	Large	contraband Sugar in response to ban
Livestock	Niger	Large	informal
Cotton	Benin	Small	formal and informal
Salt	Ghana	Large	informal
Cowpeas	Niger	Large	formal and informal

According to anecdotal information from Nigerian businesspeople, the following products and services have trade potential

Product/service	X	M	Country	Volume	Comment
Fish (frozen/dried)		#	Senegal Mauritania	large	transport
Fruits/vegetables		#	Ghana Cote d'Ivoire Niger Benin	large	transport
Chicken		#	Ghana	large	transport
Cassava, beans		#	Cameroon	large	borders/NTBs, FX
Toiletries Cosmetics	#		Entire subregion	large	borders/NTBs, FX
Packaging, boxes, cartons	#		Entire subregion	large	borders/NTBs/FX quality
Aluminum (for smelting)	#		Ghana	large	NTBs/FX
Aluminum products (roofing sheets, windows and doors, partitions, boats)	#		Entire subregion	large	NTBs/FX

2 Existing Regulatory, Administrative and Legal Constraints

Following are specific constraints which many businesspeople voiced

- Nigerian exchange controls discourage exports of any kind
- import restrictions or outright bans in Nigeria fuel informal trade, especially in cereals, sugar, textiles
- already signed trade accords, primarily ECOWAS, are not applied

- arbitrary non-tariff barriers are in effect at border crossings, and ECOWAS commission visited Nigeria/Benin border and found 12 checkpoints customs immigration police drug control army, etc , each with its own toll

3 Business Infrastructure Constraints

a Finance

i export finance

At present, the export finance infrastructure is minimal, particularly for exports to countries in the region There is no venture capital for export start-ups A consensus exists on the need for a second window to handle export operations at a true "market rate" for the naira

ii monetary and fiscal policy

The lack of a regional harmonization of monetary and fiscal policy was expressed as a medium term concern, particularly in the current climate where the naira is obviously overvalued and the CFA still considered to be overvalued The fear is that without an effort at harmonization, the region will be faced with successive devaluations as the individual countries adjust to the ensuing terms of trade and competition for European markets

iii inter-country transfer of funds

There are serious delays in the transfer of funds between Nigeria and the other countries in the region Certain transfers can take months to accomplish The primary mode of payment in the region remains cash and carry, with numerous inherent risks and delays

The West African Clearing House (WACH) has not played the facilitating role in financial transfers for which it was created In Nigeria, exporters have limited interest in working with the WACH since transfers must transit through the Central Bank of Nigeria which applies the official exchange rate (less than half that of the black market, i e 22 naira vs 49 naira) More importers use WACH since it allows them to pay import costs in naira The WACH is slated to become the West African Monetary Agency (WAMA) next year However, the private sector has not been consulted on its design or operational procedures

b Transportation

i roads access to neighboring countries is relatively good although the existing road infrastructure is deteriorating ii trucks while Nigeria's truck fleet is adequate there are few refrigerated trucks for hire

iii spare parts spare parts are found easily, both imported and locally fashioned

iv maritime port management and security are poor Sea transportation involves serious delays because of the small volume of goods moving to/from Africa as well as within the sub-region Lack of volume results in irregular service There are few refrigerated/freezer boats available

v air air freight is expensive and space is often unavailable In Nigeria, there are three independent, private companies now running air charters, with service primarily from Lagos to Monrovia and Freetown

c Utilities

i electricity the electric power is relatively reliable

ii telecommunications there has been some improvement, but Nigerians consider the CFA zone countries far ahead of themselves in the quality of communications Many business persons felt the industry should be deregulated

d Information

There is a distinct lack of business information and timely data on regional markets such as product prices, quantities available, demand for products, potential clients and their addresses/telephone numbers, and transportation availability and costs

4 Private Sector Coping Mechanisms

Informal regional trade is thriving along the Nigerian border with Niger and Benin Informal traders have developed ingenious parallel systems to facilitate trade, many of which have been documented by John Igue in his book <u>Benin Etat Entrepot</u> Money changers line the transportation axes from Benin into Nigeria The inconvertibility of the naira poses no problem for their transactions Headloads of goods of all types are carried across the border, many of them offloaded from large trailer trucks parked along the road Cadbury affirms that although it has no formal export operations to the francophone countries in the region, despite efforts to develop such trade, its products are found in Senegal, Cote d'Ivoire and Mali, sold at prices which are almost the same as the ex-factory Cadbury price The same phenomenon was noted by the John Holt Company, which produces aluminum marine boats, boxes and packaging materials and cosmetics With no organized export operation, Holt products are found throughout the Eastern corridor

Elaborate barter systems have been established within networks of informal traders in the region before the devaluation, plastics from Nigeria were bartered for Dutch wax (print cloth) in the Gambia which was bartered for luxury goods from France available in Cote d'Ivoire and sold on the Lagos market This type of exchange, based on trust and solidarity is lacking among formal traders The hope was voiced that as personal business contacts are built among members of the Enterprise Network these individuals may begin to develop formal channels of trade

There was strong consensus among formal private sector operators that political will is the key to restraining smuggling and promoting increased formal regional trade

5 Private Sector Organizations and Involvement in the Policy Process

The consensus of the formal private sector operators is that currently private sector support organizations participate very little in the policy-making process

A first initiative to take a pro-active role in the policy process was the First Nigerian Economic Summit It was organized in less than a month by the Harvard Business School Alumni Association and the Enabling Environment Forum, at the request of Chief Shonekan who was named head of the transition government under General Babangida The Economic Summit included twelve public/private sector commissions, organized by subsectors, which debated needed reforms to ensure economic growth These recommendations were then regrouped into a detailed Economic Action Plan, submitted to the transition government, and laid out, in order of priority and ease of implementation, the various reforms which were required The private sector has been vocal in urging the Abacha government, and particularly the pro-business Minister of Finance Kalu-Kalu, to adopt this plan as the basis for public/private dialogue

While the Enterprise Networks' creation was very recent, the Nigerian business persons consulted agreed that the ENs, as a group, can develop and put into place an action plan to promote regional trade

6 Regional/local Institutional Support to the Private Sector

Locally, the two private sector support organizations which currently offer support to the private sector are the Manufacturers Association of Nigeria (MAN) and the National Association of Chambers of Commerce (NACIMA) and the Lagos Chamber of Commerce However, MAN primarily represents local import-substitution manufacturing interests, many of whom seek protection for their industries In fact, it is reported that the current fixed exchange rate of 22 naira to the dollar was set by the Abacha government in response to a specific request from MAN to the government to halt the depreciation of the naira Faced with the ensuing shortage of foreign exchange, MAN has since reversed its position and is seeking a market driven exchange rate

The Lagos Chamber of Commerce includes over 70,000 voluntary corporate members However, the focus of the Chamber has been on international trade, rather than trade in the region The Chamber is becoming more aggressive in its advocacy initiatives and is pressing for permanent representation on government legislative committees While there is some coordination among the organized private sector (the National Chamber of Commerce NACIMA, the National Employers Consultative Association (NECA), MAN and the National Association of Small Scale Industries), particularly as concerns response to the government's annual budget proposal, an effective coordination has been handicapped by jockeying for leadership among the various associations

The Enterprise Network in Nigeria has been slow to consolidate its core group, due primarily to the upheavals resulting from the annulment of the elections and the military coup in November 1993

On the regional level, ECOWAS is generally recognized as a powerless institution which, nevertheless, has the only real potential to promote regional trade negotiations and agreements Nigerians recognize the benefits derived through certain ECOWAS initiatives, such as the automobile brown card insurance scheme, the waiver of visas for business travel, and the regional highway project

There is a strong, negative reaction in Nigeria to the UEMOA initiative of the CFA zone countries UEMOA is perceived as an anti-anglophone initiative, driven by the French, to create a Fortress CFA Zone Nigerian manufacturers complain bitterly of the "French Connection" which in their opinion precludes their trading with the CFA Zone countries Tariff regimes in those countries are viewed as blocking exports of many Nigerian products, including alcohol, cosmetics, soap and detergents, textiles and hair tresses, although there is a lively informal trade in those goods

7 Requirements to Increase Private Sector Capacity to Intervene in the Policy Process

a Democratic Institutions and Good Governance

In Nigeria, as in no other country in the region where this survey was conducted, business persons emphasized the need to open up the government decisionmaking process through democratic institutions, to allow private sector input into policy formulation such as monetary and fiscal issues

Business persons are still seething at the hypocrisy of the military in annulling the results of the June 1993 elections and in reversing the economic liberalization measures which had been instituted in the late 1980s While some Nigerians spoke of the crisis management capability of the Nigerian business sector, many others spoke out for the first time of the need to mobilize widespread popular support for a return to civilian rule

b Institutional Development

Among private business persons, there is a growing consensus that emphasis must be placed on developing a politically active constituency Influential members of the business community are becoming politically engaged, many for the first time Recognizing that certain of the organized private sector groups had not put forth opinions which reflected those of the majority corporations are taking a more active role in those groups

Those firms which stand to benefit from increased regional trade must actively pursue an advocacy program, including Cadbury, Total, Dunlop, UAC and John Holt These firms should work through trade associations and networking with other exporters in the region

Another requirement is the strengthening of linkages with the already existing information infrastructure, e g , the media, the Enterprise Network, the Chamber of Commerce, business associations - so that this infrastructure can disseminate real success stories widely and maintain the momentum of the private sector in the policy decision-making process

c Information Systems

The private sector strongly endorses the need for a regional information system which would provide timely and reliable information on consumer preferences and availability of goods in the various countries of the region Private business operators confirmed that there is little meaningful contact between anglophone and francophone business persons in the region Specifically, information on the following items was identified as potentially useful

- Annual production, export, import, and direction of trade statistics by country

- Market information product prices, availability, demand, quality and quantity required packaging, consumer preferences for principal products exported and imported of the various countries in the sub-region

- Surplus and shortage information for principal consumption goods

Existing information is obtained from personal contacts or through the occasional trade fair Government statistics are unreliable except for Ministry of Trade export statistics

There was a strong consensus that a regional trade information system should be private

d Training

Training would be necessary in the collection and analysis of data, operation of the information system, dissemination of the information, linking of the local system to the regional system, monitoring and evaluation of the usefulness of the information to both the private sector and for intervention in the policy making process

Training would also be necessary in private sector advocacy and lobbying efforts This will be a necessary part of organizing the private sector so as to obtain consensus on issues and establish a common strategy providing for well-coordinated interventions vis-a-vis the government Training should also include a component for the appropriate government agencies, e g , Ministry of Commerce (Division of External Trade), and Ministry of Agriculture

The information system implies the creation of conditions whereunder independent local institutions, e g , the Enterprise Network, can contribute to the system and use the system effectively and fairly

e Networking

An effective network on both local and regional levels would require further development and linking of the Enterprise Networks and the development and linking of business associations with common interests (e g , traders and transporters) between countries

8 Case Study in Regional Trade Initiative

Cadbury Nigeria, the largest Cadbury operation in Africa, produces a variety of food products Based on preliminary market surveys, including evidence of product acceptance in West Africa based on existing sales from informal trade, Cadbury's has determined that at least three of its products have regional export potential These are Bournvita, a malt-based food drink, Pronto, a dry powder cocoa-based drink and Tomopep, a tomato-based sauce Further, Cadbury's is operating at only 47% capacity currently and sees regional exports as an avenue to increase capacity utilization and profits and to earn foreign exchange

Cadbury had begun discussions with Liberia, Sierra Leone and Gambian distributors to explore export markets in those countries However, the recent exchange control of the naira has resulted in a doubling of export prices which has effectively killed all local interest in Cadbury's products Cadbury is actively advocating, through the Chamber of Commerce and MAN, the creation of a second exchange window for exporters

Outside the non-CFA zone countries, Cadbury found it impossible to export, due to tariff and non-tariff barriers and onerous administrative procedures, including controls by NAFDAC, the Nigerian Agency for Food and Drug Control The cost in time and money to overcome these barriers is such that Cadbury cannot compete with the informal traders who are buying Cadbury's own products on the retail market and exporting them to the CFA zone countries Tariffs of 80% were applied in Togo, with 40-60% tariffs common in the other countries

In those countries where Cadbury had begun some exports prior to the exchange controls, it had been forced to repatriate funds from Liberia to Nigeria via Ireland Even this cumbersome mechanism is no longer interesting to Cadbury because repatriation of income through official banking channels requires Cadbury to transit funds through the Central Bank of Nigeria, at an exchange rate of 22 naira versus a black market rate of nearly 50 naira

Communications to Liberia and Sierra Leone are next to impossible Only telex transmissions work with Sierra Leone

Information on market habits and regulatory regimes is scanty Cadbury is willing to pay for good market data To pursue export opportunities once the export window is a reality, Cadbury intends to become a vocal advocate of policy reform to promote regional trade

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ANNEX 7

COUNTRY PROFILE - SENEGAL

Senegal's government is basically insolvent, as President Diouf pointed out in his December 31, 1993 address to the nation He gave four key figures which underlined Senegal's precarious financial position

- 72 5 billion FCFA of unpaid bills (accounts payable) or the equivalent of the government's operating budget, not counting salaries or transfers

- 138 billion FCFA annual wage/salary obligation, the equivalent of 60% of tax receipts

- 116 billion FCFA deficit

- 180 billion FCFA donor-government financed transportation project which is stalled because the government can not mobilize the requisite counterpart funds

As a result of this situation the government, in the second half of 1993, put into place the Emergency Plan (Plan d'Urgence) to restore the government's financial capacity The principal components of the Emergency Plan which directly affect the private sector are the reduction of companies' government-imposed charges, identification of those economic sectors which can help pull the economy out of its doldrums and a serious export promotion effort On January 12, 1994, the CFA franc was devalued 50%

Anecdotal evidence of the results of the January 1994 devaluation of the FCFA received from formal private sector operators indicates that there is a severe lack of confidence in the future Naturally, those who depend on imports, either as final products to be sold or as raw materials and intermediate goods to be processed into final goods, have and are suffering financially While the devaluation has helped those who export, it appears to have focused attention on the entire range of deficiencies in the economic and business structure, not only in Senegal, but in the region The consensus, once again anecdotal, is that there is no regional approach to economic development, largely because the economic environment has been and remains unstable

In 1990, Senegal spearheaded the Cissoko Initiative (resulting from the Conference of Ministers of Agriculture of West Africa) The purpose of the Cissoko Initiative is to promote and coordinate regional integration for trade in agricultural commodities Baba Dioum, head of the initiative, has received a 50 million FFR grant to carry out studies related to mechanisms for achieving greater regional integration in the agricultural commodities market

The World Bank has proposed (February 28, 1994) a long term Economic Recovery Credit of $25 million to the government, based on export promotion, Senegal's only source of long-term growth Regulatory and infrastructural reform is needed to make the economy more responsive to opportunities and to promote competitiveness The short-term objective is to promote structural reforms in the agricultural sector to get an increase in traditional exports and food crops In the medium term the objective is to achieve an increase in non-traditional and high value crops

1 Extent of Formal Regional Trade

Regional markets for Senegal's agricultural and manufactured products are presently small, but could become more important if the various obstacles to development of a well-functioning private sector were overcome, not only in Senegal, but also in the sub-region A concrete example of the potential which exists as well as the kinds of constraints which keep the potential from being realized follows

SEDIMA is a Senegalese agroindustrial firm which raises chickens for both the domestic and export markets and also deals in one day old chicks The firm imports (ed) one day old chicks and corn from Europe, corn from Thailand and Argentina, as well as poultry feed, pre-mixed vitamins, all veterinary products and equipment for raising chickens from a variety of foreign sources Because of the scale of operations and production improvements, chicken is now cheaper in Dakar than beef and mutton SEDIMA exports to Mali, Mauritania and to the Gambia

The devaluation had the following effect on this company it increased its competitiveness in the Gambia as the price of its chickens more than halved there On the other hand, the owner had to scramble to find corn from other than European, Argentine and Thai sources since the price to his firm had doubled In prospecting locally (in the region) he encountered a dearth of information, with the result that he had to return to his now high cost European suppliers As it turned out, there were more than ample supplies of corn available in the southern part of Mali His information problem is symptomatic of the lack of viable business information systems in the region, a topic which is treated in detail in this report

Following is the potential regional trade from just this firm's perspective

- finished chickens prepacked
  other chicken products
  eggs and all egg products for baking

- trade (barter) chickens for cotton, corn and wheat bran from Mali

The firm owns three trucks, one of which is refrigerated, lacking is an industrial slaughterhouse for chickens and chicken products

Examples of specific products traded by Senegal are provided below

EXPORTS

Product	Country	Volume	Comment
Coffee	W Africa	unknown	informal for reexport
Salt	Guinea	moderate	formal and informal
Chickens	Mali Mauritania The Gambia	moderate	formal
Dried fish	Mali	moderate	informal and formal

IMPORTS

Product	Country	Volume	Comment
Livestock	Mali	moderate	formal and informal
Pineapples	Guinea	just starting	formal and informal
Mangoes	Guinea	just starting	formal and informal
Bananas	Guinea	just starting	formal and informal
Onions	Niger	modest	formal and informal?
Coffee	Guinea	unknown	informal for reexport
Millet	Mali	moderate	formal and informal
Sorghum	Mali	moderate	formal and informal

According to anecdotal information from Senegalese businesspeople and the government, the following products and services have trade potential

Product/service	X	M	Country	Volume	Comment
Fish (frozen/dried)	#		Mali	large	transport
Avocados		#	Guinea	moderate	transport

Beef, lamb	#	Mali	large?	function of price
Chicken parts and by-products	#	Sahel	large?	function of price

2 Existing Regulatory, Administrative, and Legal Constraints to Regional Trade

Senegalese businesspeople recognize the improvement in the regulatory, administrative and legal environments which has occurred during the past five-six years For example, they cite the ease of business formation The Guichet Unique works well and with a notary public taking care of all the paperwork it requires one week to set up a business Their complaints tend to bear on matters concerning doing business in the region, including outdated and illogical regulations and the lack of dissemination of information concerning laws and regulations

An integrated economic/trade policy for the sub-region would help decrease the 'fiscal pressure" individual countries face Moreover, there is need to modernize commercial codes of the countries of the region, as well as need to find a mechanism to save companies which have been adversely affected by the devaluation

Following are specific constraints raised

- Trade regulations and agreements do not conform to reality and are not disseminated Moreover, the legal documentation is not always reliable - what one reads at the embassy and what one finds at the borders is not always the same

- Often different trade treaties and accords signed between countries are contradictory Countries have operated politically, rather than in an economic development sense

- Outdated and/or illogical regulations, e g , there is a 15% import duty on corn, but none on rice and wheat

- Non-tariff barriers are still serious The state still considers the businessman a subject and there is still private sector-state "conflict " On a micro" level, customs agents, who tend to be anti-business, pose petty administrative obstacles

- Efficiency of the institutions presupposes a legal framework which works, especially when there are frequent changes in the law Legal information must be more widely disseminated and local practitioners must be current on the laws and regulations

- There are problems of cohesion/consistency in the application of the law

- There is a lack of harmonization of laws across countries Countries' fiscal, trade and agricultural policies also have to be harmonized and they will likely have to give up some sovereignty

- Under ECOWAS, there is no recourse for the economic operator when things go badly. Economic operators look to UEMOA to get rid of the constraints.

- "Weight" of the tax system

- Under the present institutional structure, the informal business sector can not evolve

3 Business Infrastructure Constraints

Transportation is the most important constraint in that it can raise the cost of products enough to make them uncompetitive. Business needs a transport "scheme" that reduces transactions costs.

a Finance

i Export insurance

ASACE (modelled on COFACE) did not work because it was severely undercapitalized (600mn CFA)

ii Credit

High cost of borrowing, presently averaging 22%/year; difficult to get export credit and no export pre-financing available

iii Other

No bank which specializes in trade

Delays in transfer of funds between countries

b Transportation

i Roads

Roads to and in certain neighboring countries (Guinea, Guinea-Bissau, Mali) are in poor condition. High road transportation costs

ii Rail

Dakar-Niger Railroad (which in reality links Senegal and Mali) suffers from car allocation problems between Dakar and Bamako during busy periods when food aid and fertilizer (to Mali), and cotton (from Mali) receive priority over other goods. Poor management of the railroad is another negative factor iii Air

High cost of air freight and frequent lack of availability of cargo space

iv Maritime

High cost of shipping "it is cheaper to get rice from Argentina than from Cote d'Ivoire

c Utilities

i Electricity reliable, but expensive

ii Telecommunications reliable, but inter-country communications within the region needs strengthening

d Information

i Lack of access to timely business/trade/investment opportunity information is the most serious information constraint

For example, the following is the access to business information which the firm, SEDIMA, has

<u>Access to Business Information</u>

type	source	reliability	cost
prices, technical, foreign exchange	magazines trade journals "Agroalimentaire"	fair	50,000 cfa/yr
	USDA-Process of Transformation"		0?
prices,FX-Europe	FM radio	good	0
availability of corn	personal network 2 importers of corn, broker in Geneva	good	0

Yet, SEDIMA has no viable, timely source of information regarding supplies of basic agricultural commodities in Mali

ii The full range of timely market information is needed, including prices and product availabilities on a weekly basis iii Lack of a computerized information system This situation may be changed by the following

- ITC/UNCTAD has instituted an information system called the Trade Point Programme to which a number of countries belong In Africa, it has been operational in Tunisia for less than one year Senegal will be the pilot country for West Africa, and according to the Chamber of Commerce, the system will start operating in June 1994

  The purpose of a Trade Point is to facilitate foreign trade transactions for all participants in foreign trade, providing a source of data for business/market opportunities, clients and suppliers, country trade legislation, regulations and requirements, as well as cross-country information regarding tariffs and non-tariff measures It also provides electronic access to all other Trade Points as well as to other global information networks It also is an information "one-stop shop," in the sense that business/market opportunities can be targeted, government formalities may be cleared, and transactions carried out It thus reduces the costs of importing and exporting as well as the procedural obstacles to trade

  Reportedly, the Chamber of Commerce's computer has been converted to be able to employ Trade Point

- A second information system, RECIT-SITTDEC, reportedly is operative The system was begun by the countries of the Group G15, based in Kuala Lumpur, Malaysia, and operated with the objective of promoting investments, trade and technology exchange among developing countries In Dakar, the system is based at SONEPI and will provide the following database of Senegalese information

  - Investment incentives and requirements for Senegal

  - Legislative and regulatory documentation

  - Tariff and customs information

  - Export and import statistics

- By September 1994, the Centre Africain de Documentation et Information pour les Entreprises (CADIE) - a private operation for foreign investors will be established This company, will have links with international sources of information, including market studies CADIE plans to do systematic information collection, storage, analysis and dissemination The firm was set up by 10 "cadres Senegalais," the majority of whom are from the private sector The president an information specialist, is based in Rotterdam CADIE has proposed to work with the Enterprise Network to set up a computer data base for business and trade opportunities

- Firms/individuals are considering setting up databanks which can be accessed by telephone

e Industrial Infrastructure

i Lack of sufficient industrial infrastructure to be a major player in regional trade, e g , need an industrial slaughterhouse for chickens and chicken products

ii Lack of international storage and conditioning facilities

iii The country's industrial infrastructure, especially utilities, was not built with the private sector in mind In Europe, the reverse was true

iv Utilities make no capital investment to modernize equipment and thus decrease the price of electricity - everything is spent on operating costs

4 Private Sector Coping Mechanisms

As is true in the other countries of the region, Senegal's formal private sector is organizing itself to be able to take part in the policy making process, and is extremely aware of the need for reliable business information It has seen the informal sector businesses organize themselves into extremely effective associations to defend their own interests

5 Private Sector Organizations and Involvement in the Policy Process

In general, private sector operators feel that the government wants to make unilateral decisions which affect the private sector, but does not bring economic operators into the decision-making process nor give them time to have an input There have been discussions, however, between the Conseil National des Entreprises Senegalaises (CNES) and the Ministry of Integration, and they are beginning to come together on matters of mutual concern

With respect to involvement in the policy process, Senegalese businesspeople see the following potential constraints

- There will be difficulty in lobbying fairly, because some groups of businessmen and some industries are stronger than others and have certain privileges

- The narrow choice of which organization will truly represent the private sector vis-a-vis government, since a widespread problem in francophone countries is State control of chambers of commerce and the non-representative makeup of employers' federations

6 Regional/local Institutional Support to the Private Sector

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Private sector operators stress that with respect to regional trade, CEAO was of little use, that ECOWAS has no legal instruments nor framework within which trade can develop and that Commissions Mixtes (multi-country commissions) are important for the discussion of treaties, but they don't deal with the obstacles and other matters which concern the private sector

Operators feel that CICES, Senegal's export promotion agency, is a weak organization and not of great help to the Senegalese exporter CICES has a fair every two years, but these fairs are felt to lack a certain "professionalism" in the sense that the Senegalese exporter can not develop contacts

CNES is known to be more independent of the government than are the other organizations, carries on a dialogue with the GOS and is beginning to get results in terms of influencing government decisions The consensus is that it should expand its relationship with the Ministry of Integration

In its 1994 Action Plan, the Enterprise Network set the following strategic objectives, all of which have relevance to increased regional trade

- Create an Investment Club (potential precursor of a venture capital fund) to help create new firms and strengthen existing ones

- In order to improve the competitiveness of Senegalese products on local, regional and world markets, establish a databank of local and regional business/investment opportunities as well as of successful new business ventures

- Explore the desirability and feasibility of setting up a mutual guarantee fund to help firms with financial restructuring

- In order to play a strong role in policy decision making as it affects the private sector, develop improved lobbying skills via member training and establish effective working relationships with key legislators and donor agencies

7 Requirements to Increase Private Sector Capacity to Intervene in the Policy Process

a Institutional Development

The Enterprise Network (EN) should have the responsibility of launching an effective private sector lobby, especially since many members of CNES are members of the EN The combination of the EN and CNES could produce a sufficiently strong structure to prove to the state that the private sector has the capability and clout to have an effect on policy-making In this connection, and as part of conditionality of foreign assistance, the government must bring the private sector into the debate and the setting of policy The private sector should systematically "impose" on the state and on the donors that this be done

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- A lobby, to be effective, must have objective, accurate information as a base There MUST be an independent, private business/economic/financial information structure which the donors should help launch

With respect to regional integration and trade, the private sector should engage in regional lobbying and propose the policies, i e , be pro-active rather than reactive, in order to have an impact on ECOWAS or its successor and on UEMOA Toward this end, the private sector should develop a regional business organization infrastructure The Regional Enterprise Network is a key candidate for filling this role

b Information Systems

- Establish computerized data banks, providing product prices and availabilities on a weekly basis, the EN should set up/run the databank, but it will require an office and staff

- Improve and standardize the access to, timeliness of and technical level of the information between the countries of the region In most countries there is a dearth of knowledge about what the other countries in the region produce and who produces/manufactures

- The EN and CNES should jointly carry out the impact monitoring and evaluation function

b Training

Training is necessary to improve both business and technical skills of private sector operators Training is particularly needed in all of the marketing tools and skills necessary to be a serious player in export markets It will also be a key element in developing strong private sector advocacy skills and therefrom appropriate intervention strategies when dealing with the government

c Networking

Networking is starting to become possible via the linking of the Enterprise Networks, as well as via the development of similar business associations in the different countries of the region To help strengthen this networking activity, it would be both useful and important for AID to get involved with the business associations (syndicats professionels)

Statement	Indicator	Source	Responsibility	USAID Data Collection/ Analysis Method
Goal				
Achieve broad based sustainable economic growth	A Real Per Capita GDP	GOL/IMF data	PRM/ECON	CBL Annual report/IMF Status report on ESAF
	B Real Per Capita GNP	GOL/IMF data	PRM/ECON	Status Report on ESAF
	C UNDP Human Development Index	UNDP HDI report	PRM/ECON	UNDP Annual Human Development Report
Sub-Goals				
Improve human resource base	A % of population, by gender, over age 10 or 12 (depending on data availability) who have Completed primary school Completed secondary school Completed university	GOL Bureau of Statistics, MOE EMIS	GDO/ECON OR TBD	Derived from population projections (based on 1986 census) and MOE data on school completers
Sustain or improve income	A Increase in income differential between RMA and national average* B Increase in income from agro-enterprises	Inferred from agricultural enterprise surveys and other sources	ADO/ECON	Comparative income analysis of RMA and national average data Aggregate income obtained from functional relationship with enterprise output and productivity variables

* Feasibility to be determined