African Growth and Opportunity Act Competitiveness Report

Prepared by the Office of the United States Trade Representative

July 2005

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Annexes

List of Frequently Used Acronyms

AGOA	African Growth and Opportunity Act
APHIS	U.S. Animal and Plant Health Inspection Service
BPO	Business Process Outsourcing
CFA	Communauté Financière Africaine
COMESA	Common Market for Eastern and Southern Africa
DOT	U.S. Department of Transportation
DROC	Democratic Republic of the Congo
ECOWAS	Economic Community of West African States
EPZ	Export Processing Zone
EU	European Union
FAS	Foreign Agricultural Service, U.S. Department of Agriculture
FDI	Foreign Direct Investment
FTZ	Free Trade Zone
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
ICT	Information and Communication Technologies
IMF	International Monetary Fund
IP	Intellectual Property
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
NEPAD	New Partnership for Africa's Development
NGO	Nongovernmental Organization
OECD	Organization for Economic Cooperation and Development
OPIC	Overseas Private Investment Corporation (United States)
SACU	Southern Africa Customs Union
SADC	Southern Africa Development Community
SME	Small and Medium-Sized Enterprises
SPS	Sanitary and Phytosanitary Measures
SSA	Sub-Saharan Africa
TA	Technical Assistance
TBT	Technical Barriers to Trade
TCB	Trade Capacity Building
TPSC	Trade Policy Staff Committee
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TRQ	Tariff Rate Quota
UEMOA	West African Economic and Monetary Union
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USITC	United States International Trade Commission
USTDA	U.S. Trade and Development Agency
USTR	Office of the United States Trade Representative
WTO	World Trade Organization

"Economic development is not something we do for countries;
it is something they achieve *with* us."

-- President George W. Bush, June 30, 2005, Freer Gallery, Washington, DC

Chapter I. INTRODUCTION AND EXECUTIVE SUMMARY

In 2005, 37 sub-Saharan African countries are eligible for benefits under the African Growth and Opportunity Act (AGOA).[1] Section 9 of the AGOA Acceleration Act of 2004 states that the Administration shall conduct a study on each AGOA-eligible country that: (1) identifies sectors with the greatest potential for export growth; (2) identifies barriers, both domestically and internationally, that are impeding growth in these sectors; and (3) makes recommendations on how the U.S. government and the private sector can provide technical assistance to assist in dismantling such barriers and promoting investment in such sectors. This information will help African countries in developing and expanding their trade relationships with each other, the United States, and other important markets.

This report incorporates studies of each AGOA-eligible country. It was prepared by the Office of the United States Trade Representative in collaboration with several other federal agencies and offices. In particular, the U.S. International Trade Commission (USITC) contributed substantially to the information on economic sectors and barriers provided in this report.

Potential Export Growth Sectors

The report identifies the following sectors as having the greatest potential for production and export expansion in AGOA-eligible countries:

- high value-added horticulture;
- floriculture;
- services (including tourism and transportation);
- agro-processing (for cocoa, coffee, seafood, lumber, fruits, and vegetables);
- minerals and metals;
- energy-related products;
- forestry;
- fisheries; and
- light manufacturing.

[1] The 37 AGOA eligible countries are: Angola, Benin, Botswana, Burkina Faso, Cameroon, Cape Verde, Chad, Republic of Congo, Democratic Republic of Congo, Djibouti, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, and Zambia.

The identification of these sectors was based on analysis of export data, information obtained from fieldwork in selected AGOA-eligible countries,[2] and public sources. The criteria included a review of: (1) existing exports that a country could increase through improved productivity or quality; (2) products that reflect a country's natural endowments, but have not been exported in significant quantities; and (3) products that result from downstream processing of existing export products.

AGOA provides duty-free preferential access for almost all products exported by AGOA-eligible countries – including those sectors listed above with highest export growth potential. However, the study finds that in order to fully utilize AGOA, sub-Saharan African countries will need to reduce relatively high production costs, especially in areas such as electricity, telecommunications, and transport. They will also need to diversify their product mix away from commodities into processed and more value-added products, use better market information to identify niches and increase market penetration in the United States and other markets, and increase their competitiveness by accelerating vertical integration.

Major Challenges to Export Growth

The report identifies the following specific domestic and international barriers that limit export growth in AGOA-eligible countries:

Domestic Barriers

- Shortcomings in the rule of law, contract enforcement, and property rights, as well as lack of government transparency in the administration of trade and economic policy;
- Counterproductive land tenure practices that prevent farmers from obtaining full, marketable title to land, constraining investment in both human and physical capital in agricultural export crops;
- Government policies that artificially raise the cost of capital;
- Domestic price regulation;
- Burdensome business regulations;
- High and uneven import tariffs and import bans;
- Labor market inflexibilities;
- Lack of technical capacity to meet international product requirements such as sanitary and phytosanitary standards and technical regulations;
- Inadequate transportation infrastructure, such as a lack of good road and railway networks, or seaport and airport services;
- High transport costs, particularly for land-locked countries; and
- Inadequate telecommunications and expensive and/or unreliable utilities such as water and electricity, which increase the costs and risks of doing business.

[2] The USITC conducted fieldwork to obtain information from businesses, private-sector associations, and multinational companies regarding potential export sectors and products, as well as barriers and impediments they have encountered in exporting from sub-Saharan Africa. Commission staff also interviewed African government officials regarding these issues and efforts that governments have made to support and expand exports in these sectors. Fieldwork was conducted in 11 countries: Botswana, Cameroon, Malawi, Mali, Mauritius, Mozambique, Senegal, South Africa, Tanzania, Uganda, and Zambia.

International Barriers[3]

- Barriers to greater intra-regional trade;
- High tariffs and other trade-distorting measures; and
- Non-tariff barriers such as complex rules of origin.

The domestic and international barriers identified in this report, which are not exhaustive, are based on fieldwork, research, and an analysis of business environment and economic freedom indicators, as well as labor market constraints. Business environment indicators assess the difficulties of establishing and conducting business in a country. Economic freedom indicators include: (1) a trade policy score, which measures the extent to which a country's trade policy inhibits export growth; (2) banking and finance scores, which measure the openness of a country's banking and financial system; and (3) an informal market activity score, which measures the degree of government transparency. Labor market constraints include government, private sector and organized labor policies or practices that impede the market-determined functioning of the labor market in potential export growth sectors, therefore limiting appropriate responses to supply, demand, and wage factors.

Domestic barriers (i.e., those found within AGOA-eligible country borders) affect their export capabilities by reducing efficient utilization of the factors of production (e.g., natural resources, land, labor, and capital) or by increasing production costs for businesses and investors.

International barriers (i.e., those imposed by regional and other trading partners) affect the level of trade and the types of products traded. The most effective way to address many of these international barriers is through successful completion of the World Trade Organization (WTO) Doha Development Agenda (DDA) negotiations. For industrial goods, the United States is seeking an ambitious outcome that will create new market access opportunities through the reduction or elimination of tariffs and non-tariff barriers. In the DDA negotiations on agriculture, our goals include the elimination of export subsidies, substantial reduction of trade-distorting domestic support, and substantial improvement in market access. If achieved, these reforms will help to improve prospects for African and American exports alike.

Since most African countries already have broad duty-free access to the United States and other developed country markets, through AGOA and other preference programs, the most significant prospective market access gains for African exports under the DDA are in *other* developing countries, such as India and Thailand. According to the World Bank, almost two-thirds of the global annual income gain from worldwide elimination of barriers to goods trade goes to developing countries, and three-quarters of these gains (amounting to $404 billion) result from increased South-South trade. Moreover, African countries need to do more to break down barriers to African regional trade. Compared to other regions of the world, sub-Saharan Africa has the lowest level of intra-regional trade. Expanded trade among sub-Saharan African countries could also enhance the quality and competitiveness of their products in the global market.

Beyond these trade-related constraints, AGOA-eligible countries face other challenges that affect

[3] For the most part, these international impediments apply generally to sub-Saharan African exports and, therefore, are not discussed in detail in the country summaries.

their export potential. These include protracted civil unrest in some countries or regions, high prevalence of HIV/AIDs and other pandemic diseases, and insufficient resources for education and workforce training. These challenges also affect the economic and business environment in AGOA-eligible countries, particularly the ability to attract investment which is essential to grow their exports and develop their economies.

By effectively addressing the major challenges identified in this report, AGOA-eligible countries could enhance their productive capacity and competitiveness in specific growth sectors and diversify their exports.

Recommendations for Technical Assistance

The United States provides assistance in many of the areas of trade-related needs highlighted in this report. In 2004, the United States provided $98 million in bilateral trade capacity building assistance to AGOA-eligible countries. An additional $81.5 million in regional trade capacity building assistance was provided to sub-Saharan Africa, of which AGOA-eligible countries were the main recipients. The United States also contributes to WTO trade-related technical assistance, from which Africa benefits. Donors such as the World Bank, the United Nations Development Program (UNDP), and other bilateral donors also employ trade capacity building programs that complement U.S. programs by addressing issues outside of the U.S. government's key programs.

Drawing on country- and sector-specific information, the report provides key recommendations to U.S. government agencies and private sector organizations to expand current assistance programs and to develop new strategies for technical assistance to maximize AGOA utilization across a broader range of countries and products. Such technical assistance should incorporate lessons learned to date regarding development and aid effectiveness. For example, recent history demonstrates that scarce resources should be focused where there is strong leadership committed to economic and market reforms. Technical assistance should also align with the needs and priorities of recipient governments. Regional assistance should promote regional integration and intra-regional trade, both of which are necessary to enhance Africa's competitiveness and expand its participation in global trade. The recommendations in this report aim to draw attention to obstacles that require more focused attention and to guide continued U.S. efforts in trade capacity building assistance for AGOA-eligible countries.

The report recommendations for technical assistance fall within four broad categories:

I. Policy and Administration:

- Provide tools to develop and implement sound policies
- Improve customs procedures, enforcement, and trade facilitation
- Improve technical regulations and procedures, such as conformity assessment
- Develop capacity to meet sanitary and phytosanitary standards
- Improve commercial law legislation and enforcement

II. Physical Infrastructure:

- Develop and improve transportation infrastructure
- Develop and improve energy and communications infrastructure
- Improve agricultural trade support infrastructure

III. Accessing Markets and Meeting Regulatory Requirements:

- Improve business management skills
- Promote international business linkages
- Collect, analyze, and disseminate market information
- Strengthen scientific capacity to facilitate economic competitiveness in agriculture
- Meet global market standards

IV. Strengthening the Financial Sector:

- Improve access to finance
- Help to mobilize savings

Chapter II. West African Country Reports

BENIN

Export Profile

Raw cotton is Benin's single largest export. Other exports include wood and wood products, oilseed and oleaginous fruits, palm oil, cashew nuts, coffee, cocoa, groundnuts, shea nuts, pineapple, cassava, fish and shrimp. Major export markets include China, India, Thailand, Sri Lanka, Niger, Burkina Faso, and Nigeria.

Benin had $215,000 in exports under AGOA and its GSP provisions in 2004, representing 14 percent of total exports to the Untied States. Benin qualified for AGOA's textile and apparel benefits in January 2004.

Economic Strengths and Potential Growth Sectors

- *Raw and Processed Agricultural Goods*: Benin's comparative advantage lies in the production of raw and processed agricultural goods including certain processed cotton products and woven fabrics. Other potential growth sectors are wood and wood products, edible fruit and nuts, oilseed and oleaginous fruits, palm oil, cashew nuts, coffee, cocoa, groundnuts, shea nuts, pineapple, cassava, goat and kid skin leather, fish and shrimp.

- *Minerals and Petroleum*: Benin possesses unexploited reserves of gold, phosphates, iron ore, marble, clay, and, possibly, petroleum. In 2003, an offshore petroleum discovery was announced, but the level of recoverable reserves has not yet been determined.

Major Challenges to Export Growth

- *Business Environment*: Benin ranks above the regional average in areas such as cost to enforce contracts, number of procedures and time to register a property, and time to start a business. The country lags behind the regional average in cost to create collateral, time required to enforce a contract, and the business closing recovery rate. Although the government encourages foreign investment and maintains an attractive investment code, in practice, capacity limitations make implementation of the code difficult. Benin maintains laws and penalties designed to combat corruption, but enforcement is weak. In addition, the inefficiency of Benin's state bureaucracy is a deterrent to foreign investment. High tariffs and other barriers are impediments to Benin's cotton export sector. For example, the average tariff on foreign thread is 25-30 percent, representing a major disincentive to downstream processing. Mismanagement of the local cotton ginning industry also represents a significant impediment.

- *Physical Infrastructure*: Inadequate physical infrastructure represents an obstacle to foreign direct investment. The agriculture sector, for example, lacks the facilities for Benin to move away from producing primarily raw products to processed products. Benin currently exports almost its entire crop of raw cashews to India for processing.

- *Transportation*: Main highways are generally paved and maintained. Secondary roads, however, are often in poor condition. Benin's deep-water port at Cotonou is among the most efficient ports in West Africa. There are, however, complaints about port security, pilferage, customs delays, and a lack of transparency. In an effort to improve the efficiency of the customs clearing process, the government has initiated a one-stop shop customs service. The government has attempted to decrease corruption and other crimes by computerizing customs procedures, establishing a port police force, and offering customs administration training.

- *Utilities*: Water and electrical services are unreliable. Outside the capital, fixed line telephone service is inadequate. Foreign investment in a wireless network has improved connectivity in rural Benin.

BURKINA FASO

<u>Export Profile</u>

Cotton, mostly unprocessed, is Burkina Faso's major export. Gold is the top mineral export. Groundnuts, shea nuts, and sesame are significant exports. China, Thailand, South America, Europe, Japan, Côte d'Ivoire, Ghana, and Togo are major export markets.

Burkina Faso did not have any AGOA exports in 2004. It became eligible for AGOA on December 10, 2004.

<u>Economic Strengths and Potential Growth Sectors</u>

- Burkina Faso has a comparative advantage in agriculture, light manufactures, handicrafts, tourism, and gold.

- *Agriculture:* Burkina Faso could potentially increase its exports of cotton, oilseeds, shea butter, leguminous vegetables, cane or beet sugar, sheep and goat skin leather. With the largest concentration of shea nut trees in West Africa, the potential for exporting shea butter to markets in Europe and the United States is promising. Europe is the largest market worldwide for shea butter, with France and the Netherlands the largest single-country importers. The United States, which imports much of its shea butter from European re-exporters, is a potential untapped export market. Additionally, international recognition of this product's potential is growing, e.g., the UN Development Fund for Women brokered a deal in 2001 to produce 60 short tons of shea butter, and another 90 short tons for 2002. The deal offered advanced payment for the shea butter orders, thereby securing capital during the production phase, and additionally, provided training in setting quality controls.

- *Light manufactures:* Export-oriented light manufacturing industries primarily consist of cotton ginning, textiles, leather, agrofoods production (e.g., sugar, wheat, and beer), and tobacco products. The government contends that, with greater foreign investments in processing facilities, lower level downstream processing activities such as the production of cotton yarn for export offer viable short-term growth opportunities. Such opportunities are dampened, however, by increased international competition from the removal of global textile and apparel quotas in 2005. Increasing competition from inexpensive cotton and synthetic products from Asia has deterred private investment in the textiles sector. In addition, the manufacturing sector has been hindered by expensive electricity and a lack of skilled labor required for diversification into certain skill-intensive industries.

- *Handicrafts:* Traditional handicrafts such as leather handbags, saddles, woven cotton fabrics, and decorative objects of bronze and wood are a growing sector. Since Burkina Faso hosts the well-known biennial Ouagadougou International Arts and Crafts Fair (SIAO), local producers have the opportunity to network, display, and sell their products to tourists and potential foreign investors and distributors. The government has initiated policies focused on creating the organizational, technical, commercial, and legal support infrastructure to improve the production and export capabilities of traditional handicraft producers in Burkina Faso.

- *Tourism:* This is the largest services sector export earner, generating about $20 million in 2001. One-half of all tourism in Burkina Faso is related to business trips involving short stays of approximately three days. There is potential for leisure tourism growth because of the country's numerous cultural and scenic attractions. Events such as the biennial National Culture Week, the Pan-African Film Festival (the largest African film festival in the world); the SIAO international handicrafts fair; and scenic locations such as the country's three national parks, offer a variety of activities and destinations for potential visitors. As more international conferences are held in Ouagadougou, hotel construction activities have grown.

- *Gold:* Although gold production has declined since 1994, recent investments could reverse this trend. Two Canadian firms have begun exploration activities in the Youga and Taparko mines, potentially increasing gold yields. Total reserves at Youga are estimated at 21 metric tons with an annual production level of three metric tons, and total reserves at Taparko are estimated at 20 metric tons with similar annual production. Thus, total gold production in 2005 could reach six metric tons, eclipsing the previous production high of approximately one metric ton in 1998. Foreign direct investment has focused primarily on the mining sector. To promote further capital inflows, the government has revised and actively promotes its Investment and Mining Codes among potential investors. The Codes, inter alia, permit full repatriation of profits and 100-percent foreign ownership.

Major Challenges to Export Growth

- *Business Environment*: Most business environment indicators for Burkina Faso are below the regional average, including trade policy, government intervention in the economy, wages and prices, property rights, regulation, contract enforcement, and labor market conditions and costs. Exports of processed cotton face an average tariff of approximately eight percent in foreign markets.

- *Transportation*: Deteriorating transportation networks, excessive regulations, and inadequate infrastructure have inhibited investment and productive capacity growth. As a land-locked country, high transportation costs hamper export-oriented business. Approximately 60 percent of the villages in Burkina Faso are more than three kilometers away from a main road. Many of these villages are connected by unpaved paths, which become impassable during the rainy season. The railway that runs from Kaya through Ouagadougou to Abidjan, Côte d'Ivoire, has declining traffic volume because of growing operating inefficiencies. Other trade-related barriers include regional road fees, difficulties in transporting products that require careful handling or refrigeration, and lack of direct flights to certain markets.

- *Electricity and Communication*: Burkina Faso's electricity grid serves only four percent of the population and is significantly more expensive per kilowatt hour than electricity in neighboring countries. In 2000, electricity costs in Burkina Faso were five to seven times more than in Ghana and Nigeria. As a result, private operations such as mines, the sugar plant, and the cotton parastatal generate their own electricity. Penetration of the telecommunications network remains relatively low at 5.4 telephone mainlines per 1,000 people, which further impedes business operations.

- *Labor*: The lack of skilled labor, combined with the relatively low level of economic development, hampers business growth, diversification, and investment. About 25 percent of the adult population is literate.

- *Agriculture*: Insufficient irrigation, adverse environmental conditions, and limited access to technology are key impediments to growth in this sector. Only 15,000 hectares of the 3.27 million hectares of land under cultivation is irrigated, and drought and locust infestations are recurring problems. Just 30 percent of agricultural households own a plough or traction animals, and fertilizer is seldom used outside of cotton cultivation. Impediments to the export of shea butter remain high. The harvesting and processing of shea is done primarily by women with limited access to credit, limited technical skills, few direct linkages to potential markets, and no uniform quality controls. With only traditional means of production, shea output levels have been very low. Potential shea nut output is estimated at 850,000 short tons per annum, but only 40,000 to 80,000 short tons per annum are harvested.

CAPE VERDE

Export Profile

Top goods exports are apparel, footwear, and electronic components. Other important exports include live trees and plants; fish, crustaceans, and mollusks; and hides and skins. Services in the form of tourism comprise the bulk of Cape Verde's exports. Portugal, the United States, and the United Kingdom are Cape Verde's major export markets.

Cape Verde's 2004 exports under AGOA and its GSP provisions were valued at $2.9 million, representing 79 percent of total exports to the United States.

Economic Strengths and Potential Growth Sectors

- Cape Verde has a comparative advantage in tourism, transport, fisheries, and light manufactures. The country's official development strategy emphasizes the promotion of tourism and transport support services, as well as increasing capacity in the manufacturing and fish processing industries.

- In addition to sound macroeconomic management and a best-practices investment code, Cape Verde offers a comprehensive set of foreign investment incentives including tax holidays, interest rate subsidies, and import duty waivers, as well as sector-specific incentives for export-oriented investment in light industry, fishing, and tourism.

- *Light Manufactures*: The government is attempting to expand its export-oriented manufacturing base by focusing on light manufacturing and assembly operations in the textiles, footwear, and electronics industries. Apparel is another promising sector. Several joint ventures with Portuguese investors have begun to export apparel and shoes to the United States under AGOA.

- *Fisheries:* Cape Verde is located in one of the world's few remaining under-developed fishing grounds, offering a wide variety of fish, crustaceans, and shellfish.

- *Tourism*: Beaches and mountainous terrain make this an attractive tourist destination. The government's development strategy focuses on expanding the tourism sector.

- *Transport*: The country's geographic location 400 miles off the coast of West Africa makes it a convenient regional hub for passengers and cargo crossing the Atlantic by both sea and air. The government's development strategy is focused on the promotion of Cape Verde as a shipping and airline hub. In 2002 and 2003, the government liquidated two large public enterprises: the public urban transportation company, and the food import and distribution company.

Major Challenges to Export Growth

- *Business Environment:* Cape Verde is ranked above the regional average on economic freedom. However, it maintains relatively high import tariffs that may increase costs for Cape Verde's export-oriented manufacturers. Administrative and regulatory constraints, including burdensome and ambiguous administrative procedures, increase the cost and time of doing business.

- *Transportation*: Infrastructure is above the regional average. However, the high cost of transportation associated with the country's relatively remote location and the fact that it is an archipelago likely inhibits the growth of domestic exports. Cape Verde's role as a regional hub for transportation and cargo is further constrained by limited port and airport facilities.

- *Capital*: Limited domestic access to capital and the high cost of capital are significant constraints to the expansion of production capacity.

- *Other Factors*: Lack of fish processing and refrigeration facilities limits Cape Verde's fishing and fish processing potential. Lack of investor awareness about business opportunities in the country stifle investment. Lack of access to new technology across a broad range of areas, including fishing, fish processing, and light manufacturing limit the country's ability to capitalize on its comparative advantages. Trade is also inhibited by the high cost of telecommunications, water, and energy, a shortage of skilled workers necessary for diversification into certain skill-intensive industries and services; and limited capacity to meet SPS and other export market standards.

THE GAMBIA

Export Profile

The Gambia's leading goods exports consist primarily of cashew nuts, leguminous vegetables, raw groundnuts, fish, oilseeds, and other vegetables. Tourism is a vital service sector export. The United Kingdom, India, and China are leading export markets.

The Gambia's 2004 exports under AGOA and its GSP provisions were valued at $21,000, representing 6 percent of total exports to the United States.

Economic Strengths and Potential Growth Sectors

- The Gambia has a strong comparative advantage in agriculture, fisheries, light manufactures, petroleum, and tourism.

- *Agriculture*: Vegetables, various nuts, and cocoa butter are promising growth sectors. Horticultural products, which mainly consist of cultivated flowers, fruits (mangoes, papayas, bananas, tomatoes), and vegetables (onions, cabbages, legumes), account for approximately five percent of total Gambian exports. Increased and more diversified horticultural production would allow Gambian producers to take advantage of seasonal fluctuations in foreign markets by shipping fresh fruits and vegetables to Europe during the European off-season. Additionally, because most horticultural production takes place during the Gambian dry season, these more drought-resistant crops tend to depend less on irrigation and are less sensitive to adverse climatic conditions than groundnuts, making them a potential hedge against downturns in groundnut production.

- *Fisheries*: The Gambia possesses one of the most abundant fishing zones in the world, offering a wide variety of fish, crustaceans, and shellfish. In addition, the Gambia River provides both salt-water and fresh-water fish such as tilapia, catfish, and sole, as well as crustacean and shellfish varieties such as shrimps, crabs, and oysters. During the last 10 years, extensive investments have been made in the fisheries sector for improvements in storage, processing, and distribution facilities. The establishment of improved storage facilities in fishing villages has reduced losses from 35 percent of the daily catch to five percent.

- *Light Manufactures*: The government has recognized the unexploited export potential of the manufacturing sector and identified fish, groundnuts, and horticultural processing; textiles and clothing; and ceramic tiles as key growth areas.

- *Petroleum*: In early 2004, the government announced the presence of significant offshore petroleum reserves and stated that negotiations had begun with a number of oil companies for possible exploitation. If these prospects materialize, petroleum could become a leading export.

- *Tourism:* Activity in this sector is seasonal and volatile in response to regional political instability; however, new charter connections with Switzerland and the Czech Republic, as well as expanded services offered by United Kingdom-based tour operators, means total arrivals could increase substantially.

Major Challenges to Export Growth[4]

- *Transportation and Telecommunication:* Transportation costs are high due to the overall poor condition of roads across the country. Sporadic border closures between The Gambia and Senegal have the indirect effect of damaging The Gambia's image as a stable trade gateway to the region, thus decreasing its overall re-export trade competitiveness. Furthermore, although the telecommunications sector has been growing, connectivity remains limited, with only 28 telephone mainlines per 1,000 people in 2002.

- *Energy:* Wood and charcoal are the primary sources of fuel in rural areas and oil-fired electricity generating plants supply most of the electricity to the Banjul area. Electricity supply is unreliable and inefficient, and power outages are frequent.

- *Fisheries*: The industrial fishing sector, which primarily processes and exports fish to the EU, faces many constraints, including inadequate factory and fishing boat maintenance facilities, poor marketing and distribution systems, excessive government regulation, lack of trained personnel for management positions, high credit constraints, and the absence of a dedicated fishing port.

- *Horticulture*: Expansion of horticultural production is limited by lack of access to credit and insurance programs and the high cost of air cargo facilities to transport fresh horticultural products to Europe.

- *Manufacturing*: Within the manufacturing sector, fluctuations in input availability, inadequate infrastructure, low managerial and technical expertise, excessive regulations,

[4] Business environment indicators are not available for The Gambia.

and lack of credit available to local investors contribute to the sector's underdevelopment. The costs generated by these capacity constraints contribute to The Gambia's inability to develop downstream processing opportunities.

- *Tourism*: Limited air access, a weak overall marketing strategy, and poor infrastructure outside the Banjul area are some of the key constraints to tourism sector growth.

- *Other Factors*: High import duties, particularly on agricultural goods, add to the cost of production and affect Gambian international competitiveness and export capability by increasing the costs for inputs. The prevalence of aflatoxins in Gambian groundnuts has been a leading export impediment. Aflatoxins, which are cancer-causing chemicals produced by molds that develop on groundnuts, are usually caused by lack of crop rotation, poor irrigation, untimely planting and harvesting, or inadequate use of pesticides. Proper crop management and good harvesting techniques are some of the best methods for controlling aflatoxin levels and avoiding the high costs associated with product downgrades or the complete banning of the export by import inspectors.

GHANA

Export Profile

Cocoa beans, gold, and wood products comprise Ghana's main exports. Other key exports include aluminum (Ghana's main processed mineral export), pineapples, fish products, petroleum products, cocoa paste and butter, and manganese. Tourism is an increasingly important service export. The EU is Ghana's leading export market, followed by Japan.

Ghana's 2004 exports under AGOA and its GSP provisions were valued at $74.0 million, representing 53 percent of Ghana's total exports to the United States.

Economic Strengths and Potential Growth Sectors

- *Cocoa*: Ghana is a globally competitive producer and exporter of cocoa beans as a result of the country's natural resource endowments, favorable conditions for cocoa production, and the expanding world market for cocoa beans.

- *Floriculture*: Ghana has excellent growing conditions to support an export-oriented floriculture industry, particularly to supply fresh cut flowers to European markets. Direct flights from Ghana to Europe are significantly shorter than flights from other major African flower-producing countries. Although current production is very small, potential Ghanaian exports include hibiscus, gladioli, roses, ornamental palms, ferns, chrysanthemums, and sunflowers. Ghana's floriculture industry is at an early stage of development relative to other major flower producers in Africa; only one Ghanaian company currently exports fresh cut flowers to Europe.

- *Other Agricultural Goods:* Potential exports include food and cash crops (corn, rice, plantains, cassava, and yams) for regional and world markets; fresh and processed fruits (pineapples, papayas, mangoes, and other off-season fruits) for EU and U.S. markets; fresh and processed vegetables (fresh and canned tomatoes, tomato paste, chilies and hot sauces, squash, and frozen vegetables); processed food products (cottonseed, corn, and palm oil; flour; cassava starch; tapioca; and pasta); cigarettes; beer and other alcoholic beverages; confectionery goods, chewing gum, and sweet biscuits; and food sector technology and services (including fertilizers, insecticides, pesticides, and fungicides) for regional markets. Ghana is a competitive supplier in the growing world market for cocoa butter, fat, and oil, and other processed cocoa products. Ghana's MCC compact is expected to support agribusiness exports.

- *Fisheries:* Ghana possesses significant coastal and inland fishing resources; however, farmed fishing is at a minimal level. Potential exports for European and regional markets include fresh and processed seafood. Marine species include grouper, red snapper, croaker, barracuda, cuttlefish, shrimp, anchovy, chub mackerel, sardines, and tuna; fresh-water fish include tilapia and African perch. Ghana is highly competitive in the export of certain categories of processed seafood.

- *Textiles and Apparel*: There is small-scale local production of apparel produced from local wax, batik, tie-dye, and screen-printed fabrics, as well as imported fabric. There is product- and market-specific export potential for African-themed clothing, large-scale apparel manufacturing, hand-woven indigenous textiles, and high-end designer wear. There is the potential to export articles made from traditional woven fabrics such as Kente cloth to regional markets as well as niche products to markets in Europe and the United States. Ghana also could potentially export clothing made of synthetic fabrics and footwear to regional markets. Small quantities of such products are already reported to neighboring countries.

- *Ceramics*: With significant clay deposits and a tradition of producing a wide range of ceramic articles, Ghana's potential exports to EU and U.S. markets include traditional and contemporary pottery; structural ceramics such as bricks and tiles; dishware; sanitary items such as sinks and wash basins; and clinical items such as dental fixtures and bone joints.

- *Electronics*: Potential exports of electrical equipment include transformers, traffic signals, generators, air conditioners; products such as insulators, plugs, and capacitors; and household appliances and consumer electronics such as televisions for regional markets.

- *Jewelry*: Given the relatively large number of small-scale artisans producing jewelry and using the country's abundant supply of raw materials, there is potential for jewelry exports to regional and international markets of handcrafted and machine-made fine jewelry, costume jewelry, and jewelry accessories and tools.

- *Wood and Wood Products:* The government is promoting greater production of processed wood products for markets in Europe, the United States, and South Africa. Ghana is a competitive supplier to the growing world market of veneer sheets and plywood. Potential value-added wood exports include handicrafts; finished and semi-finished furniture, moldings and machined wood; flooring; door, window, and cabinet frames and panels; and paper and paperboard.

- *Other Manufactured Goods*: There is potential to expand production and exports to regional markets for hand tools, including agricultural tools (machetes, spades, and shears) and construction tools (saws, wrenches, hammers, and chisels). The range of production is limited by the lack of access to materials such as shock resisting and high carbon steel. Other products with export potential include foam mattresses, cosmetics and hair products, soaps, and pharmaceuticals for regional markets. The government is actively seeking to expand the production and export of nontraditional products. To this end, several small-scale pilot projects are underway in five export-oriented areas: accelerated textile and apparel production to take advantage of AGOA, salt mining, cotton production, cassava production for industrial starch, and palm oil production.

- *Minerals:* Ghana is a competitive supplier of primary unwrought aluminum, although its competitiveness has declined in recent years, partly because of electricity supply problems. Future competitiveness is likely to be in the production of value-added aluminum products such as sheets and plates. Ghana is a globally competitive supplier of manganese ores and concentrates and has the potential to be a competitive diamond supplier.

- *Tourism and Other Services*: Tourism is the third-leading source of foreign exchange revenue, and the expansion of tourism services is an important component of Ghana's economic development strategy. The provision of offshore data processing for English-speaking countries is also a potential source of foreign exchange revenue.

Major Challenges to Export Growth

- *Business Environment:* The business climate is above the average for the region. A notable exception is the time required to register a property, which is more than three times the regional average. Ghanaian exporters report that some members of ECOWAS assess duties and quotas on Ghanaian exports that should be duty and quota free, creating a barrier to regional trade. Ghanaian exporters also report that currency conversion complications between the Ghanaian currency and the CFA franc used by francophone members of ECOWAS add costs to cross-border transactions and impede regional trade. Ghana generally ranks better on economic freedom than the regional average. However, there are reports of lack of transparency in government operations. Property rights are above the regional average. Several longstanding investment and trade disputes with the government have been resolved.

- *Transportation and Customs:* Poor road quality impedes the timely delivery of goods, especially during the rainy season. The poor roads linking Ghana to its neighbors are a significant impediment to exports to regional countries, as most of Ghana's exports to its neighbors are transported by road. Other impediments include congestion at Ghana's ports and airport; high freight rates, particularly with respect to shipments to the United

States versus shipments to Europe; and the limited network of cold storage facilities, which increases the likelihood of spoilage of fresh fruits and vegetables between harvest and export. Customs-related impediments include inefficiencies and delays because of paperwork requirements and inefficient document handling. Exporters also report delays in receiving duty drawback and value-added tax refunds on imported inputs. Ghana's Gateway Program, sponsored by the World Bank to enhance the country's global competitiveness by promoting private-sector investment in infrastructure improvement, includes measures to improve customs efficiencies and speed inspection and valuation procedures.

- *Capital:* Commercial banks tend to focus on high-income customers and large businesses, to the detriment of SMEs. Banks have high transactions costs, high real interest rates, and display a preference for short-term finance such as trade finance, rather than long-term investment finance. The high cost of local financing is a significant constraint, inhibiting the expansion of most Ghanaian businesses beyond their current micro-scale operations, rendering most small manufacturers incapable of meeting the demand of large U.S. wholesalers and retailers. Larger firms reportedly resort to using retained earnings to finance working capital rather than seeking loans because of the slow delivery of banking services in Ghana.

- *Labor:* Ghana has an abundant supply of unskilled labor, but skilled labor generally is considered to be in short supply and a factor limiting the country's future competitiveness across all sectors. The shortage of highly skilled workers also limits the ability of Ghanaian producers to improve their product quality and focus on more sophisticated processed and downstream products.

- *Agriculture:* This sector is dominated by smallholder plots characterized by traditional, nonmechanized land-use methods, with few large-scale farms and plantations. Agricultural productivity is further restricted by Ghana's complex land tenure system, which makes it difficult to establish clear title. Poor feeder roads in rural areas limit the movement of agricultural and forestry products to processing centers and ports. A lack of capacity to meet sanitary and phytosanitary standards in EU and U.S. markets also presents a challenge for producers and exporters.

- *Fisheries*: Stable and reliable supplies of electricity and water remain problematic. Despite being registered FTZ companies, some tuna exporters have problems with respect to customs clearance delays and note that, although shipping time has improved since 2000, document clearance time has increased, with the result that vessels often arrive in European ports ahead of the documents.

- *Wood and Wood Products*: Ghana is in danger of depleting its forest resources and being unable to supply important export markets because of the country's poor forest management policies. Design skills need to improve if furniture exports to the EU and U.S. are to develop further. Productivity in this sector is low by international standards because of the use of outdated equipment and inadequate access to the financing needed to upgrade production.

- *Tourism*: Ghana's tourism sector is undercapitalized and much of the country's tourism potential is underdeveloped. There is a shortage of hotels, particularly those with four-star rating or above, which constrains Ghana's available tourism resources.

- *Other Factors*: The absence of market research, poor marketing, and high electricity prices and brown-outs during times of low rainfall due to reliance on hydro-power, also were reported as impediments to Ghanaian exports.

GUINEA

Export Profile

Guinea's top exports are mining industry products (bauxite, alumina, diamonds, and copper), crude petroleum, fish products, and agricultural goods (cocoa beans, coffee, and natural rubber). The EU is the leading export market; however, the largest single-country markets are Korea, Spain, the United States, France, and Russia.

Guinea's 2004 exports under AGOA and its GSP provisions were valued at $89,000, representing 14 percent of its total exports to the United States.

Economic Strengths and Potential Growth Sectors

- The government has made the development and promotion of exports its priority strategy for the reduction of poverty. It has identified agriculture, fishing and shellfish, mining, and tourism as the sectors with the greatest potential for growth.

- *Agriculture*: Exports of cotton fibers and cashews are emerging. Potential also exists to export pineapples and bananas. Rice and sugar are grown for domestic consumption and have potential for export to regional markets. Guinea recently began exporting Malacca beans and cashews to India, Guinea-Bissau, and Côte d'Ivoire. It is expected to encounter increasing international competition from cashew producers in other African countries and India. Enterprise Works, a U.S. nongovernmental organization, is establishing a cashew-processing industry with funding from USAID. The project will also train Guinean cashew growers, introduce them to new technologies, and increase cashew yields. Natural rubber is an emerging industry as Guinean rubber is recognized internationally for its high quality. Potatoes have recently been introduced to Guinea, and growers have had significant success in the domestic market. During periods of surplus supply, growers have had limited success exporting potatoes to Senegal. The government has also introduced programs to increase production of coffee and shea butter.

- *Bauxite*: The industry is among Guinea's leading exports and is expected to remain an important export earner. Growing demand in China for bauxite will likely keep world prices elevated. Increased investment in alumina and aluminum smelting facilities could improve this sector. There are several joint ventures in the aluminum industry. One consortium began the first phase of a $2-billion alumina refinery in December 2004. Another firm signed an agreement with the government to build and operate a $1.5-billion alumina refinery. The facility will transform Guinea's lower-grade, non-exportable bauxite into higher-value, exportable alumina.

- *Gold and Diamonds:* The top gold exporter is a joint venture between the government and Ashanti Gold Fields of Ghana. Two gold mining companies made major investments in 2004, and one announced plans for a $50 million expansion in 2005. A Canadian company has been expanding production rapidly since its initial investment in 2002, and another Canada-based firm is in the exploration phase. Several foreign firms have recently invested in diamond mining operations.

- *Copper and Other Minerals*: Guinea has a comparative advantage in copper ore and world demand for this product is strong. Substantial iron ore and graphite resources located in Guinea have yet to be developed.

- *Handicrafts:* Twenty percent of Guinea's workforce is engaged in the production of crafts such as sculptures, weaving, traditional textiles, and leather goods. These products have the potential to be sold to regional markets as well as to tourists. A Chinese company completed renovation of an abandoned textile factory in September 2004 with the goal of exporting fabrics and apparel to regional markets.

Major Challenges to Export Growth

- *Business Environment:* Overall business environment is ranked above the regional average. Guinea performs better than the region in terms of government intervention in the economy, banking and finance, and wages and prices. Recent government actions to comply with UEMOA obligations have led to greater transparency in government operations and regional harmonization of regulations. However, Guinea scored worse than the regional average on access to credit, number of procedures required to enforce contracts, minimum capital required to start a business, and number of weeks required to fire an employee. High licensing fees make Internet services very expensive, limiting use for commercial purchases and adding to the cost of doing business. Access to credit is a serious constraint to financing trade since financial sector intermediation is very low. Although EU tariffs on Guinea's 15 leading exports in 2001 were eliminated by the EU's Everything-But-Arms program, some products with export potential (rice, sugar, and bananas) are still subject to EU duties. These duties are expected to be phased out by 2009. The EU also has relatively high tariffs on processed cocoa.

- *Governance:* The leading obstacles to attracting foreign investment are lack of government transparency and government laxity in payment for supplies and services. The inefficient and arbitrary legal and regulatory framework presents other obstacles. Although producers are eligible for a value-added tax refund on exports, the tax reportedly is seldom reimbursed.

- *Infrastructure:* Regional instability and the associated increases in government expenditures on defense have reduced spending on infrastructure, hampered competitiveness, and dampened prospects for foreign investment. Insufficient development of transport and communications infrastructure discourages foreign investment. The poor roads make it necessary to export rubber through Liberia or Côte d'Ivoire. The price of locally-produced goods has been driven up by roadblocks that levy unofficial "taxes" that are estimated to exceed all other domestic transportation costs combined.

- *Utilities:* Private companies that managed the production, distribution, and collection of fees for water and electricity services left Guinea in June 2001, reportedly out of frustration with inefficiency and lack of national and local government transparency. The national electricity company has failed to keep hydroelectric turbines in peak working order. The country has significant hydroelectric potential, but its poor record of fulfilling contract obligations in the utilities sector has discouraged investment. Chronic electricity shortages have forced many businesses to purchase power generators and use relatively expensive diesel fuel. High-priced electricity increases the cost of production, reducing the competitiveness of exports. A WTO report estimates that demand for electricity exceeds supply by a factor of six, driving up costs for Guinean companies producing for both the domestic and foreign markets. SMEs reportedly have been substantially affected by power outages and increasing electricity prices. Their higher costs have resulted in a loss of competitiveness with imports and with other suppliers in foreign markets.

- *Ports:* Guinea has two deep-sea ports, Conakry and Kamsar, with the latter used exclusively for the export of bauxite. Most trade goes through Conakry, which suffers from poor management and congestion.

- *Fisheries:* The overcrowded port discourages the expansion of frozen fish exports. Given the costly and inefficient port services, some producers have switched to products that can absorb the cost of air transport. For example, the country has had recent success in the export of high-value fresh fish by air to Europe. The fishing industry has also been hampered by the government's revenue constraints, which have led to inadequate patrolling of coastal waters. Unlicensed fishing boats frequently fish in Guinean waters and depart without paying duties and fees.

- *Agriculture:* The poor condition of rural roads inhibits expansion of exports and shipments of perishable products from rural areas to urban markets. In order to export potatoes to neighboring markets, Guinean growers need to invest in packaging, storage, and transportation infrastructure. Pineapple producers are faced with high costs for air shipments to Europe or for refrigerated containers if shipping by sea. Pineapple producers are also challenged by the high cost of imported equipment and inputs, high domestic trucking expenses, and difficulty in gaining access to loading facilities at the port of Conakry. Mangoes also must be shipped by air or refrigerated containers. High shipping costs relative to shipping costs for comparable mangoes from Mali and Côte d'Ivoire have slowed the growth in exports by Guinea's only company that uses sea transport to Europe. The two companies that ship organically grown mangoes by air have had greater success, because the higher price for organic products is better able to absorb the transport costs. Export potential for the shipment of perishable agricultural products by air is inhibited by the lack of adequate storage facilities at the airport. The lack of direct flights to the United States is an impediment to exporting perishable agricultural products there.

- *Other Factors:* Regional conflict has hampered the development of regional trade. For example, the lack of security for the transport of rubber from harvesting areas in eastern Guinea to ports in Liberia or processing plants in Côte d'Ivoire has inhibited the development of Guinea's emerging rubber industry. There is a shortage of skilled labor necessary for diversification into certain skill-intensive industries.

GUINEA-BISSAU

<u>Export Profile</u>

Cashews dominate Guinea-Bissau's exports. Other important exports include fish products, natural gas, and cotton. Major export markets include India, Nigeria, Italy, Portugal, the United States, France, the Netherlands, and Ireland.

Guinea-Bissau's 2004 exports under AGOA and its GSP provisions were valued at $26.1 million, representing 98 percent of its total exports to the United States.

<u>Economic Strengths and Potential Growth Sectors</u>

- There is potential for expanded trade in cashews, frozen fish, mollusks, forest products, and cotton. Mangoes are not currently exported, but are a potential export product. Other potential exports include bauxite and potash.

- *Cashews*: With assistance from USAID, cashew growers have formed an association to assist growers in establishing processing plants for the roasting, drying, shelling, and packaging of cashews for export. The association is also engaged in marketing organically-grown cashews.

- *Fisheries:* Abundant offshore fish resources offer an opportunity to develop a locally-based fishing industry. Licenses are granted to trawlers based in Algeria, Japan, Korea, Portugal, and Russia. The fees associated with the licenses accounted for 28 percent of total government revenues in 1999. The country has yet to attract the necessary investment for development of this sector. Guinea-Bissau's capacity constraints in meeting sanitary standards related to fisheries products have become a significant hurdle to export growth.

- *Forest products*: The country has significant underdeveloped timber resources (forests occupy 38 percent of the land), with the potential to support the emergence of wood furniture and lumber exporting industries. To induce investment in this industry, the state timber company has been split into four separate enterprises in preparation for privatization.

Major Challenges to Export Growth

- *Business Environment:* Guinea-Bissau scores below the regional average on economic freedom reflecting conditions that discourage foreign investment. It scored below the regional average on trade policy, banking and finance, property rights, regulation, and informal market activity. It scored significantly better than the regional average in fiscal burden of government and monetary policy. Leading export markets tend to have relatively high tariffs on fish products, which inhibit export growth in that sector.

- *Transportation and Communication:* Insufficient development of transportation and communications infrastructure inhibits investment. For example, only 10 percent of the country's roads are paved, making transport very difficult during the rainy season. Lack of a deep-water port inhibits the expansion and increases the costs of trade.

- *Energy:* Lack of development of Guinea-Bissau's hydroelectric potential has forced the country to rely on petroleum and diesel-powered generators for electricity, making electricity supply inadequate and expensive.

- *Labor*: The country lacks the pool of skilled labor required for increased exports of certain skill-intensive products. The lack of educated workers also discourages investment in the country. Although 83 percent of eligible children are enrolled in primary school, only 20 percent of eligible children are enrolled in secondary school.

- *Other Factors:* A 2005 IMF report attributed the poor prospects for investment and development of the export sector to a number of factors. Several were related to the aftermath of the civil war, which destroyed much of the country's infrastructure. The country's two banks closed and remained closed after the war, until one re-opened in 2000. Most of the country's electricity-generating capacity was destroyed. The small manufacturing sector was dismantled. Decreased economic activity during the civil war led to reduced government revenue from taxes, limiting investment in infrastructure necessary for export growth. The remaining infrastructure fell into further disrepair because of lack of maintenance. Political instability after the war continued to discourage foreign investment, which is needed given low levels of savings and credit provided by the domestic financial institutions.

MALI

Export Profile

Mali's chief exports are cotton and gold. Approximately 50 percent of Mali's exports are sent to Asian countries, including Thailand, India, China, and Pakistan.

Mali's 2004 exports under AGOA and its GSP provisions were valued at $202,000, representing five percent of total exports to the United States. A joint venture between Malian and Mauritian investors has begun to export thread to Mauritius for apparel production that is exported to the United States under AGOA.

Economic Strengths and Potential Growth Sectors

The major economic sectors with the greatest potential for growth in export sales are agriculture and agroprocessing (cotton, shea butter, rice, wheat, coarse grains, mangoes, dates, figs, and pineapples), livestock, sheep and goat skin leather, gold, and tourism. Both formal and informal cross border trade with seven bordering countries contributes substantially to the economy.

- *Cotton*: Mali has a comparative advantage in cotton; however, less than one percent of the country's cotton exports are processed. To take advantage of the preferential access to the U.S. market under AGOA, plants are being improved and new factories are being built. A new textile factory began production last year and has shipped cotton yarn to Mauritius to be processed into apparel for shipment to the United States under AGOA. Opportunities also exist to export cotton within the region as the parastatal is liberalized and privatized.

- *Other Agriculture*: Main export markets for mangoes are France, the Netherlands, Mauritania, Senegal, Guinea, and Côte'd'Ivoire. Mali does not export to the United States because it has not yet developed a program to meet sanitary and phytosanitary (SPS) requirements, and because of the high cost of shipping perishable products to the United States. Opportunities exist in downstream products such as mango juice and dried, frozen, or preserved mangoes, because SPS requirements are less stringent for processed products and transportation of processed goods is generally less expensive than perishable goods. Processed tomato products are also potential export products. As one of the region's largest producers of potatoes, Mali has identified potatoes as a potential export product. However, Malian exports are not currently cost competitive in the region. Processed shea butter may also be developed. Potential markets for quality shea nuts include the EU, Japan, and the United States. Coarse grains and wheat for animal feed are also potential growth exports to the region. Mali has the only area in West Africa suitable for wheat production, and there is a growing need for animal feed, particularly poultry feed. Markets exist for animal feed in countries with large urban populations and insufficient domestic production such as Senegal. With the use of improved seed variety along with fertilizer and water retention techniques, yields of sorghum and millet could increase by 20 to 30 percent. Millet and sorghum could find export markets in Mauritania, Niger, and Senegal, countries unable to meet basic consumption needs. Another potential market for coarse grains is the EU. Mali is also developing a comparative advantage in rice exports to the West African region. The sector has seen significant growth since the 1990s. The rice yields of the 2003-04 harvest enabled the country to become a net exporter.

- *Livestock*: Livestock is the country's second-largest agricultural sector export. Mali has potential to expand its exports of cattle, and in recent years, a significant amount of hides and skins have been exported to neighboring countries. With two new processing plants, Mali is poised to export more and higher quality hides and skins. Current major export markets include Côte d'Ivoire and Ghana, and smaller markets include Algeria, Benin, and Senegal. Guinea is considered an emerging market. Opportunities may exist in downstream production facilities such as slaughterhouses, or processed items such as corned beef.

- *Gold*: There continues to be growth potential for exports of gold. Two more mines are expected to open in mid-2005, and gold production is expected to peak in 2006, with production leveling off at approximately 50 metric tons per year by 2014.

- *Tourism*: Tourism is a leading source of services export revenue; however, the sector is underdeveloped and has great growth potential for recreational tourism. Mali has diverse attractions such as national parks, ancient cities and archaeological sites, Niger River cruises, cultural festivals, and desert landscapes.

<u>Major Challenges to Export Growth</u>

- *Business Environment*: Mali's overall economic freedom score is above the regional average and it ranks above the regional average on enforcing contracts. However, exporters face several impediments to doing business in Mali. The minimum capital required to start a business is much higher than the regional average. Labor laws are restrictive in Mali, and the difficulty of hiring and firing are additional impediments. Mali lags behind the region in property rights, fiscal burden of government, banking and finance, and wage and price scores.

- *Transportation:* Mali's transportation infrastructure, while improving is not well developed. Mali's transportation costs remain high in large part because of its landlocked position in the region. The fleet and quality of container trucks is improving, albeit slowly. The rail system between Dakar and Bamako is undergoing significant changes and improvement. Air transport is continuing to increase and as the MCA program is developed, infrastructure for trade will steadily improve.

- *Landlocked:* As a land-locked country, exporters rely on access to neighboring country infrastructure to export goods, especially high-volume, low-margin goods such as cotton. The nearest effective deep-sea port is approximately 765 miles from Mali's cities. Mali's trade routes continue to be affected by the crisis in Côte d'Ivoire, which closed access to this important export route. Before the crisis, approximately 80 percent of exports went through the Côte d'Ivoire port of Abidjan. Since the crisis, alternative routes have been used, although Abidjan is still the most competitive route for trade in products such as cement, hydrocarbons, wood, coal, bitumen, and butane gas. Alternative routes to Ghana, Togo, Benin, and Senegal have been developed or expanded.

- *Capital:* Commercial banks typically only offer 90- and 180-day loans. To finance their trading operations, many farmers rely on their own capital or borrow from friends and family members. Banks reportedly seem more interested in financing import and export activities than financing production; however, in order to export, producers need financing to purchase equipment. Producers, especially in the agricultural sector, lack financing for downstream production. Programming through bilateral and multilateral donors is helping to access intermediate and longer term credit for Malians.

- *Utilities:* The utilities infrastructure is generally inadequate and dilapidated and an impediment to export growth. Approximately 91 percent of energy consumption is through traditional sources such as firewood, coal, and agricultural waste. Electricity costs are considered the highest in the region, though also among the most reliable and consistent. Despite new investment in generation equipment, supply has not been able to keep up with increases in demand. Telecommunication costs are high but increased competition has shortened waiting periods and improved access. Lack of access to technologies designed to increase production capacity is a constraint to business and export growth. Producers are consequently unable to meet volume levels often required by developed country importers.

- *Labor*: There is a shortage of skilled labor and a lack of management skills required for diversification into certain skill-intensive industries. Industry officials indicate that all labor contracts must be approved by the government, and companies must formally request authority for overtime every three months.

- *Agriculture:* Impediments include an inconsistency in the supply of inputs. The government is working on developing technical capacity to meet SPS requirements. Mali's inability to store products under refrigeration is a challenge and there is a limited supply of refrigerated containers.

- *Tourism:* The tourism sector faces challenges such as poor communications, insufficient accommodations, lack of training in human resources, and inefficient land, river, and air transport systems.

MAURITANIA

<u>Export Profile</u>

Fisheries products and iron ore comprise Mauritania's main exports. Other important exports include animal feed and certain apparel. Mauritania's leading export markets are in the EU (France, Spain, Italy, and Belgium) and Asia (Japan and China).

Mauritania had no exports under AGOA and its GSP provisions in 2004.

<u>Economic Strengths and Potential Growth Sectors</u>

- Mauritania's greatest comparative advantages appear to be in fisheries products, petroleum, diamonds, iron ore, and to a limited extent, tourism and certain agricultural items such as bananas, potatoes, citrus fruits, and vegetables.

- *Petroleum*: In 2001, petroleum was discovered off the coast of Mauritania. Since then, an Australian company has been conducting tests to estimate the size of the reserves, which were recently estimated at 110 million barrels. According to the government, Mauritania may be able to export 75,000 barrels per day starting in late 2005, substantially increasing Mauritania's GDP and its export earnings.

- *Diamonds*: Currently, there are 34 active prospecting licenses for diamonds. Studies by the World Bank and EU estimate that Mauritania's diamond export receipts could reach $50 million by 2012.

- *Agriculture*: As the closest tropical country to Europe, there is potential for Mauritania to meet some of the European demand for tropical fruits and vegetables during Europe's winter months. Products such as potatoes, bananas, and citrus fruit have been identified as having export growth potential. Nevertheless, expansion of the agricultural sector is difficult because of the lack of arable land and unfavorable environmental conditions, such as locusts and droughts.

- *Tourism*: According to the state tourism office, the number of people visiting Mauritania increased at a steady rate from 270 in 1996 to several thousand in 2001. Other signs of development in the tourism sector include an increase of charter flights from three to almost 90, and an increase in hotel beds from approximately 1,400 to 7,000 over the same time period. In 2001-02, tourism generated almost $4 million in revenue.

<u>Major Challenges to Export Growth</u>

- *Business Environment:* Mauritania ranks above the regional average on the economic freedom indicator, but below the regional average on employment indicators, including difficulty of hiring and firing. High tariffs in regional markets also reduce opportunities for increased exports to foreign markets.

- *Labor:* A shortage of skilled workers prevents the country from achieving economies of scale and expanding into certain skill-intensive industries. With the exception of the mining sector, there is a shortage of skilled workers and well-trained personnel with technical and managerial skills. However, professional training centers have been established in Mauritania's two largest cities, Nouakchott and Nouadhibou. These training centers are open to both private sector and government employees interested in improving their skills.

- *Transportation:* Road transportation accounts for roughly 90 percent of traffic and 80 percent of goods movement; however, only 11.3 percent of all roads are paved. Transport costs are high because of, inter alia, poor management in the sector and large distances between centers of economic activity. New construction is sparse and annual spending on roads is limited for maintenance.

- *Other Factors:* Although the cost of labor is low, credit, water, transportation, and energy are expensive. A 1997 survey showed that Mauritania has the second-highest electricity rates and highest water rates in the region – at least 20 percent higher than Senegal and Côte d'Ivoire, and 60 percent higher than Ghana. The combination of a shortage of skilled workers, a small domestic market, inadequate infrastructure, high utility rates, and lack of available credit creates little incentive for investment in a manufacturing sector. Mauritania benefits from tariff preferences in its major export markets, but constraints on capacity to meet SPS and other requirements present an obstacle for exports.

NIGER

Export Profile

Niger's leading exports are uranium and livestock. Other agricultural exports include cowpeas and onions. The EU, mainly France, is Niger's largest trading partner, followed by Japan, the United Kingdom, and the United States.

In 2004, Niger exported $72,000 worth of goods under AGOA and its GSP provisions, representing less than one percent of total exports to the United States from Niger.

Economic Strengths and Potential Growth Sectors

- *Mining and Energy*: Gold and petroleum have been identified as having export growth potential. Considerable phosphate deposits could be exploited as the regional demand for fertilizers increases. Likewise, an expansion of the power grid and improved transportation would increase the potential for additional coal mining and power generation station construction. Growth in the energy sector could result in energy exports to the regional market.

- *Agriculture:* Improved farming and irrigation techniques could result in increased production of gum arabic, meat, and sesame for export to the region. Should agricultural production increase, downstream food processing or packaging industries could follow.

Major Challenges to Export Growth

- *Business Environment:* Niger ranks above the regional average on contract enforcement and property registration. It also ranks above the regional average on number of days to start a business, taking less than one-half the time in other countries in the region. Niger's score for economic freedom is about the regional average. However, it ranks below the regional average on indicators related to labor market conditions.

- *Transportation and Communication:* The biggest impediment that Niger faces is an underdeveloped infrastructure. There are insufficient roadways in Niger, and those roads that exist are generally of poor quality. Similarly, Niger's information infrastructure is undeveloped. Less than two percent of the population has access to the Internet, mobile phones, and telephone land lines.

- *Agriculture:* Export of livestock products such as milk, meat, hides, and skins is constrained by limited transportation infrastructure and slaughterhouses. The sector is also at a disadvantage because Niger does not have direct access to a major seaport.

- *Other Factors:* Other impediments to investment and business development in Niger include its very small domestic economy; limited buying power and lack of capital accumulation; a slow and cumbersome bureaucracy; high transportation costs; and the lack of a trained labor force and service providers. Niger's products have benefited from tariff preferences in its major export markets, however, capacity constraints in meeting certain standards represents a major impediment for Nigerien exports.

NIGERIA

Export Profile

Major Nigerian exports include mineral fuels (largely crude petroleum and natural gas), cocoa and cocoa preparations, tanned hides and skins, and crustaceans. The United States, Spain, Brazil, and France are Nigeria's chief export markets, followed by Japan and Indonesia.

Nigeria's duty-free exports under AGOA and its GSP provisions in 2004 – almost entirely petroleum and energy products – were valued at $15.4 billion, representing 95 percent of total exports to the United States. Nigeria qualified for AGOA's textile and apparel benefits in July 2004.

Economic Strengths and Potential Growth Sectors

- *Petroleum*: Crude petroleum currently accounts for a major share of national GDP and export earnings and the sector will likely continue to develop market share in countries worldwide.

- *Natural Gas:* Growth in the natural gas industry is expected during the next five years, particularly given the 2008 deadline set by the government to cease the flaring of natural gas. Natural gas reserves are said to amount to 159 trillion cubic feet of gas, the ninth-largest natural gas reserves worldwide. Nigeria's revenues from liquefied natural gas are expected to increase to an estimated $6 billion annually by 2007.

- *Cocoa*: Nigeria has a comparative advantage in cocoa beans, a product that accounted for about two percent of total Nigerian exports in 2003, or more than $500 million. Moreover, average annual growth in world cocoa bean markets during 1993-2003 was almost 14 percent. Major markets for the country's exports of cocoa beans in 2003 were the EU, Canada, and the United States.

- *Cashews*: Abut 30,000 metric tons of cashew nuts are currently exported annually to India, Brazil, and Vietnam, all major processing countries. Cashew kernels were identified as having substantial export potential. Nigeria currently exports only about 25 percent of its production of cashew nut kernels, mainly to the United States and the

United Kingdom. Moreover, exports of cashew kernels and cashew nut shell liquid may increase when an export-oriented cashew nut processing facility goes on stream in Kwara State.

- *Sesame*: Development of the local industry could result in increased exports of sesame and sesame oil, particularly to countries in Asia.

- *Fisheries*: The global market for shrimp and prawns is said to be increasing by three percent per year, largely as a result of increased consumption in the United States, Europe, and Japan. Nigeria currently exports shrimps and prawns to Europe. Further development of the shrimp and prawns farming industry in Nigeria, to serve domestic and international consumption, could be valued at a total of $384 million in exports over the course of 10 years.

- *Leather products*: Nigeria is relatively internationally efficient in goat and sheep skin leather exports. Whereas such exports accounted for less than one percent of total Nigerian exports in 2003, or about $157 million, average annual growth in the world markets for goat and sheep skin leather during 1993-2003 was 10 percent and six percent, respectively, suggesting that further development of the sector could result in expanded export opportunities for these products.

- *Mining*: The government is emphasizing the development of the largely unexploited mining sector, with the expectation that it could prove to be a major source of export revenues. On a product-specific basis, Nigeria has a relatively high comparative advantage for the product grouping consisting of niobium, tantalum, vanadium, and zirconium. Yet exports of these products represented, on average, only 0.2 percent of total Nigerian exports during the last nine years. Tantalum, which accounted for a significant share of trade and investment in the sector in recent years, possibly as a result of efforts by the Nigerian Mining Corp. to encourage investment in tantalite mining operations, could show expanded export growth. Recently, a company is reported to be exploring potential reserves of tantalum, gold, and columbite (a source of niobium). In addition, a Nigerian company was reportedly licensed in August 2004 to explore for tantalite. Also in 2004, a mining firm identified Nigeria as a possible source of tantalite ore feedstock for its tantalum pentoxide production in South Africa. Export growth in tantalite and niobium ores is also likely to be spurred by the recent increases in prices for these minerals.

Major Challenges to Export Growth

- *Business Environment:* General constraints include high financing costs; poor infrastructure, including inadequate electrical, water, and telephone services, deteriorating road conditions, and rundown railroads; corruption; and an uncertain operating climate stemming from changing government regulations and policies. Indicators are above the regional average in time to open a business, the number of procedures in enforcing contracts, the minimum capital needed to start a business, and employment, but below the regional average in time needed to enforce contracts and register property. Trade policy and informal market sector activity scores are below regional averages. High import tariffs and import bans are significant impediments to developing the country's economic resources. Import tariffs average 30 percent on all goods. Non-tariff barriers on inputs are implemented suddenly and arbitrarily, and the government's list of banned imports covers about 60 tariff-line items.

- *Transportation*: Transport infrastructure has been neglected, leading to deterioration in the roads, railway lines, and ports. About 31 percent of Nigerian roads are paved and much of the network is in disrepair. Inadequate equipment at the country's ports results in delays in loading and offloading, and has been cited as an impediment to transporting goods. In addition, frequent policy changes and the multiplicity of authorities in ports mean that corruption and delays are reportedly common.

- *Energy:* An operating constraint for businesses has been a shortage of national energy supplies. Nigeria's power comes from petroleum products, natural gas, hydroelectricity, and thermal power. In the petroleum sector, the poor performance of the national refineries and the reported smuggling of petroleum products to regional markets stemming from domestic price controls on petroleum products, resulted in shortages of petroleum derivatives. Supplies of electricity have been limited and unreliable, a situation largely attributed to underutilization of power generation capacity and needed improvements in electricity distribution. Electric power transmission and distribution losses amounted to approximately 38 percent of output in 2001.

- *Agriculture:* About 30 percent of available land is arable. In 2003, only about 50 percent of that land was cultivated. Constraints to expanding agricultural exports include inadequate infrastructure in rural areas, insufficient irrigation systems, inadequate distribution of fertilizer and other inputs, high production and transportation costs, and lack of technical capacity to meet product quality and packaging requirements.

- *Petroleum:* Continued social unrest in the Niger River Delta, a major petroleum production site in Nigeria, has been a constraint to petroleum exports. Such unrest in December 2004 caused the suspension of exports for an indefinite period, potentially forgoing exports of about two million barrels.

- *Manufacturing:* Constraints include lack of knowledge regarding implementation of local content requirements, and lack of engineering and technical knowledge, training, and support. The generally low output of non-energy-related minerals in Nigeria is largely attributable to lack of capital to invest in equipment maintenance and upgrades.

SÃO TOMÉ AND PRÍNCIPE

Export Profile

Cocoa is the single most important export commodity. Small volumes of coffee and frozen fish are also exported. The majority of São Tomé and Principe's exports go to the EU and Canada.

There has been no reported AGOA-related trade or investment. São Tomé and Príncipe exported just $86,000 to the United States in 2004.

Economic Strengths and Potential Growth Sectors

- *Petroleum:* There is substantial potential for exports of crude petroleum. In 2005, Exxon Mobil signed the first deep-sea exploration contract for one of nine blocks in the joint development zones between São Tomé and Príncipe and Nigeria. As new market opportunities in the industry develop, the United States' trade relationship with Sao Tome is expected to expand. However, revenue from the project is estimated to be at least two years from realization.

- *Cocoa and Other Tree Crops:* Cocoa exports could increase, though the current smallholder system of production does not promote high production. Potential exists for the diversification of agricultural exports while maintaining and improving upon existing cocoa production. For example, other exploitable trees could potentially be grown among cocoa trees to serve as both an alternative crop and as shade-providers for the low-growing cocoa trees. Such dual-purpose trees could include rubber trees and banana trees (currently present on the islands). Recent increases in the production of bananas for domestic consumption indicate that some diversification of agricultural production has already begun.

- *Fishing:* The country has a thriving artisanal fishing industry that currently operates mostly in the islands' informal economy. The lack of technical knowledge and fleet capacity to extract deep-sea fish is an impediment to increasing the country's production and exports to Europe and other Northern markets.

- *Services:* The country could take advantage of its location the Gulf of Guinea, off the coast of larger African countries such as Nigeria, Cameroon, and Angola, to become an entrepôt for the shipment of goods from Africa to the Americas (especially Brazil) or to Europe by ocean freight. São Tomé and Príncipe has already created a free trade zone on the island of Príncipe.

- *Tourism:* The two islands have an abundance of beautiful, mostly virgin countryside, as well as over 269 km of tropical coastline to offer potential visitors. Local plantations, churches, and colonial palaces add to the country's rich history. The government is attempting to promote ecotourism as an export growth sector.

Major Challenges to Export Growth

- *Lack of Economic Diversification:* A major issue is lack of diversification of the country's economy, which leaves it vulnerable to price volatility. The ability to diversify is constrained by the islands' limited production capacity and the commodity nature of its current major exports. The country's small size and capacity constraints also hinder its ability to compete against larger mainland West African economies.

- *Inefficient Agricultural Production:* The smallholder structure of cultivation is an impediment to increasing the country's production and export of agricultural products, including cocoa. The government owns all the former plantation land and either leases parcels out to smallholders or runs its own mini-plantations. Under this system, the lack of ownership interest in the land provides the lessees with little incentive to properly maintain the cocoa crops or employ sustainable, eco-friendly production methods.

- *Lack of Skilled Labor:* Although education coverage and quality have improved as a result of national reform programs, the small size of the labor pool and the scarcity of skilled labor limit economic development and the growth and diversification of exports. The continued existence of virulent strains of malaria and other tropical diseases not only compromises the health and welfare of the population, but it also reduces domestic labor productivity and dissuades potential travelers. The government is aware of the importance of both health and education services and is actively seeking engagement with donor partners to further develop its national health and education services.

- *Infrastructure Constraints:* The country has a relatively well-developed road network compared with others in the region, but it does not have a deep-sea port. It is thus unable to berth most international shipping vessels or handle large-scale flow of goods in its free trade zone. The airport cannot currently handle the types of commercial flights that would be necessary for growth of the tourism sector. Poor maintenance of transportation infrastructure, frequent power shortages, and limited water sanitation coverage further inhibit the development of export-oriented businesses. International trade is inhibited by the lack of cost effective transportation systems into neighboring countries.

- *Weak Financial Sector:* São Tomé and Príncipe lacks a sufficiently developed finance industry to provide financial and logistical services to businesses that might take advantage of the country's free trade zones. While recent prudential reforms have allowed for several commercial banks to begin operations in the country, the financial sector remains weak and there is limited access to microfinance and other credit arrangements.

SENEGAL

Export Profile

Senegal's major exports are fish products, petroleum products, phosphoric acid, and tourism. Major trading partners are the EU, India, Côte d'Ivoire, and Nigeria.

Senegal's exports under AGOA and its GSP provisions in 2004 were valued at $518,000, representing about 17 percent of the country's total exports to the United States.

Economic Strengths and Potential Growth Sectors

- Senegal has a comparative advantage in fisheries, groundnuts, phosphoric acid, fertilizer, vegetables, cement, petroleum products (refined oil), tourism, artisan products, and ICT services. In general, major potential exports in the short to medium term are in the agricultural and fish products, services, and energy sectors.

- *Air Transport:* The national airline, Air Senegal International, has domestic, regional, and international service to Paris, providing easy access to EU markets. The government is seeking private investors to finance a new international airport and expansion of Senegal's roads and the port at Dakar.

- *Fruits and vegetables:* Senegal has the potential to increase its production of certain fruits and vegetables, primarily green beans, cherry tomatoes, melons, mangoes, papaya, and asparagus. Production of these products grew to 10,000 tons in 2004 from approximately 6,000 tons 10 years ago, and is projected to rise to 13,000 tons in 2005. The successful export of these products requires exporters to develop capacity to meet quality and SPS standards in export markets, reduce shipping times, and develop a local port with the necessary infrastructure for packing and cold storage.

- *Groundnut Oil*: It appears that Senegal's exports of groundnut oil have the comparative advantage to continue supplying almost one-third of the world market for these products as it did in 2003, and to potentially increase its share of the global market. However, without increased investment in the processing of groundnut oil or to diversify into other processed groundnut products, this sector is likely to expand only in the short term. About 80 percent of Senegal's exports of groundnut oil consist of semi-refined product, with the remainder of the refining process performed in the EU, indicating potential for further processing to occur in Senegal. The processing of groundnuts for confectionery and candy could also be increased. Senegal's exports are primarily to the EU and U.S. markets, but there is potential to expand into other markets such as Australia, Canada, and India.

- *Fisheries*: Senegal has some comparative advantage in mollusks and aquatic invertebrates, and fresh, frozen, or preserved fish and crustaceans. Exports of these products have been increasing since 2001. Investment is needed to improve processing infrastructure, such as refrigeration and freezing facilities at the port. The country might then be able to diversify its markets to the United States, Canada, Japan, and Australia. Niche products such as "dolphin-safe" tuna or "line-caught" fish also have the potential for growth.

- *Petroleum*: The government recently announced the construction of a $5 million oil refinery plant to meet increasing demand for petroleum products in the West Africa region. Senegal currently supplies petroleum products to Mali and Guinea. There has been active exploration for gas and petroleum off the shores of Senegal. Preliminary tests have been conducted to estimate the size of the oil reserves, which were recently estimated at 10 billion barrels. Several companies have showed considerable interest in further exploring for petroleum off the coast of Senegal.

- *Tourism:* Senegal's beach resorts, natural African habitats, and stable economy and government make the country an attractive tourist destination.

- *ICT Services*: The country has good infrastructure in place to support the information technology services sector. Efforts have been made to diversify into information technology services exports. Senegal is an increasingly popular location for call centers, especially for French-speaking EU countries.

Major Challenges to Export Growth

- *Business Environment:* The overall business environment is similar to other countries in the region. Senegal ranks above the regional average on economic freedom, but below the regional average on labor market conditions, including difficulty in hiring and firing. It ranks below the regional average in fiscal burden of government, regulations, and wages and prices. Indirect costs associated with cumbersome government regulations, a nontransparent judiciary, and a perceived over-reliance on taxing large corporations, were cited as significant obstacles to investment. Exporters suffer from a lack of knowledge about U.S. markets and business practices and often lack capacity to meet large orders. Although the microfinance and commercial bank systems in Senegal are relatively strong, many small and medium businesses need better access to credit.

- *Labor:* A major constraint for Senegal's economy is the shortage of technically skilled labor for diversification into certain skill-intensive industries, especially services such as information technology. The country's literacy rate is about 40 percent, with secondary school enrollment of only 18 percent. A shortage of trained labor, especially relating to international business, hampers export growth.

- *Port Infrastructure:* Senegal's major port, Dakar, could benefit from more capacity for container traffic and processing and shipping of fresh, frozen, and processed fish and crustaceans. Some of the regional trade that formerly went through Côte d'Ivoire's port of Abidjan now passes through Dakar. Although there are efforts to expand facilities, Dakar's port is considered less competitive than Abidjan. In addition, traffic congestion causes delays in transporting products to and from ships. A solution has been proposed to build an industrial zone outside of Dakar for SMEs.

- *Transportation:* Senegal has a relatively advanced road network for the region; about 29 percent of roads are paved. However, primary routes are not interconnected, and do not yet connect with roads in neighboring countries. For example, the transport of groundnuts from Senegal's rural areas to Dakar is hindered by the country's infrastructure, which, although relatively advanced for that region, is still problematic. Railways are inefficient and slow because of aging infrastructure. Senegal needs to obtain U.S. Federal Aviation Administration Category One status before direct flights from Senegal to the United States can be made.

- *Electricity:* The cost of electricity is high – reportedly double the cost of electricity in Côte d'Ivoire.

- *Agriculture:* Exporters of agricultural and fish products need to be familiar with international SPS requirements and have the capability to meet them in order to increase sales in these markets. This sector also needs to reduce shipping times to its markets and suffers from a lack of packing and cooling centers in Dakar.

- *Fisheries:* Resource depletion could limit the long-term viability of Senegal's fishing sector. A basic problem is that the capacity to fish exceeds the availability of resources. Allocating future catches of fish and enforcing these allocations, along with regenerating the fish stocks, will greatly improve this sector. The government has developed a restructuring plan to revive the fishing sector.

- *Tourism:* A factor constraining expansion of tourism is the inability to maintain the infrastructure of the resorts and beach areas. Consequently, the sector relies on lower-end vacations. Considerable and consistent investment is needed to compete with other African tourist destinations.

SIERRA LEONE

Export Profile

Diamonds, bauxite, rutile, and cocoa beans are the country's chief exports. Other significant exports include fish products and coffee. The EU is the largest market for Sierra Leone exports. Morocco is an important export market for coffee.

Sierra Leone's exports under AGOA and its GSP provisions were valued at $351,000 in 2004, slightly more than three percent of total exports to the United States. Sierra Leone qualified for AGOA's textile and apparel benefits in April 2004.

Economic Strengths and Potential Growth Sectors

- *Diamonds:* The country possesses vast diamond reserves and is a globally competitive producer and exporter of diamonds. Foreign investors have been engaged in Sierra Leone's diamond mining sector and are expanding their operations. Given its diamond and gold resources, Sierra Leone could become a producer and exporter of jewelry if investments were made in manufacturing equipment.

- *Other Minerals and Oils*: Potential exists to become an exporter of bauxite and iron ore if the country can attract investment. The petroleum sector has elicited foreign investor interest. Several foreign companies have acquired rights to explore for petroleum and gas off the coast of Sierra Leone. Following the purchase by foreign investors of Sierra Leone's rutile mine, limited production resumed in 2005. The mine is expected to return to pre-war production levels in 2006.

- *Agriculture and Fisheries*: Sierra Leone has a strong comparative advantage in the production of cocoa beans; the eastern part of the country is particularly conducive for cocoa production. It could also develop downstream cocoa-based products, such as cocoa paste and cocoa butter. Only about one-third of arable land is under cultivation, so Sierra Leone has the potential to expand agricultural production and exports of products such as cassava, coffee, palm kernels, ginger, rice, asparagus, avocados, cut flowers, green beans, mangoes, and mushrooms. There is also substantial potential for seafood exports. Most of the fish, lobster, shrimp, and shark are caught by artisanal fishermen; investment in a fish processing facility could permit the country to become an exporter of fish products.

- *Tourism*: The country's natural African habitats make the country an attractive tourist destination. This sector has elicited the interest of foreign investors.

- *Light Manufactures*: Sierra Leone is in the process of establishing an EPZ for companies that engage in manufacturing and assembly. It is anticipated that the first products to be manufactured in the zone will be spare parts needed to service equipment in the agricultural and mining sectors; such products also could be exported to regional markets.

<u>Major Challenges to Export Growth</u>

- *Business Environment:* Sierra Leone scored worse than the regional average on costs for starting and closing businesses, complexity of contract enforcement, and labor market conditions. It also ranked poorly with respect to economic freedom, particularly in trade policy, property rights, and regulation scores. Lack of government transparency and corruption is reportedly widespread and is a significant obstacle to investment. Enforcement of the rule of law is irregular and inefficient.

- *Land*: Land policy impedes foreign investment. Foreigners are prohibited from owning land in Sierra Leone, though there are many instances of de facto foreign ownership. Technically, all land outside the region around Freetown belongs to the local chiefs, and foreign investors who want to operate in such areas must negotiate leases with the chiefs. Uncertainties with respect to the rights and obligations of leaseholders detract from the business climate.

- *Labor*: Many professionals in civil service, law, medicine, and education left the country during the civil war, weakening the institutions that rely on such professionals. There is a shortage of skilled labor for diversification into certain skill-intensive industries.

- *Transportation:* Inadequate infrastructure is a significant impediment to investment, production, and the expansion of exports. Much of the transport network was damaged or destroyed during the civil war and has not been repaired. Significant investment is required to enable farmers to get their products to urban areas for domestic sale, and the state of the nation's transportation network prevents farmers from getting their products to the port in Freetown for export.

- *Utilities:* The lack of widespread, reliable, and reasonably-priced public utilities also is an obstacle to economic recovery and the resumption of industrial production.

- *Fisheries:* Sierra Leone lacks both a well-organized fleet to harvest deep-sea resources, and adequate fish processing facilities. All fish caught in the country's territorial waters not intended for fresh consumption must be processed in foreign plants. The country lacks resources to enforce laws against illegal trawling, which impedes investment in the local fishing sector and reduces revenue from licensing fees. Another constraint to increased fish exports is the lack of capacity to satisfy international standards. The Sierra Leone Standards Bureau reportedly is in the process of developing standards and codes of conduct in compliance with EU directives on sanitary certification for fish and fish products.

- *Other Factors*: A primary impediment to increased exports is regional instability. Sierra Leone's leading cash crops, coffee, cocoa, and palm products, are grown in the eastern part of the country, near the border with Liberia. Regional political instability, evident in cross-border raids by insurgents from Liberia, has retarded the development of these products for export. Regional instability has also destroyed resources that could be used for the development of downstream production.

Chapter III. Central African Country Reports

CAMEROON

Export Profile

Petroleum products and hardwood lumber and logs comprise the bulk of Cameroon's exports. Other significant exports include bananas, unprocessed cocoa beans, cotton, and rubber. Aluminum is the only significant industrial export. EU markets receive the majority of the country's exports. Cameroon also exports to other sub-Saharan African countries and to China.

Cameroon's 2004 exports under AGOA and its GSP provisions were valued at $243 million – almost all of which was oil or energy-related products – representing 74 percent of its total exports to the United States.

Economic Strengths and Potential Growth Sectors

- Greatest comparative advantages appear to be in bananas, cocoa, coffee, cotton, rubber, lumber, and other articles of wood. Most of these sectors are operating well below capacity and have potential for expansion.

- *Cocoa:* Cameroon's cocoa beans are highly valued in the international market, though output has stagnated for several decades because of lack of investment. The government recently invested $73 million to provide technological and extension support to farmers, improve infrastructure, renew the aging plant-stock, improve pest control, and diversify plant varieties. Additional funding will support increased domestic processing of cocoa beans for export.

- *Coffee:* Potential in this area depends on improving the quality of robusta bean production and increasing the cultivation of high-quality arabica beans. There may be opportunities in certified organic and "rainforest-friendly products" that tend to command higher market prices. The key to increased coffee exports is farmers receiving prices that will provide incentives to continue to produce quality beans. There is great interest domestically in increasing exports of processed coffee products. The industry already roasts, grinds, and packages coffee, primarily for the domestic and regional markets.

- *Other Agricultural Commodities:* Bananas hold growth potential given the recent privatization of the national banana company and new investment to increase mechanization and to upgrade plantation. Other potential agricultural exports identified by domestic industry representatives include cotton, soybeans, natural rubber, mangoes, papaya, beef, lamb, pork, fresh and saltwater fish, and rattan.

- *Processed Agricultural Goods:* Processed products are particularly promising because they are less perishable and are generally subject to less restrictive SPS requirements than fresh products. The greatest potential for these products exists in developing niche markets. For example, fruit juices, including pineapple and mango, were identified as prospective specialty and organic exports. Other products with potential for increased processing include green beans and tropical fruit. Cameroon’s leading processed agricultural export, cocoa butter, is expected to continue its export growth. Other identified potential processed agricultural exports include shea butter, cigar wrapper tobacco, and processed meat.

- *Wood Products:* Cameroon’s forest covers 40 percent of the country’s land area and is the third largest in Africa, offering enormous potential for development of exports. Potential exports include lumber and processed wood products such as furniture, wood veneers, wood flooring, and high-quality plywood. In addition to traditional forest product exports, other forest resources with potential export applications include barks, medicinal plants, and essential oils.

- *Manufactures:* Capacity constraints limit potential in the industrial sector, though aluminum has potential for expanded exports if electricity shortages can be addressed. There is potential for increased exports to regional markets of certain light industrial products.

- *Textiles and apparel:* Although Cameroon does not currently export significant quantities of these goods, industry officials identified hospital scrubs, underwear, bed sheets, upholstery, and T-shirts as potential exports, if producers can make use of existing preferential trade programs such as AGOA. The potential for such exports is dampened, however, by the increased global competition presented by removal of textile and apparel quotas in 2005.

- *Petroleum and Mineral Resources:* Although petroleum reserves are declining, the country has the refining capacity to process petroleum coming from Chad through the Chad-Cameroon pipeline. Cameroon also has underexploited reserves of natural gas that could be exported. Other underexploited mineral resources include rutile (titanium oxide), bauxite (Cameroon reportedly has the world’s second-largest deposits), iron, cobalt, and nickel ores. The government is exploring the possibility of extracting other minerals such as cassiterite (tin oxide), gold (with potential production of one metric ton per year), diamonds (with a potential of 7,000 carats per year), marble, and limestone. It was also reported that Cameroon’s littoral sand could be of an ideal quality for glass production.

- *Tourism:* Although the current level of tourism is small, Cameroon’s diverse ecosystems are an asset, offering particular potential for ecotourism.

Major Challenges to Export Growth

- *Business Environment:* Cameroon lags behind regional averages in indices measuring access to credit, enforcement of contracts, and employment rigidity. It ranks below sub-Saharan economic freedom averages for trade policy, government intervention, and banking and finance. The lack of an environment conducive to business has prompted some potential entrepreneurs to operate in the informal sector.

- *Transportation and Port:* The transportation system is a significant impediment to developing the country's economic resources. There is a lack of road networks connecting Cameroon with its neighbors, and the bridge infrastructure is in need of repair and replacement. The rail system, though privatized, has only 1,000 kilometers of track and is hampered by inefficiency, old rolling stock, and poor safety systems. The national airline suffers from a lack of capital and does not have regular flights. A number of factors limit the Douala port's potential to serve as a hub for Central Africa. It is located 25 miles from the Atlantic Ocean on the Wouri estuary, which is prone to silt buildup, making it unsuitable for the largest sea-going ships. Although the port has some new facilities, it has a number of old storage depots and outdated infrastructure, and needs additional cold storage facilities for perishable agricultural commodities. Privatization has reportedly increased efficiency and improved turn-around times for container processing. A planned new deep-sea port at Limbe could alleviate current capacity problems.

- *Electricity:* Cameroon uses only an estimated two percent of its hydroelectric potential and lacks sufficient electric power generating capacity. During the last four years, electric generating capacity fell by 35 percent because of low rainfall, resulting in frequent power cuts and high electricity rates. A new thermal power station in Limbe is expected to increase the availability of electricity in the region.

- *Telecommunications:* The fixed-line telecommunications system reportedly has outdated equipment that causes irregular service in much of the country. Although mobile phones have better service and 10 times the subscriber base, the cost of service is high.

- *Lack of Capital:* This is a leading obstacle to the development of export industries. The country has no investment banks that provide long-term, low-interest loans. Commercial banks provide short-term, high-interest loans primarily to large companies that can make substantial collateral commitments. Because interest rates are high, reportedly averaging 20 percent, most commercial loans are used to finance short-term capital projects, or to finance trade transactions, instead of long-term business development. Consequently, large sectors of the economy do not have access to capital. The scarcity of credit is particularly acute for SMEs.

- *Governance/Lack of Transparency:* According to a number of sources, corruption is a serious problem. Despite various anticorruption campaigns by the government, lack of transparency is prevalent at many levels. Timely movement of goods through customs, particularly through the Douala port, requires unofficial payments in the form of additional "taxes" and "fees." For example, exporters of traditional crafts are required to pay a customs fee of five percent, but to "expedite" the shipment, additional taxes must be paid to customs agents. Generally, fees must be paid to meet with customs personnel, to check on shipments, and to inspect cargo containers.

- *Labor Constraints:* In some cases, skilled technical workers have to be imported to work on large or sophisticated projects, as there are not enough technical and vocational schools to train the personnel necessary to meet the country's needs. Other less-frequently identified impediments include a lack of global business management knowledge.

- *Other Supply-side Constraints:* Although textiles and apparel were cited as potential exports, there is reportedly a lack of quality inputs, including yarn, fabric, and apparel-making equipment. Moreover, no domestic manufacturers supply shipping and packaging material appropriate for the international apparel business. In the forestry sector, there is a lack of processing capacity, as a result of too few large-scale sawmills, plywood manufacturing plants, and factories to construct other downstream wood products including flooring, wood veneer products, and furniture. There is also a shortage of skilled furniture designers and craftsmen that can manufacture furniture demanded by the world market.

- *Barriers to Tourism*: The lack of tourist-quality hotels, resorts, and other associated infrastructure, the poor state of roads, and a lack of personal security, particularly in major urban areas, may dissuade tourists from visiting the country. The lack of regularly scheduled domestic air service is also a major hindrance to increased tourism.

- *Meeting Standards:* Cameroon's agricultural exports must meet SPS requirements and certification standards in important export markets. The limited local capacity to meet these requirements constrains export growth.

- *Tariff Barriers:* In some of Cameroon's potential markets (though not in the United States), coffee and cocoa face tariff escalation, whereby higher tariffs are placed on processed products as compared with their corresponding commodity inputs. This tariff structure discourages exports of downstream products. Certain processed fruits and vegetables may also be affected by tariff escalation.

- *Other Factors:* Quality control, inadequate technical capacity, and lack of government and institutional support are also viewed as impediments to export development. There is reportedly a limited understanding of the quality and standards requirements in developed country markets. In addition, domestic firms are unable to fulfill the volume requirements of importers in developed-country markets. With the exception of Cameroon's EPZ program, the institutional framework for developing export businesses is lacking. There are also time-consuming paperwork and approval procedures for establishing a business. There is no investment promotion agency and no framework to facilitate or promote exports by SMEs.

CHAD

Export Profile

Chad's leading exports include cotton, petroleum and gum Arabic. The United States, followed by Germany and Portugal, take in the bulk of Chadian exports.

Chad's exports under AGOA and its GSP provisions increased dramatically in 2004 – to $569 million from just $14.5 million in 2003 – as a result of the full coming on-line of the Chad-Cameroon petroleum pipeline. AGOA/GSP exports represented 81 percent of Chad's total exports to the United States.

Economic Strengths and Potential Growth Sectors

- *Cotton:* Chad has a strong comparative advantage in cotton, its leading non-oil export. While cotton exports are primarily to the EU, potential exists in other global markets, particularly North America, Japan, the Asia-Pacific region, and other developing countries. Recent interest by the government in reviving the defunct formerly government-owned textile mill as a private enterprise with FDI from the Netherlands demonstrates the government's awareness of its downstream cotton sector potential.

- *Gum Arabic:* Appears to have a strong comparative advantage in gum arabic. Most of Chad's gum arabic exports are exported to the U.S. market, but export potential appears to exist in other world markets.

- *Other Agricultural Products:* Chad also has a comparative advantage in onions, shallots, garlic, and leeks. There appears to be potential for export of cattle and cattle-related products.

- *Petroleum:* Based on current exploration and investment, petroleum holds significant export potential. Estimates are that Chad's Doba petroleum field has a projected life of approximately 30 years.

Major Challenges to Export Growth

- *Business Environment:* Chad lags substantially behind the regional averages in business climate indicators, including for the minimum cost and capital required to start a business, the cost to close a business, difficulty in hiring index, and contract enforcement. Although Chad's 2005 economic freedom indicators are broadly on par with the region, the indicators for trade policy, fiscal burden, property rights, regulation, and informal market scores are below regional averages. Political and security risks also create an uncertain environment that is not conducive to investment or economic growth.

- *Transportation:* Transport infrastructure is limited; the country has no railroads and less than 1 percent of roads are paved. Cotton exports must be trucked to the border of neighboring Cameroon, and then loaded onto Cameroonian trains to be taken to the port of Douala for shipping. The poor state of infrastructure leads to high transportation costs, which limit the country's export potential and its ability to attract potential investors.

- *Other Supply-side Constraints:* Energy shortages and high energy costs are key impediments. As a result of a weak educational system and low adult literacy rates, Chad also faces a shortage of skilled labor that inhibits the country's ability to diversify into more skill-intensive industries.

- *Governance/Lack of Transparency:* Lack of transparency and inefficient regulatory systems hinder the development of a diversified formal economy. High-level political involvement in the resolution of business contracts continues to be an issue in both the industry and services sectors. The lack of a strong, well-functioning judicial system increases the legal risk for businesses to operate in Chad.

REPUBLIC OF THE CONGO

Export Profile

The country's major exports are petroleum, wood, sugar, coffee, cocoa, diamonds, gold, and potash. Much of the Republic of the Congo's (ROC) trade is with China, the United States, the European Union, Japan, Hong Kong, Korea, and Vietnam.

The ROC's 2004 exports under AGOA and its GSP provisions were valued at $345 million, consisting mostly of petroleum products and representing 41 percent of the country's total exports to the United States.

Economic Strengths and Potential Growth Sectors

- *Wood Products:* Although the ROC has a comparative advantage in the production of hardwood logs, the average annual growth in the world market for this product is slow. There may be greater opportunities in sawn tropical hardwood. The government reportedly is encouraging an increased share of processed wood in total wood exports.

- *Minerals:* Mining opportunities related to gold are said to remain largely unexploited, but significant investment has been made in the production of magnesium in recent years. The Kouilou Magnesium Project, currently in the construction phase, has been under development by MagIndustries Corp. since 1997. The project is expected to include a carnallite mine; a 60,000 metric ton-per-year magnesium metal production facility; a central refining, alloying, and casting facility; and a stand-alone potash plant. Potash production is expected to start in 2007 and magnesium production in 2008.

- *Power Generation:* The ROC could eventually become an exporter of electricity. Although it currently imports electricity, largely from the Democratic Republic of the Congo, increased investment in the power generation and transmission sector is expected to result in enough power generation for local consumption and potentially exports. Examples of such investment include a natural gas-fired power plant, a joint venture between AGIP and ChevronTexaco, that went on-stream in December 2002, and the construction of a hydroelectric dam on the Lefini River, which is expected to come online within five to six years. Two Chinese companies are developing the Lefini River project with the ROC government. Existing power generation and transmission networks are also being renovated, with one such project receiving Chinese technical support and funding.

- *Petroleum and Energy Products:* Declining crude petroleum production levels at mature fields are expected to be offset as new fields are tapped, particularly ultra deep-water fields. Although much of the ROC's natural gas is currently unused, this is likely to change as a result of a government initiative to use gas to generate electrical power.

Major Challenges to Export Growth

- *Business Environment:* While several business environment indicators are better than the regional average (e.g., the credit information index, time to register a property, the minimum capital to start a business), many more are lower, including procedures and time needed to enforce contracts; costs incurred to create collateral, register a property, and start a business; public credit registry coverage; and most of the employment indicators. Import tariffs are relatively high and average 18.0 percent for all goods, and 22.3 percent on agricultural products. Although the ROC's overall economic freedom score in 2005 was on par with the regional average, most of the individual scores were worse than the average with the exception of the country's monetary policy and wages and prices scores.

- *Transportation:* The transport sector has been characterized as being in a state of advanced deterioration and is not adequate for the country's needs. Less than 10 percent of roads are paved. Given that the main north-south road is not paved in its entirety, logs and wood products intended for export are usually barged down the river from the north and then transferred to the rail line at Brazzaville for transport to the port. However, barging product down the river can only be done eight months of the year.

- *Electricity:* Insufficient electricity generation is a constraint to increased manufacturing investment. According to one source, the potential for hydroelectric power generation in the ROC is vast, but it has only barely been exploited because of the lack of regional markets and investment to finance new generating capacity. Electric power transmission and distribution losses as a percent of output have been fairly high. Other impediments in the electricity sector include infrastructure damage from the periods of internal and regional instability and outdated equipment.

- *Meeting Standards:* Lack of technical capacity to meet SPS and hygiene standards in world markets have also been cited as impediments to trade. Improved food handling procedures and more widespread and readily accessible laboratory testing could help ensure that Congolese agricultural exports meet such standards, potentially allowing for increased exports.

DEMOCRATIC REPUBLIC OF THE CONGO

Export Profile

Diamonds and petroleum comprise the top export commodities. Other significant exports include copper and coffee. Exports are primarily directed to Belgium, the United States, and Finland.

The Democratic Republic of the Congo (DROC) exported $79 million under AGOA and its GSP provisions in 2004, mainly oil, representing 71 percent of its total exports to the United States.

Economic Strengths and Potential Growth Sectors

- The government has approved new investment and mining codes, and has designed a new commercial court in the past year. The goal of these initiatives is to attract investment.

- *Minerals*: Products with the greatest comparative advantage are in the minerals sector, including asbestos, zinc, tantalum, and other base metals. Cobalt ores and mattes rank first and second among products for which the DROC has a comparative advantage. Diamonds are the leading export product and have shown strong growth in the last 10 years that is expected to continue. The Kimberley Process has substantially reduced smuggling of diamonds out of the country, which could increase diamond exports by the formal sector. Several mines with rich deposits of copper, cobalt, and zinc have not been fully exploited. For example, the Kolwezi tailings project has the potential to become the world's largest and lowest-cost producer of copper and cobalt. Production will begin in 2007 if financing is secured. Another copper-rich deposit is the Lonshi deposit. The Tenke-Fungurme cobalt and copper mine is estimated to have total copper and cobalt reserves of 22 million metric tons. Development was halted in 1998, but the company and parastatal Gecamines are now discussing restarting development. Gecamines and a South African firm plan to develop the Kipushi mine, which has estimated zinc and copper reserves of 26 million metric tons. DROC also has comparative advantages in tin, tungsten, and niobium.

- *Coffee:* Coffee may also show potential export growth if political stability can be achieved and if the coffee wilt disease can be controlled. Although DROC was once a significant coffee exporter, coffee exports have declined in recent years, largely because rebels control coffee-producing areas.

- *Power Generation:* The Congo River holds great potential for hydroelectric power. Electrical power is DROC's fourth-largest export – mainly to ROC and South Africa, but the potential in this sector remains largely untapped. The Inga Dam alone, near the mouth of the Congo River, has a potential capacity of 40,000-45,000 megawatts, sufficient to supply all of southern Africa's electricity needs. Only a fraction of this amount has been developed. Total installed generating capacity at Inga was estimated at 3,197 megawatts in 1998, of which hydroelectricity accounts for 98 percent. Actual production is estimated to be no more than 650-750 megawatts, largely because two-thirds of the turbines at Inga are not functioning. Five regional utilities in Angola, Botswana, DROC, Namibia, and South Africa are planning to construct a third power-generation system at Inga with $400 million in funding from the World Bank. The project will generate 3,500 megawatts of electricity targeted to the South African market.

Major Challenges to Export Growth

- *Political Stability/Governance/Lack of Transparency:* Lack of stability and transparency contribute to low levels of foreign investment and the deterioration of existing infrastructure. Despite the country's rich supply of minerals and timber, foreign investors are reluctant to invest because of the domestic conflict. During 1993-2002, DROC experienced four years of negative FDI flows and near zero FDI in 2001. Because of the ongoing conflict, the central government has limited control over several areas in the eastern part of the country where some potential exports (for example, coffee and minerals) are located. There has reportedly been some illegal extraction of minerals in eastern Congo in recent years, with the product being exported via neighboring countries. Resolution of the conflict in eastern Congo would help to restore government control over mineral assets there. Although the Virunga National Park in North Kivu is best known as a home to mountain gorillas, its location in the middle of a conflict zone limits its development as a tourist site.

- *Business Environment:* Indicators are largely below the regional average, particularly in the areas of getting credit, starting a business, enforcing contracts, and difficulties in hiring workers. For example, the cost of starting a business is 603 percent of per capita income, significantly greater than the regional average of 225 percent. The time it takes to enforce a contract is 909 days while the regional average is 434 days. The difficulty of hiring index is substantially higher than in the region as a whole.

- *Ports and Transportation:* The difficulty in shipping from the only major port, Matadi, is a substantial obstacle. The road between Kinshasa and Matadi is in poor condition, despite funding from the EU and World Bank for its repair. Without a port to ship from, exporters are forced to use other, more expensive means, such as air transport. This effectively prohibits export of bulky or items with a low value-to-weight ratio.

- *Financial Sector:* Instability caused by civil war, hyperinflation in the 1990s, and foreign currency restrictions are some of the factors adversely affecting the banking industry, making it difficult to conduct financial transactions. Most transactions are said to take place on the black market. Property rights in the country are insecure.

- *Meeting Standards:* International barriers are not currently a significant obstacle to exports. However, the limited capacity to meet foreign SPS and other standards could limit future export growth.

GABON

Export Profile

Over 90 percent of Gabon's exports are generated from two sectors: petroleum and forestry (logs and timber). The United States, China, and France are the country's main trading partners.

Gabon's 2004 exports under AGOA and its GSP provisions, mostly petroleum products, were valued at $1.9 billion, representing 79 percent of its total exports to the United States.

Economic Strengths and Potential Growth Sectors

- *Wood Products:* Comparative advantage in wood and wood related products, suggests future potential export growth for this sector. The concentration of these exports to a few markets, including the EU and lower- and middle-income countries indicates potential opportunities to expand to other developed export markets. Timber processing is the largest manufacturing sector outside of petroleum processing. Although veneer sheets and sawn wood currently comprise only a small share of total exports, there appears to be solid potential in this sector.

- *Minerals:* Comparative advantage in several manganese-related products is growing.

- *Seafood:* Fish and crustaceans have export growth potential. Gabon has an 800-kilometer coastline with plentiful fish stocks consisting primarily of small pelagic fish, ground fish, and shrimp. Crabs and deep-water shrimp are not yet heavily harvested, and therefore may have greater potential than other types of seafood.

- *Palm Oil:* Palm oil was a substantial export product before the petroleum boom. The previously government-owned palm oil company, Agrogabon, was unprofitable for years due in part to poor management. The company was privatized in 2003 and the potential for the re-emergence of palm oil as an important export has improved substantially.

Major Challenges to Export Growth

- *General Business Environment:* Impediments to increased exports include lack of government transparency, poor infrastructure, and the lack of skilled labor necessary to diversify into more skill-intensive industries. High tariff rates on imported products raise the cost of production. Lack of transparency is especially high with respect to the procedures for bidding on government contracts. The lack of transparency also hurts the overall business climate, and, in particular, deters investment. Gabon's 2005 overall economic freedom indicator was equal to the region's average; however, while the region's economic freedom rating improved between 2000 and 2005, Gabon's economic freedom rating deteriorated. Of all the economic freedom indicators, Gabon's worst performing 2005 component score was trade policy.

- *Lack of Skilled Labor:* There is a shortage of highly skilled workers, which also increases labor costs in the formal sector. Immigrant and migrant workers perform most of the work requiring low-skilled, low-paid labor. Low public spending on education is a factor in the shortage of skilled labor. Although the government provides limited technical training in agriculture and tourism, most quality education is provided only by the private sector, which is not affordable to most Gabonese.

- *Transportation*: Transportation infrastructure is poor. Only 10 percent of the total road network is paved, and there are few roads linking Libreville, the capital, or the main seaport, Port-Gentil, to the rest of the country. Difficult terrain near many urban areas, low population density, and large distances from agricultural areas to small urban markets pose challenges to improvement of the infrastructure. Increased use of air transport as an alternative to the poor roads increases transportation costs. The state-owned airline, Air Gabon, has been unprofitable since 1994 and its financial difficulties caused it to cancel flights to Europe in 2004. The only other airline with a Gabon-Europe route is Air France, which is relatively expensive, and, consequently, inhibits the export of low-value, high-volume products.

- *Other Supply-side Constraints*: The manufacturing sector, with the exception of oil refining and timber processing, is adversely affected by high labor costs, a lack of skilled labor, and poor infrastructure. Construction depends primarily on government-sponsored projects, which declined after 1999 because of the drop in petroleum revenues. In the agricultural sector, large distances from agricultural areas to small urban markets hamper efforts to diversify away from petroleum. Compared to domestic impediments, international factors have not emerged as significant impediments to export growth of Gabon's most important exports, petroleum and wood products.

Chapter IV. East African Country Reports

DJIBOUTI

Export Profile

Leading exports are live animals, skins, and salt. Djibouti's major trading partners include Ethiopia, Egypt, Hong Kong, France, the United Kingdom, and the United States. Port services are an important earner of foreign exchange. Re-exports, primarily from Ethiopia and Somalia, account for approximately 81 percent of the country's total exports.

Djibouti's 2004 exports under AGOA and its GSP provisions were valued at $63,000, representing seven percent of its total exports to the United States.

Economic Strengths and Potential Growth Sectors

- *Services:* The services sector has great export potential. The country's strategic location could provide an environment for service-related industries such as transportation, money transfer, telecommunications, and energy services to thrive. The country's relative social and political stability, the construction of a new port at Doraleh, and the open and friendly business climate create potential for Djibouti to further expand port services. The new port is being developed to accommodate a petroleum terminal, a container and bulk terminal, a petroleum refinery, and the country's first free trade zone.

- *Telecommunications:* The military bases in Djibouti have helped it to develop one of the best telecommunications networks in the region. Unlike in other countries in the region, the telecommunications network in Djibouti, although expensive, is very reliable. Therefore, Djibouti has potential to be a network center that further integrates customers in Africa, the Middle East, Europe, and Asia.

- *Transportation:* Current plans to improve Djibouti's transportation infrastructure by repairing the 100-year old railway shared by Djibouti and Ethiopia, developing a new port, and increasing efficiency in airport management are likely to lower transport costs for many goods throughout the region, thereby increasing Djibouti's potential as a transshipment center.

- *Hides/Skins/Leather Products:* Djibouti has already begun to develop its export market potential for hides and skins. There are approximately one million head of livestock in Djibouti, including sheep, goats, and camels. The Regional Food Security Program, sponsored by the United States, plans to provide $4 million to support the export of livestock from Djibouti, Ethiopia, and Somalia. Djibouti also has the potential to export downstream products such as leather goods.

- *Salt:* Djibouti has a comparative advantage in salt production. It has the potential to increase its salt production and penetrate new and alternative export markets.

- *Fisheries:* The fisheries sector is generally considered to be significantly underutilized and is limited to only a few species such as tuna. Production is mostly limited to the Gulf of Tadjourah and a few other areas. The reef and demersal fisheries are probably more intensively exploited and therefore have a lesser potential for development. The World Bank estimated that only three percent of the country's national fisheries resources are being tapped. The potential catch for fish, shellfish, and lobsters is estimated at 48,000 short tons per year; however, current catch rates are only approximately 1,000 short tons per year.

Major Challenges to Export Growth

- *Business Environment:* Business environment indicators are not available for Djibouti. Despite an overall score that was better than the regional average in terms of economic freedom, Djibouti scored significantly worse than the regional average with respect to trade policy and government intervention in the economy.

- *Infrastructure:* Although port-related infrastructure is good compared with most other sub-Saharan African countries, inadequate domestic infrastructure hampers the expansion of production and exports beyond the capital. Less than 13 percent of the road network is paved.

ETHIOPIA

Export Profile

The leading export product is coffee, followed by oilseeds, and raw skins of sheep and lambs. Other exports include cotton, vegetables, fruits, and cut flowers. The country's leading export markets are Germany, Japan, Italy, Saudi Arabia, and the United States.

Ethiopia's 2004 exports under AGOA and its GSP provisions were valued at $5.3 million, representing 13 percent of total Ethiopian exports to the United States. AGOA/GSP exports included apparel and a variety of agricultural products.

Economic Strengths and Potential Growth Sectors

- Products with the greatest potential for growth in the short to medium term are primarily in the agricultural, light manufacturing, energy, and services sectors.

- *Coffee/Tea/Herbals:* Although coffee's share of total trade has been declining, coffee products continue to have strong export potential. Ethiopian coffee enjoys a strong reputation in the international market. Moreover, because Ethiopia only processes a small portion of the coffee that is exported, there is potential for the country to increase export earnings by developing the resources to process and package coffee for export. Similar to coffee, there is potential for increased processing, packaging, and branding of tea. Many plants in Ethiopia are traditionally used for medicine and cosmetics and may offer export potential.

- *Other Agricultural Products:* Tropical fruits, nuts, beans and other pulses, and medicinal plants are found throughout the country but have not been extensively developed for international markets. Ethiopia has a natural comparative advantage in oilseeds, honey, and flowers, but exports have not developed to their potential because of limited technology, low capacity utilization, and high input costs for domestic processing plants. Several Kenyan investors have reportedly recently opened facilities for flower exports. The livestock and animal-related products industry is also underexploited and has export growth potential. In an attempt to increase investment and production, the government is establishing a 20-year livestock development plan in conjunction with the African Development Bank.

- *Industrial Goods:* According to government officials, Ethiopia has the potential to produce light manufactured goods for export, including textiles, apparel, and leather products such as wallets, handbags, coats, and shoes. The potential for textile and apparel products is dampened, however, by increasing international competition stemming from removal of global quotas in 2005. With ample gold reserves estimated between 60 to 200 short tons, and prospects for increased output, downstream jewelry products exhibit export potential if manufacturing constraints are overcome.

- *Energy:* Hydropower and geothermal energy resources offer promising opportunities. According to the World Energy Council, Ethiopia's potential for hydropower generation is the second largest in Africa. Although the country currently has only 450 megawatts of installed hydroelectric capacity, it has the potential to develop over 30,000 megawatts of hydroelectric power. In 1999, hydropower output was only 1.6 million megawatt hours, which provided 97 percent of Ethiopia's electricity. Ethiopia's geothermal energy capacity is estimated to have 24 prospects with a potential output level of 700 megawatt equivalent.

- *Services:* Sectors with the greatest potential for growth are tourism, air transportation, and publishing. Ethiopia is an area of great interest for archeologists, and close proximity to other tourist destinations such as Egypt and Kenya provides a springboard from which the tourism sector could develop. In addition, the diverse ecological resources and vast archeological sites provide a strong base for expansion of tourism as well as plant, animal, and medical research services. Increased trade in tourism services will in turn drive demand for air transport services. While some African airlines have been decreasing flight frequency and shutting down services, Ethiopian Airlines recently purchased several Boeing aircraft to expand services. Ethiopians living abroad are increasingly outsourcing magazine and book printing services to Ethiopia to take advantage of lower cost structures.

Major Challenges to Export Growth

- *Business Environment:* Business indicators are generally better than the regional average. Indicators for which Ethiopia scored worse than the regional average include the number of procedures to register a property and the minimum capital required to start a business. According to most indicators of economic freedom, Ethiopia, on average, lags behind other countries in the region. This discrepancy between assessments of Ethiopia's business environment may reflect better-than-average regulation at the individual business level, but an overall more difficult macroeconomic environment for business.

- *Access to Information and Technology:* Lack of access to international buyer information and limited technology are major impediments. For example, a leather and shoe company representative indicated that his company would expand production capacity, and even invest in air cargo, if he could find a reliable buyer for his products. Diversification is hampered because Ethiopian farmers are unable to access information on high-yield varieties, cost-effective inputs, better agronomic practices, and management skills.

- *Labor:* Ethiopia has a large labor force estimated at 30 million; however, social instability, civil unrest, recurring famines, disease, and population displacements have continuously depleted human resources and reduced productivity. These factors have contributed to the migration of much of the educated population, exacerbating the lack of skilled labor.

- *Constraints in Agriculture:* Most of the agricultural product processing facilities utilize outdated technology and most products do not meet U.S. and EU quality standards. Consequently, products are shipped to other countries for processing and packaging and subsequent export to the United States or the EU. The horticultural sector in Ethiopia is constrained by monopolies that reduce efficiency and industry expansion. The major constraints to agro-processing are the lack of packaging technology, inadequate facilities, lack of investment, and limited access to production inputs.

- *High Cost of Inputs:* In the manufacturing sector, the high cost of imports affects competitiveness. Delays in customs clearances also remain an impediment to trade. Insufficient textile and accessories suppliers in Ethiopia limit apparel sector expansion.

- *Inadequate Infrastructure:* The infrastructure necessary to foster an export-oriented environment is lacking. Only 12 percent of roads are paved. The communications infrastructure is poor, with less than one in 1,000 people having mobile phones or access to the Internet. Structural problems in the banking and finance sector also contribute to limited access to credit and foreign exchange, inhibiting investment and development of export industries

- *Meeting Standards:* Local capacity to meet SPS and other requirements in potential markets is low.

KENYA

Export Profile

Tea, refined petroleum products, cut flowers, coffee, and vegetables comprise Kenya's main exports. The top market for Kenya's exports are its fellow COMESA members, the EU, and the United States. Apparel accounts for a large and growing share of Kenya's exports to the United States.

Kenya's 2004 exports under AGOA and its GSP provisions – mostly apparel, but also including cut flowers, nuts and light manufactures – were valued at $287 million, representing 81 percent of total Kenyan exports to the United States.

Economic Strengths and Potential Growth Sectors

- *Horticulture:* There is significant export growth potential for Kenya's horticultural products in nontraditional markets such as Canada, United States, South Africa, and Japan. Currently, the vast majority of Kenya's horticultural exports are shipped to markets in the EU. Although Kenya's share of the global market for cut flowers is 4.3 percent, it holds less than one percent of the U.S. and Canadian markets. Kenya supplies 22.3 percent of the EU market for leguminous vegetables (e.g., peas, beans, and lentils) but has virtually no exports to the United States or Japan. Much of this market concentration can be explained by transportation costs that allow Kenya to be more competitive in proximate markets. Kenya will need to seek appropriate SPS certifications in order to expand horticultural exports to the U.S. market. However, these costs are less likely to create a significant competitive disadvantage for products with a relatively low weight-to-value ratio such as cut flowers. Kenya's cut flowers are reported by Kenyan government officials as having a longer shelf life than the comparable South American flowers that supply much of the North American market. Kenyan officials report that Kenya has begun exporting a small number of flowers to Japan and the United States, and is actively working to develop these and other markets in North America, the Middle East, and South Africa.

- *Textiles/Apparel:* According to a recent USAID-sponsored study commissioned by COMESA, Kenya will continue to have a comparative advantage in some apparel products after the elimination of global apparel quotas, thanks in part to AGOA. However, the long-term viability of the apparel sector will depend on government and private sector efforts to address policy and infrastructural constraints to competitiveness and the success of regional efforts to promote vertical integration in the cotton-yarn-textile-apparel value chain.

- *Pyrethrum:* This product, a natural herbicide, used to be one of Kenya's major exports and has strong export potential given the demand for effective low toxicity pesticides. Flooding in 1997-98 destroyed a large number of plants that have yet to be replaced. The government is currently trying to attract investment by liberalizing the pyrethrum sector and restricting the pyrethrum board to regulatory functions.

- *Coffee:* Coffee remains a major export for Kenya. Reforms that would increase efficiency and provide greater returns to coffee growers may provide potential for expansion of the sector. The government is considering reforms that would liberalize the sector and establish an agency to operate processing, marketing, and inputs distribution.

- *Tourism:* The potential for growth has increased with government efforts to revitalize this sector. If the government can maintain a secure environment for tourists and the security situation improves to an extent that would allow the United States to remove its travel advisory, the number of tourists visiting Kenya's beaches and parks could increase.

<u>Major Challenges to Export Growth</u>

- The principal domestic impediments to exports in Kenya are largely the same factors that have restricted the growth of the economy as a whole, including lack of government transparency, incomplete implementation of reforms and projects, crime, and poor transportation infrastructure. Lack of transparency, particularly in government procurement and dispute settlement, has been cited by U.S. and other foreign firms as a major obstacle to FDI. Kenyan firms pay more unofficial fees, provide more of their own infrastructure, and face more regulation than competitors in countries such as China and India.

- *Business Environment:* Business indicators are generally better than regional averages. Kenya fared worse than the regional averages in six business environment indicators: recovery rate when closing a business, time required to close a business, private bureau credit coverage, public credit registry coverage, number of procedures to register a property, and number of procedures to start a business. Employment market indicators were similar to or surpassed OECD averages. Kenya's economic freedom score improved between 1995 and 2000, but deteriorated between 2000 and 2005. Notably, the trade policy component fared worse than all other indicators of economic freedom. Kenya scored in the moderate or better range for indicators such as level of government consumption, monetary policy, foreign investment, and property rights.

- *Governance/Lack of Transparency:* Corruption is frequently cited as a major or severe obstacle to the operation and growth of the Kenya private sector.

- *Constraints in the Tourism Sector:* Crumbling transport infrastructure, inadequate marketing, and increased competition from Mauritius, South Africa, and Tanzania have hurt the tourist industry in recent years. Terrorist acts have caused several Western countries to issue negative travel advisories that have had an adverse impact on tourism.

- *High Cost of Doing Business:* High wage rates for unskilled workers relative to other African and Asian countries put Kenya at a competitive disadvantage, particularly because the higher wages do not reflect greater productivity. Other factors increasing the cost of doing business include relatively high import duties, high interest rates, and high-priced, unreliable utilities. Both imports and exports are hampered by customs procedures that are detailed and rigidly implemented, and inefficient procedures at Kenya's principal port in Mombasa.

- *Export Taxes:* Kenya's export taxes on certain products such as hides, skins, and scrap metal discourage raw material exports. The government is considering a further ban on raw cashew exports to encourage roasting and other processing in Kenya. These export taxes and bans limit the export of these products by raising export costs and encourage industries for which Kenya may not have a comparative advantage.

- *Air Transport*: Kenya does not currently qualify for the U.S. Federal Aviation Administration's Category One certification and, consequently, air-freighted exports destined for U.S. markets must first be shipped to other countries that qualify. This adds additional time and expense and reduces the competitiveness of Kenyan exports of flowers, fresh fruit, and vegetables in the U.S. market. Lack of certification also prevents Kenya Airways from transporting tourists directly to and from the United States. Kenya is currently renovating and improving security measures at the Jomo Kenyatta International Airport in order to attain Category Onestatus, which would enhance the country's export potential.

- *Meeting Standards*: The horticultural sector faces some difficulty in meeting environmental and safety standards in the EU and U.S. markets, and producers have limited capacity to meet these standards.

RWANDA

Export Profile

Minerals, metals, coffee, and tea are Rwanda's chief exports. The largest export market is Indonesia. Rwandan trade with Hong Kong and Thailand grew substantially in the past decade.

Rwanda's 2004 exports under AGOA and its GSP provisions were valued at $67,000, representing approximately one percent of total exports to the United States.

Economic Strengths and Potential Growth Sectors

- *General:* Leading exports – minerals and metals and coffee – are likely to be the engines of export growth in the short to mid term. Rwanda's hilly terrain, of which 41 percent is arable, gives it a natural advantage in the growth of certain agricultural products such as coffee and, more recently, tea. It also has a natural advantage in minerals and metals, notably in gold, tin, gemstones, and other metals. However, opportunities for increasing exports may also be found in downstream processed products. Given their high input and transport costs, Rwandan producers might consider targeting high-end, niche products that garner higher prices and take advantage of Rwanda's low-cost labor.

- *Minerals:* The outlook for mineral exports depends on the resolution of political instability and favorable world market conditions for coltan, gold, tin, and tungsten.

Historically, tin exports had been the dominant mineral export but coltan has been the largest mineral export since 2000. REDEMI, the state-owned mining company, has more than doubled production of multiple products during 2000-04, including cassiterite, coltan, and wolframite. It is unclear, though, to what extent this production represents re-exports from sources in the Democratic Republic of Congo. The lack of clarity as to the origin of some of these resources makes formalization of investment in this sector difficult. Rwanda also has undeveloped beryllium, kaolin, and peat deposits, and REDEMI's announced intention to begin offering concessions for sale in 2007 should increase production of multiple mineral resources destined largely for export.

- *Textiles/Apparel:* Rwanda shows comparative advantage gains in woven fabrics, indicating potential for increased sector exports. The country's leading firm in this sector was established in 1985 and, despite continuing low production capacity, has rapidly expanded in the last few years to become an integrated textile company with spinning, weaving, dyeing, printing, and apparel-making capabilities. It produces industrial and school apparel and basic products such as sheets and curtains and operates a growing textile mill with an in-house garment manufacturing facility, though it has not yet exported under AGOA. Other small textile weaving companies are also expanding, including a firm that specializes in hand-loomed textile products. The export potential of textile and apparel products is, however, dampened by the end of quotas in 2005.

- *Chemicals:* Downstream chemical manufacturing opportunities include sodium hydroxides and peroxides, calcium carbides, and carbon black, a specialty product added to rubber tires that is derived almost exclusively from the burning of natural gas.

- *Coffee:* The government has identified coffee as an export growth product. Given declining international coffee prices, the government plans to increase its sales of high-grade arabica coffee by developing specialty products that could potentially triple the income to the farmers. This policy requires introducing improved harvesting techniques and coffee-washing technology, as well as introducing flavoring and packaging options to further process the coffee for export.

- *Other Agriculture:* Rwandan dried fruit has gained in comparative advantage, suggesting potential export growth for downstream products. Additional processing beyond raw materials (e.g., to dry the fruit) has provided the opportunity to increase the margins on exported products and absorb the additional transport costs associated with inadequate transportation infrastructure. Pyrethrum, a natural herbicide, also has strong export potential given the demand for effective low toxicity pesticides.

- *Ecotourism:* Rwanda has a highland forest with over 30 species of primates, including gorillas. To capitalize on these assets, it has been suggested that Rwanda develop a research center that offers university programs to attract additional visitors who would stay in the country longer than the typical ecotourist.

Major Challenges to Export Growth

- *Business Environment:* The challenges confronting potential investors include a shortage of reliable and affordable energy, regional instability, inadequate transport links, lack of fiscal discipline, and the slow privatization process. Additionally, several business environment issues such as the cost and time required to register a property and start a business, negatively affect business development. Economic freedom is improving such that Rwanda is approaching the regional average in 2005.

- *Low Production Capacity*: Rwanda's typically low production capacity results from a lack of technology and costly and inefficient transportation stemming from underdeveloped infrastructure. These factors impede Rwanda's integration in the global economy and negatively affect investment.

- *Transportation:* High transport costs are a major barrier to export diversification. As Rwanda has no railways, all transport is road based, and only 8.3 percent of roads are paved. There are two routes to access ports – a northern corridor through Kampala to Mombasa and a central corridor to Dar es Salaam. Because of the lack of security and dilapidated roads in the central corridor, 80 percent of traffic uses the northern corridor. However, the greater security of the northern route comes at the expense of more checkpoints, resulting in delays and increased transit costs. The cost of moving goods to or from the coast is reportedly often more than twice the cost of ocean-borne shipping to and from Europe or Asia.

- *Customs/Shipping:* The length and variability of shipping times require producers to maintain large inventories, which tie up capital and increase the cost of products. Rwandan producers also face a number of customs barriers on both imports and exports that lead to delays and increased costs, including its inefficient bonded warehouse system and the multiple customs frontiers that must be crossed. Air transport is considered important to the development of nontraditional exports such as horticulture.

- *Water and Power:* Insufficient water and power hinders development in all sectors. The national electric utility monopoly is almost entirely dependent upon hydroelectric power. Thus, the drought of the past two years has caused regular supply interruptions during a time when demand is increasing by more than 10 percent per year. As a short-term remedy, many companies have purchased their own electrical generators to improve supply reliability, but this is more expensive than hydroelectricity. Other companies have significantly curtailed output. Several businesses report that they have been unable to carry out plans to expand production because of unreliable water and energy supplies. Water is also becoming increasingly scarce, and the urban water supply is dependent upon energy supply reliability. This also affects tourism.

- *Meeting Standards:* The lack of technical capacity makes it difficult to meet product standards and requirements. To successfully market products internationally, especially agricultural products, Rwanda must meet international standards in process and quality.

With the creation of the Rwandan Bureau of Standards in 2002, Rwanda is introducing a modern system of standardization that did not previously exist.

- *Lack of Access to Credit:* Inadequate access to credit constrains export growth, especially in the agricultural sector. Only two percent of bank credit went to the agricultural sector in 2002. High interest rates and demands for 100-percent collateral make formal loans prohibitively expensive. Access to credit to finance crop selection, fertilizer use, and marketing is necessary for large-scale production and expansion into downstream products.

TANZANIA

Export Profile

Tanzania's largest export product is fish, followed by coffee. Other significant export categories include tea, spices, ores, slag, ash, fruit, nuts, and tobacco. The EU, India, and Japan are Tanzania's largest trading partners. Substantial trade is also carried out with Kenya.

Tanzania's 2004 exports under AGOA and its GSP provisions were valued at $3.6 million in 2003, mostly apparel, representing about 15 percent of its total exports to the United States.

Economic Strengths and Potential Growth Sectors

- *Coffee:* The potential for growth in the coffee sector is considerable. Coffee factories are operating at approximately one-quarter of installed capacity. Recent changes in regulations helped to promote market diversification, e.g. by facilitating export to niche markets commanding premium prices. There have also been efforts to improve traceability of coffee production, which in turn enhances branding.

- *Horticulture:* Tanzania has a potential to increase its exports of a wide range of fruit, vegetables, and flowers. The climate and growing conditions are ideal for a wide variety of fruits and vegetables. Potential export markets include regional countries, the Middle East, and Europe. Unprocessed cashew nuts are considered a nontraditional export. The government is promoting this product for export and is trying to acquire updated technology for its 12 processing plants. Tanzania's Board of External Trade has identified pepper, chili, paprika, cardamom, cinnamon, vanilla, turmeric, and ginger as potential export growth products. Potential markets for expanded spice production are the EU, the United States, Japan, and the Middle East; however, government representatives note that quality and packaging standards would have to improve to meet market requirements. Cold storage facilities at the major airports have been improved in recent years, which could help to boost exports. In addition, changes in the tax regime related to the aviation industry have provided incentives for airlines with excess capacity to transport high value agriculture products.

- *Agribusiness:* The majority of Tanzania's agricultural exports are not processed. However, the government is starting to focus on downstream processing and great potential reportedly exists for growth in agro-processing. Opportunities also exist in processing and packaging fruit and vegetables, dairy products, and meats, as well as manufacturing spirits from molasses produced by sugar processing factories.

- *Fisheries:* Rescinding the export ban on foreign trawlers could increase fish exports. Opportunities also exist to increase offshore fisheries that could result in additional export capacity. There are concerns, though, about the long-term viability of the fish and fish-products industry because of the uncertainty of fish reserves, especially in Lake Victoria.

- *Minerals/Petroleum:* Various mineral and energy products have potential for export growth. The mining sector is expanding, and Tanzania is expected to become the third-largest gold producer in Africa. The government has eliminated many impediments that restricted foreign ownership of mineral production enterprises. It anticipates that petroleum will be discovered off the coast, although it is unclear if the deposits will be commercially viable. The government is seeking investors for seven of 12 exploration blocks with potential gas and petroleum deposits.

- *Tourism:* This is one of the fastest-growing sectors in Tanzania and the largest foreign currency earner. An increasing number of travelers from East Asia, India, the United States, and Europe are drawn to Tanzania's wildlife safaris, deep-sea fishing, mountain climbing, and nature treks. The growth in this sector has stimulated significant investment in hotels, restaurants, and ground service facilities.

- *Textiles and Apparel:* The government has supported the export of textiles and apparel as one of the major sectors for growth, and Tanzania has begun to export apparel to the United States under AGOA. The identification of textiles and apparel as a potential export sector is, however, dampened by the increasing international competition stemming from the removal of global quotas in 2005.

- *Wood and Leather:* Wood exports have increased significantly, from $2.4 million in 2001 to $18.9 million in 2003. The government is encouraging the sale of processed wood products such as handicrafts, instead of timber or logs. Livestock numbers have been growing consistently in recent decades, and opportunities reportedly exist for the export of leather and leather products.

<u>Major Challenges to Export Growth</u>

- *Business Environment:* Investors looking to start and maintain a business face several obstacles. When registering property, investors encounter twice as many procedures as other countries in the region. Most of Tanzania's employment indicators are also worse than the regional average; however, the country scores better than the regional average on enforcing contracts. Although Tanzania's economic freedom is on par with the regional average, its trade policies are notably worse than regional averages. Policy implementation can be slow and sometimes inconsistent. For example, at the same time the government is trying to promote an increase in downstream production, the taxes on handicrafts have increased. The EPZ faces many challenges, including poor infrastructure and lack of space. Industry has raised concerns about local governments' imposition of unofficial taxes as products transit between regions and districts, which raises the cost of production and causes shipping bottlenecks. Other deterrents to business development include a weak legal system and the tax regime. Foreign investors may not currently own land and also face difficulties in obtaining documentation such as town planning certificates and building permits.

- *Financial Services Constraints:* The financial services sector is not well developed. Even though the financial sector has been liberalized, only five percent of farmers have access to bank credit. There are few banks and average interest rates are around 15 percent. Because the government owns all of the land in Tanzania, small-scale farmers and other borrowers are unable to use land as collateral. Instead, land can be leased for 33, 66, or 99 years, depending on its use, and the president can revoke leases, increasing investment risk.

- *Packaging Challenges:* Investments are needed to develop and improve the packaging industry to meet quality, strength, and environmental-friendly requirements. New packaging companies are emerging, but they are unable to fill the demand for export to some large markets or for certain sectors, such as horticulture and spices.

- *High Production Costs:* Raw materials are expensive, and the average import tariff in 2003 was 13.6 percent. Among East African Community members, electricity costs are the highest in Tanzania and service is sporadic. The high cost of electricity is a serious impediment to attracting new businesses.

- *Limited Production Capacity:* Productivity in the rural sectors is low because of the limited access to modern technology, manufacturing equipment, and inputs. Producers are generally slow to change their operational practices to increase efficiency. Industry representatives have lamented that producers cannot satisfy large quantities demanded by certain export markets, and transportation costs increase when producers are unable to fill containers for shipments. For example, handicrafts producers are fragmented and not centrally located, making it difficult to fill orders and educate producers about management.

- *Access to Market Information:* Tanzanian producers generally lack a clear understanding of overseas quality requirements and consumer preferences. The cost of traveling to foreign market trade shows and sending samples overseas is prohibitively expensive.

- *Inadequate Infrastructure:* The road network suffers from 25 years of neglect and decay. Only 4.2 percent of the total road network is paved. Feeder roads are inaccessible from production sites to distribution centers and ports, making it difficult for businesses to operate outside of Dar es Salaam. Because of poor roads, the cost of transportation is high. The cost to ship a 20-foot container from Arusha to Dar es Salaam is roughly the same amount as shipping from Dar es Salaam to Europe. Although communication with producers in rural areas has improved with the increased use of mobile phones, the inadequate transport infrastructure hampers the retrieval of products from remote areas. Postal and fixed line phone services are weak; fixed line telephone services are unreliable and international service is expensive and inconsistent.

- *Other Factors*: There is a lack of technical capacity to meet customs procedures and SPS standards. One of the most significant impediments to growth in the coffee sector is taxation. Taxes are high – 50 to 70 percent – and the tax code is complicated. In addition, the Coffee Board limits the number of export licenses applicants can obtain.

- *Smuggling:* Mineral sector export growth is hindered by pervasive smuggling of tanzanite into Kenya. For example, Kenya is the leading exporter of tanzanite, despite the fact that this gemstone can only be found in Tanzania. Smuggling is induced in part by porous borders and burdensome licensing and regulations applied to the export of tanzanite.

UGANDA

Export Profile

Uganda's major exports are coffee and fish, followed by tobacco. Vanilla, gold, flowers, maize, and cattle hides have been exported in recent years. Major export markets include the Netherlands, followed by Belgium, the United States, Germany, and Spain. Some trade also occurs with COMESA members.

Uganda's 2004 exports under AGOA and its GSP provisions were valued at $5.1 million, representing 20 percent of total Ugandan exports to the United States.

Economic Strengths and Potential Growth Sectors

- Coffee, cotton, fish, horticulture, potatoes, and livestock/livestock products (including meat, milk, hides, skins, and leather products) have been identified by the government as potential growth sectors.

- *Coffee:* Coffee has been Uganda's top export, and even though its share of the total has been declining, specialty coffee products have strong export potential. As a group, East African countries produce about 15 percent of the specialty coffees in the world and could potentially produce more. Uganda is currently the leading exporter of organic coffee in Africa. Various attempts also are being made to add value to coffee, sell washed arabica and robusta to the specialty market, popularize local consumption of roasted and ground coffee, and attract an investor to begin soluble coffee production.

- *Other Agriculture:* Conditions are favorable for investment in the production of other agricultural goods for export to the East African Community region, including soybean oil, peas, and sugar, provided that the inadequate transportation network is improved. Uganda is expected to become the second-largest exporter of tobacco in Africa and fourth in the world when Uganda Tobacco Processors starts production in 2005. Bananas have been a staple food crop in Uganda, and the National Banana Research program was established in 1989 to enhance banana productivity and utilization, thus improving food security and increasing household income. With continued growth and development in this area, bananas represent a potential export. Other nontraditional potential exports include honey, chilies, ginger, pineapples, silk, oilseeds, and vegetables.

- *Cotton/Textiles:* Current textile production is limited, but with modernization of existing plants, continued availability of locally-grown, high-quality cotton, and ample access to water, production for export could substantially increase. Uganda is beginning to develop a cotton-spinning industry, and as with most other sectors, developing related transport logistics is critical. USAID is working with the government, the Cotton Development Organization, ginners, and producers to help Uganda take advantage of AGOA rules of origin and to become a significant supplier of cotton lint, and perhaps cloth, to textile manufacturers in Africa. In addition, organic cotton is already being grown in Uganda and can garner a premium price over regular cotton. Organic yarn has been exported to Mauritius, Kenya, and Tanzania. The EU, United States, and Japan are potential export markets for high-quality organic yarn and apparel.

- *Fisheries:* Uganda is courting Norwegian investors to establish a fish feed-producing plant. There is potential in processing fish into finished products such as canned fish, fish sausages, fish soups, and breaded fish. The sector has benefited from African Development Fund project financing. Additionally, there is potential for development and marketing of high-value materials from fish by-products, such as skins and carcasses. The skins could be tanned and marketed as high-value leather, while both the skins and carcasses may be used as raw materials for gelatin and glue. Currently, only one firm converts fish skins into leather for export.

- *Vanilla:* Vanilla has been growing at a rapid pace in world trade, and the two largest producers of vanilla, Indonesia and Madagascar, have decreased their production levels recently. Consequently, Uganda is in a position to increase market share, especially to the United States, the world's largest importer of vanilla.

- *Floriculture:* Floriculture is still a new industry; cut flowers, cut foliage, and, to a lesser degree, pot plant cuttings are the main outputs. Cut flowers include a variety of roses, chrysanthemum cuttings, carnations, and summer flowers. Cut flowers currently are exported to Europe, primarily to the Netherlands, where they are sold through auctions and brokers for distribution throughout Europe. Cut roses represent a potential export to the United States, as they are duty-free under AGOA, and to other export markets, such as South Africa, Australia, and the United Arab Emirates. Dubai is another potential export market, as it is a new flower center with an auction system and there are direct flights from Uganda to Dubai.

- *Hides:* Uganda is a substantial exporter of raw hides, but the sector is dominated by one firm that has expressed no interest in downstream processing such as transforming the hides into leather and leather products. However, given the government's export strategy and emphasis on nontraditional and agro-processing exports, leather and leather products remain a viable potential export for Uganda.

- *Dairy Products:* Uganda boasts a growing livestock industry, centered on Ankole cattle, and a growing dairy sector with excess production capacity. With improved transport infrastructure and better storage capability, Uganda could serve regional markets. There is a demand for better breeding techniques, feed, and veterinary care because endemic diseases and the lack of quality standards necessary for export have limited the sector's potential.

- *Minerals:* The mining and quarrying sector is underdeveloped but constitutes a promising sector. It is endowed with a great diversity of geological formations and structures favorable to mineralization and petroleum entrapment. European mining firms are involved in a $100-million cobalt reprocessing project at Kilembe, and local gold dealers report some high-quality gold deposits within Uganda as well. Exploration activities in the Semliki Basin in western Uganda have reaffirmed the existence of petroleum deposits, and further drilling is planned to assess their size. In 2002, mineral surveys were conducted throughout the country, specifically for gold, zinc, copper, and lead in southeastern Uganda; and carbonatite, gold, nickel, diamonds, tantalum, and niobium in other areas.

- *Tourism:* Since the late 1980s, tourism has been one of the fastest-growing industries and an important source of foreign exchange, but prospects have suffered in recent years because of lack of security, mainly in the north and west of the country. However, security is improving, and Uganda is one of only three countries with rare mountain gorillas. In addition, Uganda boasts two significant game parks, Queen Elizabeth and Murchison Falls, and a few smaller parks.

Major Challenges to Export Growth

- *General:* Among major impediments to exports are poor physical infrastructure (e.g., roads and railways), unreliable public utilities (e.g., power, water, and telecommunications), weaknesses and lack of transparency in tax administration and commercial justice, and cumbersome customs procedures. These obstacles have hindered Uganda's efforts to expand trade and attract FDI. Despite these constraints, many of Uganda's business environment indicators are better than the regional averages. Governance also reportedly presents a significant impediment. The 2005 Index of Economic Freedom score for Uganda classifies the country as mostly unfree, with better scores for government intervention and monetary policy than for fiscal burden, property rights, or regulation.

- *Transportation:* The lack of paved roads, rail links, and agreements for transnational flights discourage both overseas and regional trade. Because of its land-locked status, most goods entering or exiting Uganda pass through Kenya, which has inadequate transport infrastructure, including the inefficient port of Mombasa. Generally, transporting a container of goods between Mombasa and Kampala takes twice the time and expense as transporting that same container between London and Mombasa. Most businesses opt to use trucks, but efforts are underway to increase the usability and efficiency of the railway system. Privatization of the national rail company is nearly complete, and there are proposals for eastern, central, and southern rail links, but these projects have yet to be funded. The U.S. Trade and Development Agency is partially funding a feasibility study on the upgrade and expansion of Entebbe International Airport on behalf of the Civil Aviation Authority of Uganda. There is no direct air route from Uganda to the United States, and routes via other African countries do not have sufficient capacity.

- *Electricity:* Electricity is both intermittent and expensive. Currently, more than 90 percent of energy requirements are met by sources other than petroleum and electricity, with more than $100 million spent each year on small dry-cell batteries for radios and lighting. The Electricity Board was privatized in 2002, and the government has undertaken a 10-year program of rural electrification. Uganda also has huge hydroelectric power potential, with the various lakes and rivers in the country, but little progress has been made in this sector. Environmental groups have cited concerns about the environmental effects of dams and power plants on Uganda's forests and waterways.

- *Labor Constraints:* There is a shortage of middle managers and technicians and a lack of entrepreneurs exposed to advanced industrial culture, both of which are necessary for developing export industries, especially those in the industrial sector. Labor laws have been cited as not meeting international standards, and enforcement is inadequate, especially in the textile and apparel sector.

- *Access to Market Information:* Ugandan business managers have little knowledge of the U.S. market, including trends, required standards, methods of doing business, and how to develop contacts, which serves as an impediment to exporting to the United States.

- *Constraints in the Mining Sector:* Major constraints in the mining industry include the lack of local capital sources and basic equipment, outmoded plant and equipment, inadequate repair and maintenance facilities, lack of in-country research and development, incomplete geological and mineral information, low investment levels in feeder industries that consume industrial minerals, and underdeveloped infrastructure. Depending on the nature of activities, operations in the sector are subject to exploration, mineral dealer, and mining licenses. However, the revised mining statute is expected to reduce the number of licenses required to operate in the sector.

- *Agribusiness:* There is a high level of loss in the agricultural sector because of the lack of appropriate storage facilities and weak marketing and distribution systems. Partly for this reason, agribusinesses depend on imports. For example, in the edible oil processing sector, the domestic supply of inputs meets only 20 to 25 percent of the demand of the processing mills. Large oil millers bridge the gap between domestic supply and capacity demand by importing inputs and crude or semi-finished edible oil products. Improvement in the domestic supply of agricultural inputs could improve productivity in downstream industries.

- *Constraints in Floriculture:* Flower production has become a high-volume, low-margin activity. Price trends have been unfavorable for the Ugandan growers as margins have been narrowing and projected price increases have not materialized. The requisite infrastructure such as refrigerated storage is lacking throughout most of Uganda.

- *Dwindling Fish Reserves:* There are concerns over the long-term viability of the fish and fish-products industry because of the uncertainty of fish reserves, especially in Lake Victoria. The government is already concerned about overfishing and dwindling fish stocks, but has been unable to establish an effective fishing program to preserve the resource.

- *Challenges in Manufacturing*: Uganda's production in textiles and apparel is constrained by higher production costs, fewer economies of scale, and lower capacity utilization as compared with other global suppliers. Capacity utilization has been very low throughout the manufacturing sector, at less than 20 percent for most industries. This is partly because many industries, such as plastics and paper, are dependent on imported inputs, which experience high mark-ups from tariffs and transportation costs. In addition, purchasers in markets such as the United States want large volumes, but the local environment is not conducive to increasing volumes.

- *Tourism Challenges:* The Bwindi National Park and the Rwenzori Mountains National Park have been plagued with security concerns. In addition, the country needs upgraded tourist facilities and an improved transportation network to take full advantage of the tourism sector's potential. Uganda is trying to market Entebbe and Kampala as convention centers, but inadequate facilities limit increased usage.

- *Meeting Standards:* Registration, documentation, customs procedures, and valuations, along with standards, testing, labeling, and certification requirements for exporting some products to other countries can exceed the capability of Ugandan businesses. Complying with certain SPS requirements for agricultural produce, live animals, and meat products also remains a significant challenge for exporters. The cost of noncompliance can also be high. For example, the EU instituted a ban on fish and fish products from Uganda in 1999 because of low standards of hygiene. Since April 2003, all exports of fruit and flowers to the EU have been subject to regular checks to ensure that standards are observed, with failure resulting in fines and blacklisting.

Chapter V. Southern African Countries

ANGOLA

Export Profile

Angola's largest export product is petroleum, followed by gem-quality diamonds. Other exports include petroleum oils, crustaceans and other aquatic marine life, industrial minerals, and dimension stone such as granite. Agricultural exports include coffee, maize, sisal, bananas, beans, sugar, and palm oil. The United States is the country's top export market. China, France, South Korea, and Belgium comprise other trading partners.

Angola's exports under AGOA and its GSP provisions in 2004 – almost entirely oil and energy products – were valued at $4.3 billion, representing 96 percent of its total exports to the United States.

Economic Strengths and Potential Growth Sectors

- *Agriculture*: Arable land is widely available and fertile, and about 90 percent remains uncultivated. As agricultural production continues to recover in the aftermath of the civil war, Angola has the potential to transform itself once again into a net food exporter, although the country will need modern farm equipment and inputs to do so. If intraregional infrastructure is improved, Angola has the potential to become a regional exporter of agricultural products and attract non-petroleum foreign investment directed toward food processing.

- *Fisheries:* Angola has one of the richest and most diverse maritime coasts in Africa. Mackerel, sardines, tuna, and other fish are common.

- *Petroleum and Related Products:* The government views natural gas, and its eventual conversion to liquefied natural gas (LNG), as a potential export in the long term, although the country will continue to emphasize crude petroleum production for the foreseeable future. Sonangol, Angola's national oil company, and Chevron Texaco are developing a project to convert flared natural gas from offshore oilfields to LNG. The project was originally scheduled for completion in 2005, but has been delayed to 2007.

- *Other Minerals:* Although most mining activity is currently limited to the extraction of diamonds, marble, and granite, Angola has the potential to diversify its mining activities by exploiting iron ore, gold, phosphates, manganese, copper, lead, zinc, tin, tungsten, vanadium, titanium, chrome, beryllium, kaolin, quartz, gypsum, and uranium deposits.

- *Regional Trade:* The greatest potential for Angola's exports may exist outside traditional western and Asian markets, which are already major consumers of its petroleum and mineral exports. Regional markets, including SADC and COMESA, represent significant potential export destinations for agricultural products if intraregional infrastructure is improved. Furthermore, by rehabilitating and modernizing its communications and railway infrastructure, as well as its airports, Angola has the potential to become a transport center in the region and to provide exports of transportation services. The economic integration of Angola, as well as increased intraregional trade between Angola and its neighbors, depend in large part on internal political and economic developments within the country.

Major Challenges to Export Growth

- *Business Environment*: The business environment is generally worse than regional averages. For example, Angola scored well below regional averages regarding the time and number of procedures required for contract enforcement, as well as the time and cost associated with starting a business. In 2004, the World Economic Forum ranked Angola 103 out of 104 countries in terms of global business competitiveness, and the World Bank identified Angola as one of the most time-consuming countries in the world to establish a business. The principal obstacles to private-sector development and business competitiveness in Angola include political uncertainty; poor governance; problems associated with market regulations; difficulties of acquiring business permits; insufficient loan guarantees for financial services; high costs of capital and access to credit; a constraining administrative, legal, and judicial environment; and high transport, electricity, and telecommunications costs. Contractual and property rights are poor, and are considered a major problem in the country.

- *Inadequate Infrastructure:* Only 10 percent of roads are paved. Road networks have deteriorated because of war, poor maintenance, and insufficient investment since the country's independence. Infrastructure disrepair, as well as the widespread presence of land mines from the civil war, greatly increases the cost of transporting inputs to farms and agricultural products to market. The three main rail lines are in poor condition, although limited sections have been opened up following rehabilitation. The northern rail link to the port of Luanda is not operational, while the Benguela railroad, which formerly ran 830 miles across Angola's central region to DROC's copper belt, currently runs 96 miles from the ports of Lobito and Benguela to the foothills of Planalto. The government plans to spend $4 billion over the next 11 years to build and reconstruct major railways in the country, and plans to have rail lines operational for travel between Lobito and Cuito, a distance of approximately 300 miles, by the end of 2006. Because of high land transport costs, imported food products are often cheaper than domestic products from the interior. Angola's main ports suffer from a lack of maintenance and investment. Poor market information and weak commercial networks also reduce potential market opportunities.

- *Constraints in Agriculture:* The agricultural and fisheries sectors face a number of additional constraints caused by the destruction of rural infrastructure, including wells, other sources of water, and roads during the civil war. Other constraints include difficulties of commercialization, the lack of seeds and other agricultural inputs, and insufficient credit. Although the government has made efforts to rebuild the fishing fleet and rehabilitate existing fish-processing factory units, these efforts have failed to attract investment and have had a negligible effect on the sector.

BOTSWANA

Export Profile

Diamonds are Botswana's leading export product, followed by nickel mattes and agricultural products, mainly meat and edible meat offal. The bulk of Botswana's exports go to the United Kingdom. Significant trade is also conducted with Norway, Thailand, and other countries in the EU.

Botswana's exports to the United States under AGOA and its GSP provisions increased by nearly 220 percent in 2004 to a total of $20.1 million. This increase is a result of expanded AGOA output and investments in apparel production. AGOA represents 28 percent of Botswana's total exports to the United States.

Economic Strengths and Potential Growth Sectors

- *Minerals:* Botswana has strong comparative advantages in diamonds, copper and nickel mattes, and salt. Botswana's ability to increase exports of these products is uncertain; however, there is potential to develop other mined products and downstream processing. Botswana is considering expanding into new areas such as industrial minerals and dimension stone, and is building a database cataloging the country's resources. The first gold mine opened this year, and output is forecast at 100,000 ounces per year over an expected life of not less than five years. The government supports expansion, prospecting, and investment in new mine development, in spite of its stated desire to curtail dependence on nonrenewable resources. In addition to mineral diversification, there may be potential to increase exports in established commodities, and prospecting in such areas has increased. Botswana's current diamond mines are expected to be able to produce significant output for the next 25-30 years. The two copper-nickel mines are expected to remain viable until approximately 2011 and 2017, and the introduction of advanced technologies in recovery and processing could enhance greatly the performance of this sector.

- *Diamond Processing and Jewelry:* With its large supply of mineral resources, there is great potential and particular interest in the downstream processing of these resources, including diamond polishing. Botswana started cutting and polishing diamonds in the 1980s, and there are currently three foreign-invested diamond cutting and polishing facilities in operation. Botswana hopes to add one new facility per year through 2008. The industry has heretofore focused on smaller stones of less than one-half carat, which reportedly has hindered growth and competitiveness; there is recognition that the industry must progress to the processing of larger stones in order for the sector to grow. Although currently there is limited domestic production, jewelry making is recognized as a potential sector for development.

- *Glass Manufacturing:* While there are no current producers, the glass manufacturing sector also holds potential for industrial development and export diversification, as the basic chemical used in glass, soda ash, is readily available. Foreign and local investors have indicated interest in glass manufacturing joint ventures, and domestic demand exists that could provide a springboard to the international market. There is reportedly a regional market for glass fibers, sheet glass, and specialty glass, as well as potential international markets for exports of container glass. As the domestic market is estimated to be small, manufacturers would likely target external markets for their product.

- *Beef and Other Meat:* Botswana enjoys a high comparative advantage in fresh or frozen beef, another of its major exports. As a result of disease and drought conditions, the parastatal Botswana Meat Commission, responsible for the slaughter and marketing of beef exports, currently is operating at approximately 25 percent capacity. There is potential for increased exports if the industry successfully addresses the impediments to sector growth. Another possible growth industry is ostrich meat. While Botswana has the largest supply in Africa, it is currently a marginal international producer, with only two of 43 farmers processing through to the slaughter stage. Since 2004, small quantities of ostrich meat have been exported to the EU, where it is valued for its low cholesterol content. Botswana's product is reportedly competitive with that of other regional producers.

- *Hides and Leather Products:* There is growth potential in downstream processing in the beef industry, specifically the processing of bovine hides and skins and the manufacturing of leather products. Botswana's large cattle industry represents a source of raw material input. However, because Botswana does not have the necessary processing facilities, hides and skins are exported to Italy and South Africa for processing into car seats, furniture, or other specialty leather products. After several years of attempting to establish a tanning industry, the Botswana Development Corporation announced that it found a technical partner to assist in the development of a leather-tanning project in Lobatse.

- *Tourism:* The country's vast wilderness and wildlife give it a natural competitive advantage in tourism, and the sector has significant growth potential. Botswana is home to large and diverse populations of wildlife and the country maintains one of the largest protected areas in Africa. Tourism is largely concentrated in the Okavango Delta and Chobe National Park. In 2004, Botswana was rated as one of the best vacation spots worldwide. The government is actively promoting the sector via project development, marketing and promotion, infrastructure facilitation, support and funding for training, and the encouragement of private investment. There are plans to establish a National Tourism Board, which will assist the industry in marketing, regulating, and promotion. As the majority of tourists to Botswana are from South Africa and Zimbabwe, there is potential to attract a greater volume of visitors from outside of the region.

- *Financial Services:* The government is also targeting the financial services sector, specifically business process outsourcing (BPO). Aided by government-backed incentives and estimates for sustained growth in the market for BPO services over the next five years, the government plans to increase exports of such services. A study commissioned by the International Financial Services Center (IFSC) identified short-term growth potential in call centers, data entry, and salary processing; mid-term potential in accounting, insurance processing, and desk support; and long-term growth in advanced accounting, data mining, and transaction processing. Companies operating within the IFSC benefit from an "enabling environment," including tax incentives. Currently, the IFSC has 26 companies accredited to operate and 12 that are operational. The English-speaking skills of the population, combined with rising costs and the inability of traditional competitor nations such as India to meet global demand, could provide opportunities for the Botswana BPO sector, provided the industry can address the impediments to performance and expansion.

Major Challenges to export Growth

- *Business Environment:* Botswana ranks better than its neighbors and many OECD countries on a number of the processes involved in operating a business. It also compared favorably against regional and OECD countries on most broad factors of economic freedom, indicating a comparatively low level of government interference in the economy. Nonetheless, a number of impediments remain to growth in current exports and the development of new export industries.

- *HIV/AIDS:* A key issue facing all industries in Botswana is HIV/AIDS and its effect on the workforce. Botswana has one of the highest adult infection rates in Africa, and while the government is proactive in its program to treat and prevent the disease, low labor productivity, the loss of workers, absenteeism, high turnover, and the diversion of resources toward HIV/AIDS treatment and prevention are a present reality affecting many businesses and further industrial development.

- *Labor Constraints:* Although education is largely free, the country lacks skilled labor necessary for diversification into more skill-intensive industries such as tourism and BPO. Difficulties in securing visas for foreign workers and specialists reduce labor market efficiencies.

- *Lack of Economies of Scale:* Because of the large-volume orders required by some purchasers, companies in Botswana find it difficult to meet demand even if opportunities became available. Consequently, only large companies are taking advantage of export opportunities. In addition, smaller producers find it difficult to join together to take advantage of the economies of scale necessary to produce sufficient quantities, while controlling production and quality.

- *Costs of Production:* High utility costs are an impediment to industry development and export growth. Generation costs for electricity are high, largely because of the small consumer base and lack of industrial utility rates. Botswana sources 70 percent of its electricity from South Africa, which is expected to face its own shortages in the near future. The excess supply of electricity available from South Africa is expected to cease in 2007, and 2009 is the earliest that Botswana can bring on new capacity. The country also faces water constraints. Botswana imports water, and as with electricity, water costs is high. The large quantity of water necessary for mineral projects is particularly problematic because of supply constraints, cost, and the competing need of the population for potable water. Botswana is examining the possibility of importing surplus water from countries in the region and desalination of underground water, which is currently done in limited areas on a small scale. However, desalination requires advanced technologies and is expensive.

- *Infrastructure Constraints:* Although the road system is comparatively good, with 55 percent of roads paved and good linkages between major cities and surrounding countries, the cost to transport goods by land is higher than that for air or sea freight. As a land-locked country, goods shipped by sea must be dispatched from neighboring countries' ports, which adds time, cost, and the potential for delays. Botswana's goods primarily ship from Durban, South Africa, with a smaller percentage going through Walvis Bay in Namibia. It reportedly costs the same to ship goods within the region as it does to ship products between Durban, South Africa, and Hong Kong. In one instance, Botswana studied the possible exportation of coal but ultimately abandoned the project because of the infrastructure costs and constraints. The lack of sufficient capacity at ports in South Africa is also cited as an impediment to increased exports.

- *Constraints in the Beef and Leather Sectors:* The beef and leather industries are highly constrained by the current structure of the industry. The beef parastatal, BMC, holds a monopoly over beef exports, and farmers have no option but to sell beef for export to the BMC at prices that may be lower than prices in the international market. While this system ensures quality control and protects Botswana's reputation in end markets, it has slowed modernization and investment in the livestock and slaughter industry. Additional issues are the low cattle off-take rate and the need for consistent and rigorous disease prevention and control. Outbreaks of Foot and Mouth Disease in recent years have disrupted exports to some markets. Moreover, the outbreaks led to temporary closures, resulting in reduced output and the destruction of thousands of infected cattle. Botswana currently does not have the capacity to fill its quota for beef to the EU, and reportedly the country has never tried to certify its beef for the U.S. market because it cannot begin to fill the size of potential orders. Additional factors affecting the tanning and leather industries are the high cost of investment necessary to establish tanning facilities, a lack of technical skills, and limited awareness of, and experience with, changing styles in international markets for leather products. The ostrich products sector faces high costs and supply constraints for breeding stock, which is largely imported. Also, there is currently an export duty in place of approximately $6.50 per bird for ostriches.

- *Service Sector Constraints:* An insufficient pool of skilled labor prevents Botswana from having a comparative advantage in service sector exports. With less than 88 telephone lines per 1,000 people, the telecommunications infrastructure in Botswana is insufficient, which potentially affects all industries, but is of particular significance with respect to BPO services. Telecommunications costs are high and the information technology infrastructure is lacking in terms of bandwidth and high-speed switching capability. The telecommunications industry is considering tailor-made packages and pricing for companies with critical needs in the BPO sector. In addition, delays in company certifications and work permit processing have deterred some service providers from locating in Botswana. Wages in the financial services sector are also reportedly up to 267 percent higher than in competitor countries such as Mauritius, India, and South Africa, and the current regulatory environment is not sufficient to promote sustained growth.

- *Constraints to Tourism:* The lack of a competitive air transport policy and land issues reportedly are constraints to tourism sector expansion. For example, with respect to land rights, investors in the tourism sector might only be able to get a five-year lease, whereas investors in other sectors can get 20-year leases, and lease renewals in the sector are not automatic. Fees may increase dramatically and unexpectedly, as the lack of transparency is reportedly a concern in the tourism industry. Regionally, conflicts in Zimbabwe have hurt Botswana's tourism sector, as packages combining visits to Chobe (northern Botswana) and Victoria Falls (southern Zimbabwe) have been a key source of income. Also, neighboring countries' varying systems and procedures for immigration and customs result in delays and added costs, which discourage tourists from moving between countries in the region.

- *Meeting Standards:* Producers from Botswana lack the capacity to meet some SPS standards in foreign markets.

LESOTHO

<u>Export Profile</u>

Lesotho's chief export product is apparel destined for the United States' market under AGOA.

Lesotho's 2004 exports under AGOA and its GSP provisions were valued at nearly $448 million, representing 96 percent of the country's total exports to the United States. A $40 million yarn-spinning mill was completed in 2004, contributing to the vertical integration of Lesotho's apparel and textile sector. Apparel and textile manufacturing is the largest formal sector employer in Lesotho, primarily due to AGOA.

<u>Economic Strengths and Potential Growth Sectors</u>

- *Textiles and Apparel:* Lesotho has a strong comparative advantage in textiles and apparel. While the removal of textile and apparel quotas in 2005 and subsequent increase in international competition is expected to dampen this sector's potential for export growth, a recent investment in a denim mill and a quadrupling of orders for 2005 from a U.S.-based denim buyer are positive trends and are viewed as a means for sector diversification.

- *Agriculture:* Products with comparative advantages include cereals, animal hair, and fruit juices. Lesotho is currently seeking to diversify into high-value agricultural exports. Products such as asparagus, peaches, and mushrooms have been identified as potential exports. In 2004, an asparagus canning factory was re-opened with plans to can asparagus and peaches for export. In addition, the United Nations has encouraged high-end mushroom production in coordination with the University of Lesotho.

- *Diamonds:* The Letseng-la-Terae diamond mine is expected to generate revenues of approximately $40 million a year and have a life expectancy of 25 years. In January 2005, four diamonds weighing a total of 366 carats were found with an estimated value of $6 million. Letseng's investors are considering doubling current capacity and building a new plant by 2007. Lesotho has other diamond prospects, albeit small, including a Lesotho-Canadian venture that may yield 290,000 carats per year at full capacity.

- *Tourism:* The small but expanding tourism sector is also viewed as a potential source of foreign exchange. In cooperation with external investors from Austria and South Africa, the construction of a $12-million ski resort has been underway since 2001, and once opened, will provide four months of skiing per year.

- *Other Products/Sectors:* Other potential export industries include consumer electronics, leather goods, toys, plastics, call centers, business process outsourcing/data entry, travel/sporting goods, and simple machining activities.

Major Challenges to Export Growth

- *Business Environment:* With the exception of the number of procedures to enforce contracts, the time to start a business, and several credit indicators, Lesotho's business environment indicators were comparable to, or better than, regional averages. According to the Heritage Foundation's economic freedom index, Lesotho's overall 2005 score is comparable to other sub-Saharan African countries. Notably, Lesotho's trade policy, which is primarily export-led, is the only policy that scores better than both the sub-Saharan African and OECD averages.

- *Transportation:* Because Lesotho is land-locked and surrounded by South Africa, it is reliant on South African transport networks, which are relatively well developed as compared with other AGOA-eligible countries. Of Lesotho's total road network, less than 20 percent is paved. The Maseru Container Terminal is inadequate given the level of traffic transported via the terminal and has outdated container handling capabilities. One effect of this situation is that containers destined for Lesotho are forced to pay rentals in Bloemfontein, South Africa until space can be made for them in Maseru. There is one international airport. The Lesotho government plans to upgrade its cargo-holding capabilities at the international airport to export fresh vegetables and fruit.

- *Water/Electricity/Telecommunications:* Lesotho exports water and has the Lesotho Highlands Water Project, but drought, distribution inefficiencies, and the apparel sector's increasing water demand have created continuing shortages in residential areas and an inability to irrigate land. This has constrained commercial development and export-oriented activity. The Lesotho Electricity Corporation is in the process of being privatized. Backlogs in consumer electricity connections and high prices, estimated to be 40-percent higher than in South Africa, limit expansion opportunities across economic sectors. Lesotho's mobile phone service is not fully compatible with that of South Africa.

- *HIV/AIDS:* Lesotho has the fourth-highest rate of HIV/AIDS infection in the world at approximately 31 percent. The IMF predicts that over the medium term, economic growth will be reduced by one-half of one percentage point solely because of HIV/AIDS.

- *Low Labor Productivity*: A major factor limiting productivity in the apparel sector is the inability of manufacturers to pay on a piece-rate scale, which is prohibited by the Lesotho Labor Code, despite the prevalence of such pay rates in other countries. Piece-rate payments are viewed in the industry as an effective way to increase productivity; however, the industry does practice other schemes. In addition, with increasing capital intensity in the textile industry, advanced skills will be required and Lesotho has a limited supply of skilled labor necessary for the diversification of industries into more skill-intensive exports. Lesotho lacks a training school for textile and apparel workers.

- *Land Ownership:* Foreigners cannot own land nor can a commercial entity if that entity has only minority Lesotho ownership. The Lesotho National Development Corporation (LNDC) provides investors with 30-year subleases that the LNDC negotiates with the government. All land transactions require ministerial approval. This land system presents several problems for foreign investors including: 1) added risk for long-term development; 2) lengthy government approval even if the LNDC mediates; and 3) difficult land transfer procedures.

- *Constraints in the Mining Sector:* Cumbersome regulations hamper the development of Lesotho's mining sector. For example, according to Lesotho's mining legislation, the authority to grant title rests with the king and chiefs, rather than with a minister. The legislation does not distinguish between large-scale and artesian mining. Additionally, diamonds are subject to an export tax, limiting the export of these products by raising export costs.

MADAGASCAR

Export Profile

Madagascar's main exports are apparel, spices (chiefly vanilla and cloves), and crustaceans. Prepared or preserved fish, cloves, and petroleum oils constitute other significant exports. France, Germany, and the United States comprise the country's top trading partners. Trade is also conducted with Mauritius, Japan, the Middle East, North Africa, Singapore, Hong Kong, and China.

Madagascar's 2004 exports under AGOA and its GSP provisions were valued at $316.8 million, representing 67 percent of total exports to the United States. Due largely to strong performance in textiles and apparel, Madagascar's 2004 AGOA exports increased significantly, growing by 69 percent from $187.9 million in 2003. With the end of global quotas on textile and apparel, some foreign-owned factories in the Export Processing Zone have closed.

Economic Strengths and Potential Growth Sectors

- Export sectors with potential for growth include agriculture, minerals, tourism, and business process outsourcing. Textiles and apparel may have some limited potential for short-term growth, but the sector faces increased international competition since the end of global quotas in 2005. The top 10 export products with the highest comparative advantage indices, in descending order are: vanilla; cloves; fresh fruit; crustaceans; prepared or preserved fish; and apparel such as jerseys, pullovers, cardigans, and sweaters. Government officials have identified agribusiness, ecotourism, mining, textiles and apparel, and handicrafts as having the greatest export potential. Other products with export potential include spices (chilies and ginger), fruit (litchis, rambutan, pineapple, and mangoes), vegetables (french beans, gherkins, onions, garlic, asparagus, and potatoes), essential oils, and organic products.

- *Coffee:* Although coffee exports have declined in recent years, there may be potential to increase exports in the future. There is a project to help farmers increase the bean size of robusta coffee through pruning techniques, as well as one to revive traditional production of arabica coffee in highland areas. USAID is also working with farmers and a local company to produce specialty coffee for the U.S. market.

- *Sugar:* Sugar may have potential for increased exports despite low capacity utilization and yields, as the transfer of production units of the national sugar refinery Sirama to private firms may increase incentives for production. Madagascar fulfilled only 10 percent of its sugar quota to the EU in 2001-02. Although it fulfilled its quota to the United States during 2001-02, it did not export any sugar to the United States in FY2004 because of cyclone damage to the sugar refinery.

- *Cotton:* Cotton production should increase with the privatization of the HASYMA ginnery. A French company plans to invest $6 million over three years to increase the production of cottonseed to 22,000 short tons in 2005 and to 50,000 short tons in future years.

- *Fisheries:* New aquaculture projects should increase shrimp production by 8,000 short tons over five years, and the country has reportedly been recognized by developed-country markets as an environment-conscious aquaculture producer. Madagascar expects to begin exporting fresh shrimp to the United States before the end of 2005. Other fish and seafood products such as crab, octopus, and mussels are also potential exports.

- *Minerals:* Extensive mineral resources that have not been exploited include chromium, nickel, cobalt, iron, ilmenite (iron-titanium oxides), copper, gold, tin, quartz, marble, and semiprecious stones. As part of a World Bank $30-million mining reform program, a British firm was awarded a three-year contract (2005-08) to prepare a geological map of northern and central Madagascar that may help identify potential mineral deposits. In addition to mineral extraction, the potential exists for mineral processing and downstream manufacture of products such as jewelry. Improved freight services on the recently privatized northern railroad may encourage investment by foreign mining companies, and new regulations in 2005 allow foreigners to export gemstones. There are a number of other mining projects that can increase output or are being evaluated for new investment, including ones involving mineral sands, nickel, and cobalt. Other minerals with potential are quartz, gemstones, bauxite, and iron ore, but further reforms to regulations and concession terms may be needed to attract international investors. Gold output could be more than doubled from its current production level.

- *Petroleum:* A private firm has acquired the national oil refinery, which has a nominal capacity of more than double domestic consumption; the remaining production could be exported to nearby countries. In 2005, a Chinese firm announced that it had signed a letter of intent with the government for exclusive rights under a joint venture to explore for petroleum, and to operate a refinery, oil storage facilities, oil ports, and oil transportation facilities for 50 years. Madagascar has seen an increase in off-shore exploration activity.

- *Tourism:* With unique flora and fauna, 16 national parks, a World Heritage Site, and 5,000 kilometers of coastline, Madagascar has the potential to become one of the prime ecotourism destinations in the world. Besides ecotourism, expansion into niche markets for sport tourism (fishing, windsurfing, surfing, and diving) is a possibility, as well as expanding opportunities for cultural tourism and beach vacation tourism. Madagascar also has the potential to increase the number of cruise ship visitors because it is located between well-traveled cruise ship destinations Mombasa, Kenya, and Cape Town/Durban, South Africa.

- *Other Services:* Outsourcing services are another potential growth area as international demand for IT and related services are increasing. Outsourcing services currently in existence include data processing centers and French language call centers. There has been significant growth in the IT industry in Madagascar. Currently, there are 50 companies, 20 of which are in the EPZ, employing 4,000 people in software development, web design, and data entry. Wages are much lower than in France and similar to those in India.

- *Textiles and Apparel:* Apparel has been one of the fastest-growing export sectors over the past 10 years, despite the loss of 3,000 jobs in the last year. While Madagascar's textile and apparel industry is facing increased international competition, there may be some opportunity to increase exports in the short term and into niche products. Some factors favoring increased exports is the vibrant apparel sector, the existence of a well-established EPZ, good artisanal skills, low wages, and access to regional sources for raw material and textiles. New investment in the cotton industry in Madagascar will provide access to raw materials. Possible export opportunities include hand-loomed textiles utilizing Madagascar's artisan heritage and skills; apparel from manmade fiber; and apparel manufactured from locally or regionally produced materials.

Major Challenges to Export Growth

- *Business Environment:* Madagascar scored better than the regional average, except for recovery rate when closing a business, legal rights with respect to credit, private bureau coverage, and difficulty of firing. Madagascar's rating in terms of economic freedom has improved from 1995, when it was rated as less free than the regional average, to 2005, when it was rated significantly freer than the regional average. Madagascar's poorest scores were in informal market activity and the fiscal burden of government. Impediments related to the business environment include lack of transparency in the judicial, tax, and customs systems, high taxes, labor market inflexibilities, and customs inefficiency. Other impediments include relatively excessive bureaucracy and sometimes unpredictable and arbitrary government decision making. The length of time to get expatriate work permits is also reported as a constraint.

- *Taxes:* The tax rate is 30 percent and there are reportedly delays in value-added tax refunds. While EPZ firms and small firms avoid taxes, larger manufacturers are targeted by tax authorities and reportedly are subject to many tax audits, inspections, and the like. Although the government has taken steps to improve customs administration by contracting with a private firm to provide customs support services, customs administration continues to exact unofficial payments.

- *Transportation:* Inadequate and costly transportation infrastructure is a major impediment to increased exports. Inadequate road maintenance and cyclone damage are problems. The rail network is also in disrepair, although the northern rail network was privatized in 2003 and there has been new investment. High port fees are another constraint for exporters, and lack of adequate port facilities, poor road infrastructure from the port, and the lack of transportation from the port inhibit cruise ship tourism. High airfares and a lack of flight routes also constrain exports. The government has started to address these issues by privatizing the management of the main airports and the main port of the country this year.

- *Telecommunications:* Lack of access to, and high costs of, telecommunications is another impediment. Only 14 out of 1,000 people had telephones in 2002, including cell phones. The fixed line system is in poor condition although the mobile phone system is liberalized and highly competitive. Limited data connections (lack of bandwidth) are a constraint to data entry services as companies have to transfer data via courier services.

- *Financial Constraints:* Financial constraints were cited as the most important problem faced by firms other than multinationals that are funded by parent companies. Specific problems are the high lending rate; the lack of operating banks, an equity market, and microfinance; and crowding out of private investment. Banks are reportedly more interested in foreign exchange and treasury trading. Short-term interest rates are higher than in many other countries. Banks reportedly demand personal guarantees and high levels of collateral, and will not lend to small firms. Short-term credit is difficult to obtain and long-term loans are reportedly rare. Excessive discretionary government regulatory powers reportedly prevent firms from entering the banking industry. Banks have difficulty obtaining information to assess the creditworthiness of borrowers, and a weak and ineffective legal system makes it difficult and costly to obtain recourse if a borrower defaults on a loan. Difficulty in acquiring the title to land is most frequently mentioned as the main impediment to hotel investors.

- *Labor Constraints:* There is a lack of trained workers, especially skilled mid-level managers and technicians, which are necessary for diversification into more skill-intensive industries and services. For example, apparel firms have to bring in managers, supervisors, and quality control experts. Madagascar lacks a training school for apparel workers. Lack of computer software developers and training institutes are also constraints. Another obstacle is lack of language training, which has affected the country's ability to attract certain tourists.

- *Agricultural Constraints:* Impediments include limited technology, deteriorated irrigation infrastructure, inadequate research and extension services, lack of access to credit, vulnerability to weather, and lack of education. Other factors are low use of nontraditional inputs such as fertilizer, pesticides, and improved seed varieties because of lack of availability and high prices; the absence of rural markets and programs to promote cooperative associations; and the lack of investment because of the risk of droughts, floods, and crop diseases. A major issue is ill-defined property rights; in particular the absence of land titles and the lack of administrative capacity to survey and register land titles. Also, degradation of natural resources and loss of forest cover has resulted in high rates of erosion, lower productivity in lowland areas, and the spread of farming to marginal lands. Marketing, processing, and quality control are particular problems for rice, cotton, sugar, and wheat growers.

- *Meeting Standards:* Lack of domestic capacity to satisfy some SPS requirements is an impediment for certain agricultural products. Most SMEs are unable to export shrimp to the EU, although 42 companies in Madagascar are approved by the EU for export of prawns and other seafood. Crabs and lobsters that are caught by traditional methods do not meet EU SPS standards.

- *Constraints to Tourism:* Poor domestic and international transportation infrastructure were cited as the main constraint to tourism development. Air transport constraints include high international and domestic air transportation costs, frequently late and canceled flights, and few gateway cities in tourist markets. Other impediments include impassable roads in the wet season, absence of medical facilities, inadequate telecommunications, and the inability of hotels to accommodate tour groups. Investment in tourism is hampered by difficulty in acquiring land, lack of financing, bureaucracy, lack of transparency in investment incentives, and the tax structure.

MALAWI

Export Profile

Tobacco is Malawi's major export earner. Cane sugar and tea are the second- and third-largest exports. Other top exports include apparel, fruits, nuts, vegetables, oilseeds, cotton, and cereals. The United States, Germany, and South Africa are the largest single-country markets for Malawi exports. Other important trading partners include the United Kingdom, Japan, and the Netherlands.

Malawi's exports under AGOA were valued at $64.4 million in 2004, representing 81 percent of the country's total exports to the United States. Most new AGOA-related economic activity in Malawi has been in the textile and apparel sector.

Economic Strengths and Potential Growth Sectors

- *Agriculture:* Malawi's strategy of Support for Agriculturally-Linked Enterprises (SALES) is focused on the production and export of cotton, tea, coffee, and macadamia nuts. Processed paprika, macadamia nuts, and groundnuts are also seen as potential export goods. There is also an improving comparative advantage in fresh and dried nuts. The processing of groundnuts and other nuts into oils also represents a potential downstream export if crushing capacity can be increased. Fruit juice represents a potential export, because approximately 50 percent of mangoes, tangerines, and other tropical fruits go to waste every year. Development of the sector requires capital investment, because there are currently no domestic juice producers after the closure of the only production facility. Horticulture products have also been identified as having export growth potential. The government has identified cut flowers as a potential export.

- *Cotton/Textiles:* Government and industry officials have identified increased production of cotton and the vertical integration of the cotton sector into apparel production as export growth sectors. Cotton exhibits a strong comparative advantage and currently is Malawi's eighth-largest export. Malawi appears to have a comparative advantage in some apparel and textile sector exports, too, though infrastructure improvements and trade capacity building are needed in order to compete in the cotton-textile-garment supply chain. With the end of textile and apparel quotas in 2005, however, there is a need for further market research in order to create niche markets given increased international competition in the sector. Vertical integration also depends on adequate investment in the textile sector.

- *Services/Mining:* Other sectors with export potential include services and mining. According to industry officials, services, including medical services, accounting, and architecture, have been identified as potential exports. The identification of these services stems from the increased need for professional services in regional markets. The government is also interested in developing bauxite deposits located in the south, as well as titanium deposits.

Major Challenges to Export Growth

- *Business Environment:* Malawi's indicators are generally in line with regional averages and in several areas – including the number of procedures and time to enforce contracts, the cost and time of starting a business, and most employment indicators – are superior to sub-Saharan African averages. Principal exceptions were the cost of contract enforcement and the time to register property. Indices measuring economic freedom indicate that Malawi generally scored lower than the regional average. A private-sector initiative, led by industry and business associations, provided the government with a list of recommendations for improving the business climate in Malawi, including regulatory reforms designed to facilitate greater financial investment, improve transparency and governance, and reform the tax system. Other recommendations involve improving services in electricity, telecommunications, and water, revitalizing the Malawi Investment Promotion Agency, and removing foreign exchange conversion requirements for exporters and duties on production inputs.

- *Transportation:* Malawi faces formidable challenges in the movement of goods for export because of inadequate transportation infrastructure in Malawi and neighboring Mozambique, where Malawi exports are transported to port. The high transport costs associated with inadequate road and rail transportation significantly impede the efficient movement of goods for export and the type of goods that can be profitably exported. The Malawi Export Promotion Council (MEPC) has cited infrastructure impediments as one of the leading impediments to taking advantage of preferential market access under AGOA. MEPC estimates that 55 percent of production costs are associated with transportation costs. Several rehabilitation and construction projects have been undertaken to improve existing road and rail infrastructure, including the rehabilitation of the Beira corridor and the creation of transport links such as the Nacala Development Corridor. Regulations restrict international truckers from operating outside of main roads, creating inefficiencies and contributing to higher transport costs.

- *Other Supply-side Constraints:* The small size of the domestic market, inappropriate production technologies, and inefficient and costly financing for small and medium enterprises are other impediments. Technology and communication obstacles also impede export growth. More computers and Internet access are needed in order to access market information for small- and medium-sized exporters. Erratic electricity supply and inefficiencies in electricity distribution are common problems that affect several industries, particularly the apparel manufacturing industry. The lack of a cold supply chain and local transport air hub impedes the development of horticultural products such as cut flowers. A limited supply capacity resulting from high input costs and high production costs generally constrain agricultural exports. Low levels of irrigation also lead to low agricultural production levels.

- *Constraints in Manufacturing:* High capital and transport costs and lack of adequate infrastructure constrain the apparel industry. There is limited electric capacity for major investments in spinning and textile mills. These impediments, as well as slow customs clearance procedures, reduce competitiveness with respect to lead times. A lack of capacity and a dearth of investment in cotton ginneries constrain the cotton industry from expanding into downstream production. Other impediments to manufacturing sector growth include a weak industrial base, lack of diversification, few upstream and downstream linkages, insufficient standards and quality assurance, and limited capabilities to market products internationally. The agro-processing industry is highly dependent on the domestic agricultural sector and is thus adversely affected during times of drought.

- *Meeting Standards:* Malawi lacks the capability to conduct tests in line with quality control regulations required by industrial markets. The Malawi Bureau of Standards does not have adequate information on existing standards, technical regulations, conformity procedures, and SPS regulations.

MAURITIUS

Export Profile

Main export products are apparel and sugar. Significant exports also include diamonds, precious metal jewelry, canned tuna, and frozen fish. The EU is the largest market; the United Kingdom and France are the largest individual country markets, followed by the United States. Tourism, financial services, and information and communications technology are among the top export earners in the services sector.

Exports from Mauritius under AGOA and its GSP provisions were valued at $160.5 million in 2004, representing 59 percent of total exports to the United States. AGOA has sparked significant investment in Mauritius, and Mauritian investors have made major AGOA-related investments throughout sub-Saharan Africa.

Economic Strengths and Potential Growth Sectors

- *Textiles and Apparel:* Although this sector has been important to Mauritius' export growth in recent years, it appears to be on the decline as a result of several factors, including the end of global quotas in 2005; higher production costs than major Asian suppliers; wage rates (income per head per day) that are three to four times those in China; and longer lead times for production. Mauritius does not have large companies able to fill large orders, nor a supply of subcontractors to tap for large rush orders. However, the country may be able to compete better in the EU market, which is less price-conscious and allows for greater lead times and smaller lot sizes than the U.S. market. Mauritius may continue to see opportunities in some niche products, e.g., parachutes, though these products have very limited potential for growth.

- *Sugar:* With the reform of the EU sugar market, Mauritius will need to bring its costs of production down within the next three years in order to be competitive in the EU market. Nevertheless, even if Mauritius is able to bring down its costs of production and continue to export the same volume of sugar to the EU, the lower per-pound price will result in a significant decline in the value of sugar exports. The one exception for potential growth is specialty sugars, which can be sold at a premium over raw sugar exports. According to a Mauritius association official, specialty sugars account for about 10 percent of Mauritius' total sugar production. However, as a niche product, it is unlikely to totally offset expected losses in the larger aggregate sugar sector.

- *Service Sector:* The largest growth opportunities will likely come from Mauritius' established and growing services industries, including tourism, information and communications technology (ICT), and international financial services, as well as distribution services, repackaging, and minor processing of goods for export.

- *Tourism:* Tourism is likely to continue to expand and be one the growth sectors for the economy in the foreseeable future. For 2005, tourism is expected to grow by eight percent. The country is served by 15 international airlines, including the national airline, Air Mauritius. It has 97 hotels in operation, 38 of which are "large" hotels (large beach hotels with more than 80 rooms). The occupancy rate of hotels in operation was 66 percent of total capacity in 2003, so the hotel business has room for growth, even without opening new hotels. Mauritius is promoting upscale tourism; it has five premium resorts. To further grow its tourism business, Mauritius is also reportedly working with some of the big tour operators and other African countries to offer joint safari/deep-sea fishing or beach vacations. Mauritius is also trying to increase the revenues it receives from tourist arrivals by expanding the range of activities available for tourists, such as deep-sea fishing, ecotourism, nightclubs, and opportunities to buy handicrafts. Mauritius is also trying to develop its conference facilities. A new conference center was recently built with Indian government financing. Mauritius is also looking at other opportunities for attracting people to Mauritius, including the provision of medical services in combination with tourism.

- *Business Processing:* The ICT sector, which is also referred to as business processing, is a growing area encompassing a number of different services, including call centers and "backroom processing" for customer care, finance, human resources, payment services, and administration business processing. Mauritius has developed the infrastructure to grow the ICT business. The sector has been buoyed by the opening of a fiber optic cable at the end of 2002 and the recent establishment of Ebène CyberCity, a business park that reportedly contains a world-class telecommunications network. Mauritius is active in call centers, which can serve a large variety of functions, from offshore gambling to bill payment and human resources. The multilingual population, fluent in French and English among other languages, gives the call centers an advantage in servicing both the European and U.S. markets. In addition to call centers, the CyberCity is encouraging businesses to consider its facilities for use in business processing and more skilled services, such as information technology infrastructure management.

- *Financial Services:* The business services sector can build on its success in international financial services, most notably offshore banking, by providing additional support services to companies that are already in Mauritius. At the end of 2004, Mauritius had 12 offshore banks operating in the global business sector. Mauritius' offshore banking business benefits from double-taxation treaties with 29 countries, particularly those with India and South Africa. Companies incorporated in Mauritius reportedly include the largest foreign investors in India. The double-taxation treaty allows companies to incorporate in Mauritius and pay the lower Mauritius tax rates for their investments in India. Mauritius is learning to capitalize on the offshore business to offer more financial services to investors, including investment advisory services, fund management, trusteeship of offshore accounts, and private banking. Nevertheless, the potential for growth through spin-off business is reportedly relatively limited, and the offshore business itself could be threatened by legal challenges to the bilateral investment treaty with India and easing of foreign exchange controls in South Africa.

- *Repackaging and Distribution Services:* Mauritius has the capability to expand business as a regional distributor and a minor processor or repackager of goods for export. It is promoting itself as a regional warehousing, distribution, marketing and logistics center for Eastern and Southern Africa and the Indian Ocean Rim. Mauritius' location lends itself to its goal of becoming a provider of all types of business and logistics services. A U.S. company recently set up operations to produce polyethylene terephthalate (PET) bottles for soda and water in the Free Trade Zone (FTZ) for export to COMESA countries. Production costs are reportedly five percent less in Mauritius than in South Africa. The production process is highly mechanized, and benefits from its location in the Freeport, which is geared towards technical, high-volume industries. There may also be opportunities in processing and/or repackaging of seafood. Mauritius has developed a world-class port infrastructure, including cold storage, to provide the impetus needed for investment in this sector. Taiwanese fishing companies mostly use the Mauritius Freeport as a transit zone, storing fish in the Freeport cold room and exporting the product directly to buyers. Many fishing boats do the intermediate processing offshore on their boats and ship the fish to Asia for final processing before being sent to the EU and or U.S. markets. Energy and labor costs for tuna processing in Mauritius reportedly are on par with many of the Asian factories. Processing in Mauritius could save firms shipping time and costs. Mauritius currently has one tuna canning factory. A U.S. company recently established itself in Mauritius for tuna processing. In an effort to attract more tuna processing to the country, Mauritius is hosting an international conference in July 2005.

<u>Major Challenges to Export Growth</u>

- *Business Environment:* While specific data are not reported for Mauritius, compared to the region, it is generally seen as a safe, conducive environment for business. Mauritius has a legal and regulatory framework conducive to doing business. The Independent Commission Against Corruption was set up in 2002, and is seen as a model for Africa. A joint public- and private-sector committee issued a new Code of Corporate Governance in July 2004 and a financial intelligence unit was established by the government under the Financial Intelligence and Anti-Money Laundering Act. In terms of economic freedom, Mauritius scored 2.9 out of a scale of one to five, indicating that Mauritius was "mostly free." Mauritius' score of 5.0 for trade policy reflects its relatively high average import tariff rate. Mauritius also scored higher than the OECD average and the regional average on the wages and prices index, which indicates that the government has a high level of involvement in setting wage rates and the prices of goods and services. For the capital flows and foreign investment score, Mauritius rated a 3.0, which is considered a "moderate" impediment to foreign investment, largely reflecting the bureaucratic approval process for new investments. However, the 2004/05 budget seeks to facilitate private investment by streamlining the approval process for new investments.

- *Small Island Economy:* As a small island economy, it is difficult for Mauritian industries to achieve the economies of scale required to satisfy single-order requirements. Mauritius must import virtually all of its inputs, which puts it at a cost and time disadvantage as compared with countries with abundant raw materials. Its high average tariff rate adds to the cost of doing business.

- *Labor Constraints:* One of the largest impediments to growth in Mauritius is its shortage of resources, particularly skilled labor required for diversification of exports into more skill-intensive industries, especially services. The skills of workers leaving the clothing and sugar sectors are not interchangeable with those required for the ICT or tourism sectors. In an effort to increase its skill base, the government made secondary education mandatory to age 16. Mauritius has also substantially increased the number of its pre-vocational or technical schools. The government is paying up to 70 percent of the training cost for workers in such areas as software development. It has also been recommended that Mauritius establish special training institutes for the ICT sector.

- *Telecommunications:* While Mauritius has a good telecommunications network, the high cost of telecommunications is frequently cited as a major impediment to growth in this sector. Mauritius Telecom owns the landing station for the fiber optic cable system, giving it monopolistic pricing power. The cost of using the fiber optic cable between Mauritius and Paris is over five times as costly as the cost between Réunion and Paris. As a result, Mauritius reportedly is a higher-cost provider for ICT services than its main competitors, India and the Philippines.

- *Constraints in Tourism*: The strict rules on passenger visits and a lack of a competitive air policy are considered impediments to growth in tourism. To help encourage more tourism, it has been recommended that Mauritius allow for greater competition in its code sharing with other airlines, allow selective charters, and increase the capacity and frequency of its flights.

- *Constraints in the Fishing Sector*: Mauritius does not own large boats needed for tuna fishing. For the tuna sector, the lack of large fishing vessels is an impediment to growth, because it makes it more difficult for Mauritius to meet the rules of origin requirements for preferential treatment under the Cotonou Agreement and AGOA.

- *Other Factors*: The largest international impediment cited by business and government people in Mauritius is the international the lack of recognition. In an effort to promote the country, businesses participate in international trade fairs and host conferences to develop interest and recognition by foreign investors and importers.

MOZAMBIQUE

<u>Export Profile</u>

Aluminum is the principal export exchange earner. Other significant exports include prawns/crustaceans, agricultural products (unmanufactured tobacco, cotton, cashew nuts, and sugar cane), wood, and coal. The EU is the largest market for Mozambican exports. South Africa and Japan are also important trading partners.

Mozambique's 2004 exports under AGOA and its GSP provisions were valued at $8 million, representing 80 percent of the country's total exports to the United States. Apparel and textile exports decreased slightly in 2004; however, the only garment producer currently exporting to the United States from Mozambique is expanding operations and expects to increase exports in 2005.

Economic Strengths and Potential Growth Sectors

- *Minerals and Metals:* Mozambique's exports will likely continue to be concentrated in the minerals and metals sectors in the near term. Primary unwrought aluminum will likely continue to dominate exports, as the sector is expected to expand following the initiation of the second phase of the Mozal project in 2003. Construction of another aluminum smelter is also being considered. Mozambique has reserves of coal, natural gas, titanium, bauxite, gold, marble, bentonite, granite, iron ore, cobalt, chromium, nickel, copper, and precious and semiprecious stones. The development of two large mineral processing plants is underway, including the Corridor Heavy Sands and the Moma Heavy Sands projects. There is also potential for mining of semiprecious stones, and diamond exploration is underway. Export potential exists for coal and natural gas. Mozambique has the capacity to produce salt for export, mainly within the region. In addition, Mozambique is promoting additional development of its metallurgy sectors, including downstream production of aluminum products at the Mozal project, and expansion of its manufacturing sector in areas such as construction materials, heavy equipment, furniture structures, and tools and parts.

- *Energy and Power Generation:* Mozambique has the potential to increase its exports of energy and electricity. It has coal and natural gas reserves and significant hydroelectric capacity. The Sasol pipeline will result in gas field development in Mozambique and the construction of an 865-kilometer pipeline for transporting natural gas from Mozambique to Sasol's current distribution network in South Africa, where the gas is converted into a synthetic fuel. New coal mines are also being developed, including the Moatize coal deposit. Additional power lines are planned to export electricity from Mozambique's Cahora Bassa hydroelectric dam to South Africa and Zimbabwe.

- *Seafood:* Mozambique's water resources give it the potential to expand production and exports of seafood and fish, including prawns and shrimp, lobster, crab, shellfish, ocean fish, and fresh-water fish. Two Mozambican seafood companies have recently begun exports to the United States.

- *Horticulture*: There is potential to expand exports of a wide range of horticulture products, including baby vegetables, melons, passion fruit, bananas, and paprika, among other spices. Additional investment is needed to improve the quality and quantity of production in these areas. Several high-value horticultural investments and joint ventures have been initiated by Mozambican, Dutch, South African, and Zimbabwe investors to produce many of these items. Mozambique has also had success developing its cut flower industry and began exporting cut flowers to the EU in 2002.

- *Cashews:* Since being privatized in 1995, the cashew nut sector has experienced major losses and production is limited because of aging trees, few new plantings, disease, low yields, and ineffective use of pesticides and pruning. The government is promoting downstream processing, rather than the export, of raw nuts. Investment in new technologies and mechanized processes has reduced breakage rates and raised producer prices. Some existing facilities have been upgraded and there are plans to build seven medium-scale cashew processing plants.

- *Citrus:* Production from established citrus orchards has been decreasing because of outdated cultivars, a breakdown in irrigation facilities, shortages in intermediate inputs, and management problems. Recent efforts include rehabilitation of two large, abandoned, state-controlled citrus plantations, new plantings of grapefruit and orange trees, private or joint-venture investments, and development of the necessary port and other transport infrastructure. These changes are expected to stimulate Mozambique's citrus export sales. One citrus farm is exporting grapefruit to Europe with assistance from U.S.-based TechnoServe, which has rehabilitated 30,000 trees and refurbished its packing houses.

- *Sugar:* Sugar cane is one of Mozambique's leading agriculture commodities in terms of its market potential, and there are ongoing efforts to upgrade the country's sugar industry. South African and Mauritian companies have invested heavily in sugar refineries. One company also has plans to start production of alcohol. Investment is needed to develop downstream sugar industries such as alcohol and food processing.

- *Wood Products:* The industry estimates that there are 500,000 cubic meters of sustainable supply per year, including African mahogany and panga-panga. Currently, Mozambique is exporting wood to China, with little investment in the downstream manufacturing sectors. Trade groups in Mozambique are trying to discourage the export of solid wood and bamboo timber in order to develop downstream industries such as furniture manufacturing, picture frames, and other handicrafts industries. Although timber availability could increase, export revenues would be reduced at the expense of encouraging an industry in which the country may not have a comparative advantage.

- *Textiles and Apparel:* The government has identified this as a priority sector, with hopes for growth in exports, particularly to the United States under AGOA. It has also identified potential for small businesses to export a wide range of handmade products, including clothing and woven rugs. The export potential for this sector is, however, dampened by the increasing international competition stemming from the end of textile and apparel quotas in 2005. Many textile and garment plants remain idle, and the remaining facilities and technologies are outdated and require extensive capital investment. Current production capacity in the sector is low and further expansion is limited by a lack of business initiatives. Only one facility is currently exporting to the

United States under AGOA. Cotton production is also being promoted as having potential both as an input to the textile industry, as well as for import substitution of edible oils. Raw cotton production has been increasing, but it is exported for processing elsewhere.

- *Tourism:* Tourism has the potential to become a significant source of foreign exchange. An industry representative estimated that there are about one million arrivals each year, up from about 400,000 arrivals in 2001. In 2004, the government developed a new strategic plan for tourism. Among the identified opportunities is development of its hunting and game reserves, safari operations, and ecotourism sectors, as well as rehabilitation of the Gorongosa National Park and development on the islands off the coast of Pebane.

Major Challenges to Export Growth

- *Business Environment:* Costly and complex regulatory and bureaucratic impediments are blamed for poor economic performance across many of Mozambique's industries. Regulatory burdens are also cited as contributing to Mozambique's underperformance in attracting foreign investors to its export processing zones. Among the reported impediments are complex labor laws, restrictive land procedures, ineffective law enforcement and judicial systems, burdensome corporate laws and regulations, an inadequate financial sector, a burdensome tax system, an under-skilled labor market that is inadequate for diversification into more skill-intensive industries, inadequate transport and telecom capacity, and a lack of government transparency. These impediments are reflected in Mozambique's ranking for many of the World Bank's business environment indicators, compared with the regional average. Continued effort is needed to streamline company registration processes and to share information about regulations and procedures between the private sector and government agencies. The Heritage Foundation's Index of Economic Freedom reports that Mozambique ranks better than the regional average overall, but worse than the regional average in terms of trade and monetary policy, wages and prices, property rights, and regulation.

- *Inadequate Infrastructure:* Mozambique's major challenge is its inadequate energy, water, transport, and telecommunications infrastructure, which contributes to high capital, transportation, and utilities costs. Its national electricity grid is small and poorly integrated. Many areas do not have access to electricity, and many areas rely on diesel-powered generators. Less than 20 percent of all roads are paved. The telecommunications sector is underdeveloped, with only 4.6 telephone mainlines per 1,000 inhabitants, one of the lowest in the SADC region.

- *Land Policy:* Land is officially state-owned and must be leased, but there are human and technical resource constraints in the land registry service. The application process may take as long as two years. The constraints on privately-held land limit the use of land as collateral to obtain financing for investment.

- *Governance/Lack of Transparency:* Among cited problems are administrative burdens, customs clearance problems, long delays in clearing imports, and export procedures. Customs reform has been underway for the past three to four years, and includes improvements to customs procedures, removal of export licensing requirements, and the adoption of a single document system, allowing all requirements to be contained in one document. Delays in value-added tax reimbursement and inefficiencies in Mozambique's duty drawback scheme also restrict funding for inputs and working capital. Industry representatives assert that reimbursement of value-added tax can take up to two years.

- *Constraints in Agriculture:* Identified impediments to Mozambique's agricultural sector exports include low productivity and production capacity, high input costs, high transport costs, limited access to cold storage facilities, customs delays, ineffective producer organizations, limited agro-processing capabilities, limited market and export development services such as post-harvest management, finance constraints, and difficulty obtaining import exemptions. Additional investment is needed for fishing vessels, marine engines, vacuum packaging, and cold storage/refrigeration.

- *Meeting Standards:* Mozambique has limited capacity to meet foreign SPS and quality standards and labeling requirements. Currently, Mozambique has only a rudimentary system of standardization, quality assurance, accreditation, and metrology. In the fisheries sector, Mozambique is working to ensure that onshore processors meet U.S. HACCP Standards, along with other types of SPS requirements that may require facility upgrades and technical expertise. Government representatives also noted that labeling and certification requirements also limit Mozambique's timber processing potential, because requirements in some markets regarding timber originating from sustainable forests limit the country's ability to export processed wood products.

- *Constraints in Manufacturing and Mining:* Impediments in the manufacturing sector include poor price competitiveness and the low quality of local production; outdated technologies and need to upgrade facilities; poor linkages to suppliers of inputs; and limited available industrial land. The manufacturing sector has, nevertheless, benefited from lower import tariffs on intermediate and capital goods and more efficient customs procedures. Impediments in the mining sector include inadequate geological information; an inadequate legal and regulatory framework issues, including land tenure; lack of institutional capacity; and poor infrastructure and transportation links.

NAMIBIA

<u>Export Profile</u>

Fresh, frozen, and processed white fish and meat products are the country's primary exports. Leading export product groupings include fish and crustaceans, precious stones, inorganic chemicals, meat products, copper, and apparel. Other important exports include diamonds, minerals, and base metals. Namibia's main export markets are Spain, the United Kingdom, the United States, and France.

Namibia’s 2004 exports under AGOA and other GSP provisions – primarily textiles, apparel, mineral, and metal products – were valued at $161.2 million, representing 68 percent of total exports to the United States. AGOA is estimated to have created over 9,000 new jobs in Namibia.

Economic Strengths and Potential Growth Sectors

- *Minerals and Mining:* Gem-quality diamonds and unprocessed minerals and metals (zinc, copper, uranium, and lead) will continue to dominate Namibia’s exports. Stronger world prices for uranium and gold are also expected to boost the mining sector. The expansion of the diamond sector into downstream processing, such as gem cutting and polishing, and continued new investment and joint ventures in this sector, should enhance export potential. In the near term, however, diamond production is expected to decline because of mine closures and the provisional liquidation of Namibia’s second-largest diamond producer. Some firms, however, are involved in the expansion of Namibia’s offshore diamond capacity and other marine recovery investments and joint ventures. Other recent investments include development of a tantalite mine and processing plant by a UK-based company and offshore petroleum exploration by several firms.

- *Fisheries:* Despite erratic catch rates, government-imposed total allowable catch levels, and declines in output for some fish species, output of fresh and processed white fish such as hake, orange roughy, and monkfish is expected to grow. As part of its efforts to expand and diversify its production and export base, Namibia has been actively developing its onboard and onshore fish-processing capacity. Most of its hake catch is now processed at onshore factories before export, rather than being exported directly by foreign freezer trawlers; likewise, most mid-water mackerel is processed onboard or at shore-based processing facilities. However, in the near term, growth may be affected by recent market pressures that have contributed to the closing of one fish processing facility and the liquidation of another. Other companies are also at risk of closing.

- *Livestock and Meat Products:* Namibia’s substantial commercial livestock sector and the ongoing effort to develop processing facilities and to diversify further the sector should continue to have a positive effect on production and export growth. A larger share of commercial cattle and sheep are now slaughtered in EU-approved slaughtering facilities, rather than being exported live to South Africa. Also, in an effort to target specific export markets such as the EU, the Meat Board of Namibia has implemented a program to ensure that meat supplied to export markets has not received growth hormone injections.

- *Other Agriculture:* Efforts are underway to improve productivity and diversify the agricultural sector into products such as table grapes, dates, and cotton.

- *Textiles and Apparel:* Despite elimination of textile and apparel quotas in 2005, the Namibian government remains optimistic about expanding its textile and apparel industry, mostly because of duty-free access to the U.S. market. Anticipated multiplier effects from recent investments in this sector include opportunities for SME and micro-enterprise development in areas such as packaging, label printing, button and zipper manufacturing, and other apparel-related light manufacturing. Namibia is also promoting cotton production as part of its diversification scheme, and efforts are underway to establish cotton gins to stimulate cotton growing in Namibia, in part to expand Namibia's textile industry.

Major Challenges to Export Growth

- *Business Environment:* Compared with other sub-Saharan African countries, Namibia ranks favorably in terms of many business environment indicators. It has a relatively low number of startup procedures and low business startup and closing costs, high coverage of creditors providing credit, and a high recovery rate for closed businesses, roughly comparable to the OECD average. However, the number of days to start a business is reported at more than 85 days, over 22 days longer than the regional average. On the Heritage Foundation's Index of Economic Freedom, Namibia ranks better than the regional average on several indicators, including regulation, banking and finance, and capital flows and foreign investment, but below the regional average with respect to fiscal burden of government and government intervention in the economy. Notably, Namibia's relatively low import duties are reflected in the trade policy score, which was better than regional and OECD averages.

- *Labor Constraints:* The need for extensive training of the local workforce and low productivity continues to limit development in most sectors. Namibia's Affirmative Action Act of 1999 requires private- and public-sector employers to establish programs that advance the economic interests of Namibians. Similar to South Africa, new partnerships with foreign private investors contain Black Economic Empowerment guidelines requiring minimum local equity stakes, although specific targets are expected to be progressively set for particular sectors.

- *Parastatals:* Government-owned or -controlled enterprises continue to dominate major sectors of the economy, including electricity, telecommunications, water, and air transportation. Although the number of state-owned enterprises has been increasing, most operate along commercial lines and some government functions are being outsourced, such as road maintenance.

- *Transportation:* Despite Namibia's relatively well-connected transport infrastructure, less than 13 percent of roads are paved and there are frequent transportation bottlenecks, adding to reportedly high transportation costs. In addition, there is limited direct shipping container service for exports. Spending on transportation and upgrading roads are the government's main infrastructure priorities.

- *Meeting Standards:* Namibia's lack of capacity in addressing standards, quality, accreditation, and metrology is a major domestic impediment to increased exports. There is no comprehensive policy and regulatory framework that guides the development and administration of standards and technical regulations; there is limited institutional and human resources capacity in this area; and there is little understanding and technical capacity in order to address Namibia's obligations in the context of international and regional agreements. The government is in the process of establishing a National Standards Bureau to administer standards, quality assurance, and certification requirements. Namibia also faces challenges in meeting foreign SPS standards for its exports. Beef exporters to European markets were forced to adopt some of the highest global antipathogen standards after Norway refused Namibian beef when salmonella was detected. Namibia's main meat processing company suffered market losses over a two-month period in 2003-04 when a ban was initially imposed on Namibian meat exports after a team of EU experts found that various procedures were not followed, despite renewed export certificates. Another case involved canned fish exports; cracks detected in the cans resulted in the removal of Namibian fish from some foreign markets.

- *Customs Procedures:* Namibia is taking steps to update its customs and excise system to address reports of perceived overly burdensome customs procedures, counterfeit documents, and illicit payments stemming from lack of administrative transparency that hinder the free flow of goods across borders. As part of this process, the government has implemented a data processing system that has the ability to process data and print out an assessment notice immediately. This is expected to speed up clearing of customs and allow customs officials to more effectively combat illegal goods and collect revenue.

- *Constraints in Fisheries:* With regard to the fisheries sector, Namibia's fishing and marine resources are controlled by a quota entitlement and total allowable catch levies. The allocation of rights and quotas in Namibia's fisheries sector reportedly is not fully transparent. Further expansion of Namibia's onboard and onshore fish-processing capacity depends, in part, on new investment, improved technologies and productivity, product innovation, market diversification, and training.

- *Other Factors:* Certain Namibian exports are subject to licensing agreements that may restrict exports, including diamonds and other minerals, meat (to the EU), canned meat, game, forestry products, horticultural products, and fish products. In 2003, in an effort to increase local processing and community-owned tanneries, Namibia applied a 15-percent levy on the export of live cattle, sheep, and goats, and a 30-percent levy on the export of unprocessed hides and animal skins.

SEYCHELLES

<u>Export Profile</u>

The largest export commodity is fish products. Seychelles' primary export market is the EU. The United Kingdom, Thailand, Spain, comprise other important trading partners. Seychelles' service sector is a major foreign exchange earner, principally in the areas of tourism, shipping, and business services.

Seychelles' 2004 exports under AGOA and its GSP provisions in were valued at $3,000, representing less than one percent of its total exports to the United States.

Economic Strengths and Potential Growth Sectors

- *Fisheries:* Significant potential for growth in prepared fish and frozen fish, which account for nearly 80 percent of merchandise exports. Canned tuna exports are concentrated in the EU market; other markets may also offer potential. Other fisheries products besides canned and frozen tuna are potential exports. One possible growth sector is crustaceans. The shrimp parastatal, which the government plans to privatize, has recently invested in new shrimp ponds. Tuna exports are expected to increase because of investment in new storage facilities and increased tuna transshipments under the new fisheries agreement with the EU. With the opening of new airline routes to the Middle East, Seychelles may be able to export fresh and frozen seafood to these markets. Some strengths of the Seychelles tuna industry are an Exclusive Economic Zone rich in tuna, an experienced fisheries workforce, and the fact that the product is well established in EU markets. In addition, Seychelles has a comparatively advanced infrastructure system. The efficiency and geographic convenience of Port Victoria reportedly influenced Heinz's investment in the Seychelles tuna industry. There has also been recent investment in infrastructure. In 2004, work began to extend the tuna quay at Port Victoria to increase handling and processing capabilities and upgrade facilities.

- *Tourism:* Privatization of the tourism parastatals in the 1990s and a new open skies policy could increase tourism sector exports. Tourism benefits from a favorable climate, beaches, a generally stable political environment, and environmental policies that protect over 50 percent of the land. The tourist base could be diversified to attract tourists from a broader range of countries and tourists for different types of vacations such as nature and adventure vacations. Recent government initiatives to increase tourism include concessions to businesses under the Tourism Incentives Act; a reduction in taxes on food items, wine, and bottled water; and a 200-percent tax rebate on promotion and advertising expenses for trade operators. In 2004, the government adopted an open skies policy, a change from its previous policy of regulating carriers to protect the national airline. The government has also encouraged investment in luxury hotels through incentives including exemptions from taxes and labor regulations. In 2004, a Dubai-based group invested $50 million in Mahe's third five-star resort. Emerging markets for tourism include South Africa, the Middle East, and Southeast Asia.

- *Business and Financial Services:* With its high literacy rate, trilingual culture, and telecommunications infrastructure, Seychelles also has potential in export of online business services. Offshore business services are another sector that may increase with recent changes in legislation and new double taxation treaties. The first offshore bank in Seychelles opened in 2005 as a result of changes in offshore legislation and new double taxation agreements with other countries. It will serve firms primarily in the offshore sector and may encourage other international businesses. Other services with growth potential include consulting and translation services; dry docking, technical support, and other shore services; and shipping services, which may benefit from the recently created Port Authority and a proposed transshipment hub.

Major Challenges to Export Growth

- *Business Environment:* A recent study by the Foreign Investment Advisory Board identified the lack of foreign exchange and government decision making as the two main impediments to investment in Seychelles. The Seychelles Chamber of Commerce and Industry has lobbied the government for the following reforms: devaluation of the currency, review of foreign exchange allocation procedures, a new investment code, and an end to the Seychelles Marketing Board's monopoly powers. The controlled exchange rate reportedly is a major impediment; the official exchange rate is double the black market value of the Seychelles rupee. The high value of the Seychelles' rupee has increased prices for tourists, and vacationers have sought less expensive destinations such as Comoros, Mauritius, and Madagascar. Economic freedom indicators are not available for Seychelles.

- *Transport Constraints:* Although Seychelles has a relatively well-developed infrastructure, high transportation costs to export markets and limited air and sea connections to suppliers and markets are impediments. Furthermore, the islands are over 1,500 kilometers from trading partners on the African continent, limiting the benefit of regional trade agreements. Capacity at the airport and shipping ports has been a concern, but these facilities are currently being upgraded. The airport is small, but renovations should be complete in 2006. The port has also experienced some problems with capacity, especially during peak season. However, facilities are currently being upgraded. Challenges to the improvement project include the remoteness of the island and lack of availability of labor, materials, plant, and equipment.

- *Challenges in the Fishing Sector:* Seychelles faces a number of obstacles to the export of canned tuna. It has much higher labor costs than other countries; per-worker labor costs are $19.20 per day compared to $4.15 in Thailand, $6.01 in Philippines, and $4.00 in Ghana. Moreover, because there are not enough Seychellois to fill jobs at the prevailing wage, foreign workers must be brought in. Other constraints are high utilities costs and seasonal water problems. The need to import raw material and manufactured inputs also increases production costs. For tuna exports, a constraint is the rules of origin requirements for canned tuna exports to the EU that require the tuna cannery to purchase tuna caught by EU vessels, which is more costly than other tuna.

- *Other Factors:* Limited access to capital from international commercial markets and from multilateral financial institutions is also a constraint, and the limited size of the economy discourages investment. In addition, the cost of labor is high, as are the costs of most other inputs, since nearly all inputs have to be imported. Labor is a major constraint to growth in exports because of the small population, high wages, and shortages of certain skills needed to diversify into more skill-intensive industries, especially services. Also, a shortage of flat land, poor soil, water shortages, and a fragile environment are other impediments. The government has invested in desalination plants and land reclamation to address some of these issues. An impediment to increased development of offshore centers is international monitoring bodies that require complex and substantial legislation and reporting mechanisms.

SOUTH AFRICA

Export Profile

Platinum group metals, diamonds, coal, motor vehicles, and gold comprise South Africa's primary export products. Aerospace and defense products, railway equipment and rolling stock, mining equipment, chemical products, furniture and other wood products, unwrought aluminum, as well as fabric constitute other important export earners. Significant agricultural exports include fruits and vegetables, ostrich products, sugar, wine, tobacco, and seafood. Leading markets for South African exports are the United Kingdom, the United States, Japan, Germany, and China.

South Africa's exports under AGOA and its GSP provisions were valued at $1.8 billion in 2004, constituting 30 percent of total South African exports to the United States.

Economic Strengths and Potential Growth Sectors

- *Agriculture:* Agricultural products with greatest potential for increased exports are processed and canned foods, cut flowers, fresh fruits and vegetables, wine, and ostrich products. There are a broad range of agricultural products in which South Africa is beginning or increasing export production, with recent investments in pineapple processing, berries, licorice, and paprika. Fruits that have the potential for increased exports include grapes, citrus fruits, apples, mangoes, avocados, pineapples, and peaches; and flowers with the greatest export potential include roses, protea, tulips, shasta daisies, and bulbs. Most wine exports go to the United Kingdom, Netherlands, Scandinavia, and Germany. The United States, India, China, and Japan are growing markets for wine.

- *Motor Vehicles and Parts:* Motor vehicle exports are predicted to double by 2007 compared with 2004 levels, and component exports are expected to expand, but this growth will be strongly influenced by the value of the rand. Although local production is expected to remain predominantly right-hand drive vehicles, the recent expansion of left-hand drive vehicle production could increase the number of potential markets for South African-built vehicles. Investment and expansion plans by automakers such as Ford and Toyota will create new opportunities for components producers in South Africa. There are no serious impediments to the export of these products, as the industry is dominated by international automakers that easily meet global market requirements. Several major international automakers have assembly plants in South Africa.

- *Textiles and Apparel:* South Africa has a strong and growing comparative advantage in certain yarns. However, because of the strong rand and increased international competition stemming from the removal of global textile and apparel quotas in 2005, this sector is not likely to offer considerable export growth, although opportunities reportedly may exist for the South African textile and apparel industry in niche industries such as embroidery services, dyeing, high performance textiles, specialty textiles, medical textiles and gowns, and fire retardant clothing. Other potential export growth products include raw and semi-processed wool and cotton, and mohair.

- *Minerals and Metals:* South Africa has a mature mining sector and new deposits continue to be discovered, offering the potential for continued growth. Minerals and metals processing is expected to be a growth area in the next five to 15 years, and downstream processing is an important government policy focus. An example of a new downstream metal product export is superalloys made from locally procured nickel that are purchased by Rolls-Royce for use in aircraft engines. Other aerospace companies may be interested as well.

- *Diamonds and Jewelry:* Diamond processing, including diamond cutting, polishing, tool making, and jewelry making are potential growth sectors. The government has called on the global diamond industry to assist other African countries in acquiring the technology and capability to process their own diamonds. The jewelry industry is expanding and is a downstream processing focus area for the South African government.

- *Information and Communications Technology (ICT):* ICT offers substantial growth potential in South Africa, and is considered a key driver of the economy, accounting for over six percent of GDP. The sector is dominated by the parastatal Telkom, but most multinational ICT firms have a presence in South Africa. South Africa's advantage lies in its skilled workforce and its development of niche products for the financial, retail, and manufacturing sectors. South Africa reportedly has enormous capacity for data processing, and call centers are a growth area as well. A major German airline is currently using South Africa as a call center, and a number of U.S. companies are reportedly considering business processing opportunities in South Africa.

- *Tourism:* Tourism reportedly surpassed gold as the leading foreign exchange earner in South Africa in 2003, and appears to be fairly resilient to the appreciation of the rand. South Africa accounts for approximately one-quarter of international tourist arrivals on the African continent, owing to its game reserves, comparatively good road system, reliable power supply, and political stability. Recently, steps have been taken to develop a cruise line industry in South Africa; a multipurpose docking terminal to accommodate cruise ships is to be built, and the government is reportedly committed to developing this part of the tourism industry in the mid to long term.

- *Film Industry:* South Africa is becoming increasingly competitive in the feature and commercial film industry. Low cost labor is an advantage, and it is reported that overall film production costs are half as much as in the United States, even given the recent appreciation of the rand. The industry received a boost in July 2004, when the government initiated a rebate/investment scheme, similar to those offered in markets such as Australia and Canada, with the aim of promoting South Africa as a high quality-production site for film making.

Major Challenges to Export Growth

- *Business Environment:* South Africa ranks above the regional average, but below the OECD average, for many of the World Bank's business environment indicators, and the

Heritage Foundation's Index of Economic Freedom. In the latter index for 2005, South Africa ranked better than the OECD average on trade policy; government intervention in the economy; and wages and prices; but worse than the regional average on monetary policy.

- *Limited Market Information and Production Capacity:* South African firms are engaged in developing new market opportunities on the continent, and maintain a robust trade relationship with several European markets. Although South African exports to the U.S. are rapidly increasing, South African industry sources report that high manufacturing costs inhibit firms from expanding exports and entering new markets. They also cite insufficient production capacity as a barrier to export expansion. These sources also report that South African manufacturers do not have good information regarding consumer tastes and standards in foreign markets. The U.S. market in particular is perceived by many in the South African business community to be impenetrable; the orders are too large for South African manufacturers, and the time and cost of transportation and distribution are prohibitive. South African industry officials acknowledge that these constraints have led to missed opportunities for increasing exports under AGOA. There is also reportedly a lack of confidence, particularly on the part of SMEs, to invest in expanding output. The government is launching the National Small Exporters Development Program at the end of 2005 to address this issue. A number of South African officials stated that when domestic demand is strong, South African manufacturers pull out of export markets and devote their existing capacity to domestic sales, giving overseas customers the impression that South African suppliers are unreliable. Likewise, when there is a downturn in business, South African manufacturers choose to decrease production instead of look for new opportunities.

- *Transportation and Ports:* Although South Africa has a relatively good transportation infrastructure, costly and inefficient intermodal transfers are reportedly an impediment to increased exports. The transport infrastructure suffered from lack of investment in the late 1990s, leaving current road networks stressed. Several large companies in South Africa have complained about poor rail infrastructure. The government has begun upgrading and restructuring the ports system, but this process has been slow. South African iron ore producers claim that they are losing market opportunities in China because of the poor state of rail and port infrastructure. Some South African exporters have begun using Port Maputo in Mozambique, which has recently been upgraded, to accommodate larger ships and increase overall efficiency. The government is reportedly working to form transportation cooperatives to lower shipping costs for smaller-scale exporters. With respect to tourism, the passenger aviation industry suffers from a high cost structure, with inefficient routings, schedules, and services. South African industry officials add that requests for charter flights are often declined.

- *Labor Constraints:* South Africa has an abundance of unskilled labor; the official unemployment rate is 28 percent, although estimates place the number closer to 40 percent. The HIV/AIDS infection rate is also a factor in the labor market, as an estimate for 2003 claims the adult prevalence rate to be 21.5 percent. There is a shortage of skilled workers, partly because of the emigration of skilled labor, which is restraining the growth potential of skill-intensive sectors. U.S. and other foreign investor companies have noted that South African immigration policies make it difficult to get work permits for their foreign employees.

- *Rand Appreciation:* The volatility of the rand puts those South African exporters with rand-denominated inputs at risk, and also makes it difficult for export-oriented firms to make long-term plans. Increased prices for gold and platinum group metals made the rand one of the best performing currencies in the world in 2003 and 2004, with the rand appreciating against the dollar by 18.5 percent in 2004. A number of South African industries have indicated that their export capabilities have suffered during this recent period of rand appreciation, including textiles and apparel, sugar, and motor vehicles and parts. South African industry sources report that the effect on automotive component producers is so great that some producers may not renew some export contracts and may phase down their export business.

- *Investor Uncertainty regarding BEE:* The Broad-Based Black Economic Empowerment (BEE) law that went into effect in early 2004 aims to redistribute capital toward, and accelerate skill acquisition by, historically disadvantaged groups. A survey conducted by the American Chamber of Commerce in South Africa reported that 74 percent of participants view selling equity under BEE as a negative factor in investment decisions. Nonetheless, 50 percent planned to invest more in South Africa in 2005, and 62 percent said the business environment is good or excellent, up from 50 percent in 2003.

- *Constraints in the Mining Sector:* FDI in the mining sector is currently being delayed because of perceived significant valuation and financial risk issues arising from several new pieces of legislation.

- *Export Controls:* Export control and licensing requirements exist for a number of products, including petrochemical products; waste and scrap of iron, steel, aluminum, copper, nickel, lead, zinc, tin, magnesium, cadmium, antimony, manganese, and refined copper; motor vehicles; diamonds (required to be registered with the South African Diamond Board); and live ostriches and fertilized ostrich eggs. With respect to scrap metal, a new regulation was issued in August 2003 with the goal of increasing the amount of downstream processing of scrap metal, and ensuring that domestic demand is met before export sales are pursued. Such control and licensing requirements limit exports by raising export costs and encouraging industries for which South Africa may not have a comparative advantage.

- *Constraints in Agriculture:* The agriculture sector also faces a number of domestic regulatory constraints. The South African fruit industry claims that domestic regulations pertaining to the industry are "out of line with domestic norms, enormously time consuming and unrelated to the core production issue – the quality of the fruit they produce."

- *Meeting Standards:* Standards as an impediment to South African exports have been most prevalent in the agricultural sector (food, beverages, and tobacco), but also affect exports of pharmaceuticals and other chemicals, machinery, and transportation equipment. Foreign country standards and conformity assessment requirements, in general, can be costly for South African exporters and in certain instances, nontransparent. They are particularly burdensome for SMEs. Although South Africa enforces safety regulations for the manufacture and distribution of products, there is no mechanism for mutual recognition of the local conformity assessment infrastructure by export markets. Therefore, South African exporters must undergo costly, time-consuming testing and certification in overseas markets. South African exporters of fruit reportedly must meet both internationally accepted standards as well as distinct standards of the importing country. For example, the EU is increasingly applying the European Retailers Produce and Good Agricultural Practices (EUREPGAP) protocol, which is invoked at the discretion of the importer. Meeting EUREPGAP standards in addition to the internationally accepted standards adds cost and uncertainty for South African exporters of fruit. Quality and packing requirements reportedly disqualify up to 40 percent of the domestic fruit crop as not acceptable for export.

SWAZILAND

Export Profile

Cane sugar, textiles, and apparel comprise Swaziland's chief export products. Other notable exports include chemical wood pulp, citrus, and meat. The bulk of Swazi exports are destined for the United States, Korea, the Asia-Pacific region, and the EU (mainly the United Kingdom). Australia, Japan, and South Africa are also significant trading partners.

Swaziland's exports under AGOA and its GSP provisions were valued at $177 million in 2004, constituting 89 percent of Swaziland's total exports to the United States. AGOA has created a number of job opportunities, primarily in the garment manufacturing industry. Swaziland's current challenge is to diversify export production in order to take full advantage of AGOA benefits.

Economic Strengths and Potential Growth Sectors

- *Textiles and Apparel:* Though potential for growth in the textile and apparel sector is limited by the strong rand (the Swazi currency is pegged to the South African currency) and by increased international competition (as a result of removal of the quotas in 2005), the country does have a comparative advantage in producing woven cotton fabrics and gauze.

- *Agriculture:* The government is encouraging farmers to diversify away from sugar into other agricultural products, including fresh flowers (such as roses), goats, aquaculture, peanuts for processing into peanut butter, and other articles such as pottery, natural health products, kaolin mining, candles, glassware, and mohair. In particular, several hatcheries for trout and warm water species exist in Swaziland; however various technical problems hamper growth.

- *Tourism:* Tourism continues to be a potential growth sector through increased emphasis on Swaziland's cultural heritage and its adventure-focused day trips.

- *Other Areas:* Sectors that exhibit gains in comparative advantage include artificial waxes, live animals, watch straps, and book-binding machinery. Eight of Swaziland's top 10 export products have relatively strong comparative advantage indices, including cane sugar; food preparations; jerseys, pullovers, and cardigans; odoriferous substances (from raw materials used in beverage manufacturing); chemical wood pulp; citrus; fruits and nuts; and synthetic filament yarn. International trade in three of these exports (food preparations, odoriferous substances, and chemical wood pulp) experienced above average growth in world trade during 1993-2003.

<u>Major Challenges to Export Growth</u>

- *Business Environment:* Swaziland has a trade policy that is generally conducive to business. The simple average of Swaziland's ad valorem duties was 5.8 percent in 2002 for all imports. This favorable trade policy is also reflected in the Heritage Foundation data, which show that in 2005 Swaziland's trade policy ranked more favorably than the sub-Saharan African average and was comparable to OECD averages. In its overall 2005 assessment, the Heritage Foundation ranked Swaziland as having greater economic freedom than the average of its sub-Saharan African counterparts and, in the government intervention in the economy subcategory, Swaziland scored better than the OECD average.

- *Transportation:* Key domestic impediments are related to Swaziland's land-locked geographical position, making it reliant on South African and Mozambican ports and transportation networks. Consequently, Swaziland faces high shipping costs. According to USAID, the cost of shipping a container from the Swazi capital of Mbabane to Durban, South Africa, is approximately three times the cost of shipping the same container from Durban to Hong Kong.

- *Communications:* An impediment to business, and especially exports, is Swaziland's communication infrastructure. There are only 95 fixed or mobile phone lines per 1,000 people and less than 20 Internet users per 1,000 people. This impediment increases costs and constrains potential exporters from efficiently obtaining information about potential export products and markets.

- *Labor Constraints:* There are shortages of skilled labor, resulting from high levels of emigration of educated Swazis to South Africa, as well as shortages of unskilled labor, resulting stemming in part from what is reportedly the world's highest rate of HIV/AIDS. Other factors affecting shortages of skilled labor include the lack of diversification of the economy and the absence of effective training programs to meet labor market demand. These impediments could adversely affect Swaziland's labor productivity and constrain future economic growth and foreign direct investment decisions. In addition, foreign workers in Swaziland report difficulties and delays in obtaining work permits.

- *Land Tenure:* Swaziland has two forms of land tenure – title deed land and Swazi nation land. Title deed land is leased to commercial farmers, and Swazi nation land, which makes up 60 percent of the total area, is devoted to small-scale and communally-managed subsistence farming. Swazi nation land is held in trust for the nation and parceled out by community chiefs and leaders. The Swazi nation land system contributes to Swaziland's ambiguous land tenure regulations and lack of land ownership security. This discourages farmers from making investments in their property, reducing overall agricultural productivity and consequently hampering potential export growth, particularly in the agricultural sector.

- *Meeting Standards:* Another constraint to exports is the lack of domestic capacity to meet international standards. Swazi producers also report difficulties in producing output that meets EU SPS or other regulatory standards. Swaziland Meat Industries processes beef for export and is an EU-approved abattoir; however, a 2005 shipment of Swazi beef to the European Union was halted because of improper paperwork and veterinary records.

ZAMBIA

Export Profile

Copper and related products make up the bulk of Zambia's exports. Most of the remaining exports are cobalt mattes and intermediate products, cotton and cotton yarn, tobacco, cane or beet sugar, cut flowers, natural/cultured pearls and precious gemstones, vegetables and roots, copper ores and concentrates, and coffee. Zambia's major export markets are Saudi Arabia, South Africa, Japan, Thailand, China, and Korea.

Zambia's 2004 exports under AGOA and its GSP provisions were valued at $2.6 million, representing eight percent of Zambia's total exports to the United States. Although not reflected in the AGOA trade figures, Zambia also exported several million dollars worth of cotton yarn to South Africa for use in AGOA apparel production there.

Economic Strengths and Potential Growth Sectors

- *Agriculture:* Cereal flours are a downstream product that offers potential. Zambia also has comparative advantages in both cotton and cotton yarn, which Zambia currently exports to South Africa, Mauritius, and Madagascar for use in AGOA apparel production. In the horticultural sector, although export earnings decreased during 2002-2003, investments made in 2003 are expected to increase export earnings. For example, exports of cut roses and beans to the United States under AGOA are expected to increase once phytosanitary standards are met. Increased maize exports to the region have also been identified as an export growth opportunity. Leather and leather products are potential exports for Zambia, particularly downstream products. The government has banned the export of raw hides in an effort to increase domestic processing of the hides into downstream leather products. The government also identified export potential for honey. Export-oriented production of honey is projected to increase almost sevenfold to about 2,000 metric tons annually. The EU is considered an expanding market for Zambian honey exports, given increasing EU demand for natural sweeteners and the fact that Zambian honey already meets EU standards. Coffee, particularly specialty coffee, also has export potential. The government recently enacted legislation restricting the types of coffee that can be grown in Zambia to encourage the development of specialty coffees intended for export. High value crops such as paprika also show export potential.

- *Minerals and Metals:* Based on the impact of increased copper prices in 2004, continued high international metal prices through 2008 would be expected to support the growing upward trend in copper exports. Increased copper and cobalt production expected during the next few years as the result of technological advances and the start up of two new mines will likely result in increased exports. Additional sector development may also be possible for minerals such as niobium, tantalum, vanadium, and zirconium. For example, one firm identified Zambia as a possible source of tantalite ore feedstock for its tantalum pentoxide production in South Africa. Export growth in tantalite and niobium ores is anticipated as a result of rising international prices for these products.

- *Electricity:* Once the country's electricity grid is connected to electricity grids in Tanzania and Kenya in 2006, Zambia is expected to begin exporting electricity to those countries with plans to increase the level exported when the transmission project is completed in 2012. Additional hydroelectricity exports are expected with the completion of a transmission line in 2005 connecting the Zambian and Namibian electricity grids and pending the successful conclusion of ongoing discussions regarding potential exports of power to Rwanda. Increased exports are also possible once new power generating capacity is brought on stream as a result of China's $600-million power generation project with Zambia at the Kafue Gorge, and the recent memorandum of understanding between Zambia and an Iranian firm to build a new hydropower facility on the Kafue River.

- *Meeting Standards:* Zambia has limited capacity to meet the SPS standards of its major and potential trading partners. Pest risk assessments are now in process for several vegetables for prospective export to the United States.

Major Challenges to Export Growth

- *General:* Domestic export impediments include a high inflation rate, high production and transport costs, the high cost of capital, insufficient technical knowledge, high energy costs, and low production capacity. Additional technical training and assistance, as well as increased private-sector participation, were also cited as necessary in order to expand Zambia's export sector.

- B*usiness Environment:* Overall, Zambia's business environment indicators are better than regional averages. Zambia's economic freedom score is on par with the regional average.

- *Transportation:* Zambia's competitiveness in international markets is reduced by transport costs, which often equal as much as 60-70 percent of production costs. Higher domestic and international transport costs are attributed not only to the country being land locked but also to inefficiencies and structural weaknesses in the transport network. The main modes of transport in Zambia are road, railroad, and air transport, with most products transported via road. Just under one-quarter of roads were paved in 2001; an expanded and improved network of highways would allow better and less expensive market access for farmers in times of large harvests, and could also link newer areas of development. The need to utilize other countries' ports can result in higher transport costs. Moreover, regional conflicts in several neighboring countries have had a negative effect on Zambia's trade flows. Zambia recently joined with Malawi, Mozambique, and Tanzania to launch the Mtwara Development Corridor, a $2.6-billion project to generate production and trade levels valued at approximately $2.4 billion annually, and to develop the transportation structure in the four countries. Zambia also recently announced plans to upgrade the infrastructure in the Lobito Corridor (Angola), an important channel for Zambia's exports.

- *Constraints in Agriculture:* Constraints to agricultural export growth include the country's limited irrigation infrastructure, deteriorating storage facilities, and lack of technical capacity to comply with SPS and pest-risk assessment regulations in developed country markets. Constraints affecting the floricultural market include issues related to air freight, including inadequate service and high costs; high cost of capital; and the introduction of tighter phytosanitary standards in the EU.

- *Constraints in Manufacturing and Mining:* Impediments to export development and diversification in the manufacturing sector include insufficient development/investment capital, a lack of training in new technologies and specialized skills, and inadequate equipment and personnel. The tax burden, particularly on small firms, is reportedly significant. The textile and apparel industry in Zambia is likely to face increased competition in the U.S. market from other world textile producers as a result of the end of quotas in 2005. Constraints affecting manufacturing include high transportation costs, high equipment and operating costs, and outdated equipment. Constraints related to potential expansion of the mining sector, particularly tantalite deposits, include the ability of miners to market their product given the artisanal nature of much of the mining and concerns by some transporters and importing countries about radioactivity in exported tantalite.

Chapter VI. Summary of Regional Barriers to Trade and Recommendations for Technical Assistance

Regional Barriers to Trade

This section provides a summary of major regional barriers that impede the growth and expansion of sub-Saharan African trade and investment.

West Africa:

Many West African countries face a lack of adequate transportation networks. In addition to insufficient coverage, existing networks are often dilapidated and costly to operate. Given the low-margin, high-volume nature of most traditional exports, increased costs associated with lack of efficient transport networks are a major barrier to export growth. High-cost, low-quality, and unreliable utilities also present significant challenges, increasing the costs and risks of producing goods for export, and decreasing a country's attractiveness for export-oriented investment. Inadequate telecommunications infrastructure not only increases the cost of production, but also inhibits exporters' ability to obtain market information and contact potential purchasers. For some countries, additional obstacles to attracting foreign investment include political instability, lack of government transparency, and administrative and regulatory constraints.

Central Africa:

Many Central African countries face difficulties with respect to a lack of government and/or judicial transparency, as well as political instability or a lack of security. Central African countries also suffer from inadequate infrastructure in all areas: road networks, port facilities for those that are not land locked, and electricity and other utilities. These countries generally are also deficient in the skilled labor necessary to diversify into more skill-intensive sectors. There are a variety of regulations and business environment indicators that are cited as barriers to exports from Central African countries, the most prominent of which include: inability to own land and insecure property rights, burdensome domestic agriculture and trucking regulations, high cost of capital, low-volume production capacity, outdated technology, and lack of international business knowledge.

International barriers were less prominently cited as constraining export growth. The most commonly cited measure faced by Central African countries is lack of capacity to meet high standards in many developed country markets. Geographic trade-related barriers for Central Africa include a lack of direct flights to Europe and the United States, lack of aviation safety Category one certification, and the high cost of airfreight.

East Africa:

Infrastructure networks have continued to deteriorate in recent years, complicating efforts to access international markets. Problem areas include: inadequate road and rail networks, insufficient port infrastructure, inadequate telecommunications networks, and unreliable utilities. Also stifling increased exports are lack of transparency, governance-related issues, conflict and lack of security. Other factors include: costly and burdensome regulations, trade policies that bias production toward domestic markets and raise the cost of exporting, and an inhospitable business climate that reduces international competitiveness.

Southern Africa:

While lack of security or political instability is not as pervasive as in other sub-Saharan regions, lack of transparency is an issue for some of these countries. Southern African countries suffer from inadequate transport infrastructure, including poor road networks, dilapidated railways, and constrained port facilities in those countries that are not land locked. In addition, electricity and telecommunications in most of these countries are insufficient and/or costly. These countries generally are also deficient in the skilled labor necessary to diversify into more skill-intensive sectors. Problems with immigration policies and productivity are also impediments to varying degrees in the region. There are a variety of regulations and business environment indicators that are cited as barriers to exports from southern African countries, the most prominent of which vary by country but include the following: inability to own land and other land rights issues, burdensome domestic regulations, high cost of capital, low-volume production capacity, outdated technology, and lack of capacity to meet international standards.

Recommendations for Technical Assistance

This section on Technical Assistance Recommendations begins with four broad areas of barriers to trade and investment in sub-Saharan Africa: (1) policy and administration; (2) physical infrastructure; (3) accessing markets and meeting regulatory requirements; and (4) financial sector. These broad areas are then further divided into more specific barriers. A brief explanation of each specific barrier is provided, followed by a discussion of technical assistance recommendations for these barriers. Examples of U.S. government programs are listed for each of the specific barriers. The last part of this chapter contains a table matching recommendations for technical assistance with applicable AGOA-eligible countries.

I. Policy and Administration

Developing and implementing government policies. Many sub-Saharan African governments need assistance in developing and implementing economic and trade-related policies. U.S. agencies should work in partnership with African governments to advance pro-growth policies and governance in parallel with U.S. assistance efforts. Assistance in policy development and implementation should be prioritized in countries where there is a desire to effect change at the highest political levels. The United States can provide the tools to develop and implement sound policies, but good governance ultimately rests with the countries and their governments.

Recommendation #1: Provide technical assistance to establish mechanisms in government to further understanding of different interests in trade and business policy, and to provide analytical means to arrive at politically palatable decisions for increasing trade and investment. Assistance should be provided to governments to facilitate the participation of stakeholders such as labor and business in the policy-making process, and to communicate new policies to stakeholders and the public. Also, assistance should be provided to stakeholders to create awareness of the need for policy change and to help them inform policy decisions more effectively. To complement this effort, there needs to be broad public awareness of what the economy is losing by not adapting and implementing specific regional and international policies. Assistance should be geared toward increasing the capacity of regional and national experts to impart this awareness to the broader public.

Recommendation #2: Engage senior government officials in improving the business/trade environment. In the past, most assistance in this area has been targeted at lower- or mid-level officials. While these officials can benefit from capacity building, they are generally not empowered to drive the sort of politically sanctioned change that is needed to advance reform of tax structures, business permit processes, customs procedures, etc.

Recommendation #3: Provide training to local trainers where practicable. Strengthen national government institutions that deal with policy and build home-grown technical training capacity through formal and on-the-job training. After completion of training, capacity dissemination and tracking programs need to be developed to ensure that the newly developed expertise is fully utilized.

Examples of USG assistance to help countries develop and implement sound policies:

- The USAID Regional Center for Southern Africa (RCSA) Dialogue for Competitiveness program works with collaborating partners to advocate for policy change, addressing industry-specific impediments to competitiveness and trade.
- USAID/Malawi has worked with the Southern Africa Regional Trade Hub to provide guidance and support to the Malawian government on mainstreaming a National AGOA Strategy in Malawi's overall trade strategy. The mission also continues to support the National Action Group, a senior level forum for the discussion and resolution of issues that impact the performance of the private sector in Malawi.
- USAID/South Africa is providing training to labor union economists and leaders in understanding the WTO, South Africa's obligations under existing agreements, issues in the Doha round of WTO negotiations, and the terms of existing and proposed free trade agreements as well as special trade arrangements such as AGOA.

Improving customs procedures, enforcement, and trade facilitation. Inefficient policies and systems can increase the cost of moving goods across borders, even in the absence of trade policy barriers. Targeted assistance in trade facilitation and modernizing customs procedures – especially to improve transparency in operation and to enhance the rapid release of goods – could greatly reduce these costs, as well as greatly diminish the opportunity and incentive for corruption. In reforming customs management, it is important to focus on sustained efforts through discrete actions that will achieve the goals of reducing costs, increasing the ease of trade, and increasing security efficiency. In order to make customs procedures more efficient, there should be a shift to procedures and methods that meet the needs of the private sector while achieving the security and trade objectives of the government.

Recommendation #1: Conduct diagnostic studies on customs procedures and trade facilitation to determine problem areas and plan future assistance. Time Release Studies calculate the time taken to clear goods through customs, and pinpoint sources of slow movement. These studies should be a part of the diagnostics. Use the diagnostics to identify solutions and create plans for technical assistance where needed.

Recommendation #2: Work with sub-Saharan African governments to create a strategy to modernize customs procedures using Information and Communication Technology (ICT). Aim to simplify rules and procedures through the strategy, harmonizing regionally and with international standards. Streamline documentation within the region by implementing common administrative customs documents where possible. Provide technical assistance to support institutional reform and customs integrity.

Recommendation #3: Provide technical assistance in customs valuation, control and release of goods, and risk management.

Recommendation #4: Provide technical assistance to improve the efficiency of trade transit corridors.

Recommendation #5: Provide technical assistance to publish customs regulations for the public, using clear language. Regulations, including import procedures, should be available on the Internet as well as in print.

Examples of USG assistance to improve customs procedures and trade facilitation:

- USAID's Regional Economic Development Services Office for East and Southern Africa (REDSO) is working with COMESA and the Transit Transport Coordination Authority of the Northern Corridor to enhance customs facilitation and promote ICT use in this sector. This activity is also promoting the use of a regional Customs Bond Guarantee Scheme in the region.
- USAID/RCSA is working on customs modernization in southern Africa through the Southern Africa Trade Hub. The Hub is facilitating the implementation of Time Release studies as a diagnostic instrument to guide customs reforms by authorities in the region.
- The West Africa Trade Hub is working with ECOWAS, UEMOA and the World Bank to develop a regional road governance project focused on collecting and disseminating data on fees paid at illegal customs posts and transit times at border crossings, in an effort to reduce corruption and wait times at borders for commercial truckers.
- USAID/Zambia is implementing an ICT Alliance with public and private sector partners aimed at increasing the Zambian ICT skills pool, providing ICT equipment, and raising the ICT regulatory capacity in the country.

Improving technical standards and regulations. The WTO Agreement on Technical Barriers to Trade (TBT) aims to reduce the costs associated with different standards and technical regulations in different markets, and prevent unnecessary barriers to trade. Among other things, it prohibits members from imposing regulations that are more trade-restrictive than necessary to fulfill the legitimate objective. The TBT agreement also encourages members to harmonize their regulations to international standards, if relevant standards exist, were developed through open, consensus procedures, and would be effective and appropriate for the objective at hand. It also has procedures to ensure that technical requirements are developed through transparent procedures, including obligations to publish notice of proposals and provide an opportunity for comment and consideration of comments received before adopting a final regulation. The TBT agreement recognizes that developing countries may not have the capacity to participate in the development of international standards and that those international standards may not be appropriate for their use in some circumstances. Technical assistance could help to address these issues as well as others that may prevent them from fully exercising their rights and obligations in the Agreement. Assistance in this area should focus on implementing the WTO TBT agreement. In addition to the United States, other donors currently provide support in this area throughout Africa, so efforts should be coordinated and duplication avoided.

Recommendation #1: Provide technical assistance for implementing the WTO TBT agreement and establishing or upgrading national or regional standardizing and regulatory institutions. Training should be provided with respect to TBT fundamentals, i.e., regulations should not be more restrictive than necessary to fulfill their legitimate objectives, with courses to foster a coordinated approach on transparency and tools for regulatory impact, and cost-benefit analyses to underpin the development of regulations.

Recommendation #2: Provide technical assistance on harmonizing technical regulations with international standards. Assistance is needed to help identify relevant standards and evaluate which ones are consistent with local conditions and preferences.

Recommendation #3: Provide assistance on how to evaluate alternative approaches for assuring compliance with standards and regulations.

Recommendation #4: Provide assistance to allow countries to better participate in WTO discussions related to TBT to ensure their specific concerns are relayed to other members in an appropriate manner. This includes better understanding of proposals notified, determining which are priorities, and eliciting stakeholder comments.

Examples of USG assistance to improve technical standards and regulations:

- USAID/Uganda assisted all nine fish processors in Uganda to become ISO-certified. This assistance was requested after Ugandan exports to Europe were halted for failure to pass a sanitary test.
- The Department of Commerce's Commercial Law Development Program helped facilitate regulatory reform in Nigeria by providing technical assistance in standards and quality control. Participants in the training sessions gained a better understanding of how standards can create trade barriers, and learned how to increase private-sector participation in the decision-making process for adopting and formulating voluntary and mandatory standards.

Meeting Sanitary and Phytosanitary Standards. Agricultural producers must meet sanitary and phytosanitary standards (SPS) to export goods to the United States and other markets. Both the private and public sector in sub-Saharan Africa need assistance to build the capacity to meet these standards. Also, African governments need assistance to meet SPS requirements in trade obligations and to participate in international SPS discussions. Assistance in this area should be linked to agricultural development priorities and strategies for each country, so that SPS-related issues that affect agricultural products and foodstuffs are incorporated into national development plans. Many countries have been identified as requiring SPS assistance. This assistance should be provided through a regional approach, where possible, in order to make the most efficient use of resources, and to create a regional network of expertise.

Recommendation #1: Provide targeted training to local institutions in assisting producers in meeting SPS standards.

Recommendation #2: Provide technical assistance in developing testing facilities for SPS compliance in targeted agricultural sectors.

Recommendation #3: Provide technical assistance to government institutions on pest risk assessments in targeted agricultural sectors.

Examples of USG assistance to help meet SPS standards:

- Each of the three trade competitiveness hubs has an advisor assigned from the U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) to provide technical assistance to African governments.
- The USDA Foreign Agriculture Service conducts workshops in African countries on pest risk assessments and SPS standards.
- USAID/Ethiopia provides training and technical assistance to support host government sanitary and phytosanitary systems to facilitate certification of meat products for export.
- USAID is working with the Ethiopian government and a U.S. university to develop livestock export standards, laboratories, and regulatory capacity. Ethiopia is Africa's largest livestock producer. With up-to-date and competitive food standards institutions and infrastructure Ethiopia could significantly increase smallholder livestock producer outcomes.

Improving commercial law legislation and enforcement. Many laws have not been significantly updated since the 1960s and 70s. Antiquated and burdensome requirements, many of which were inherited from colonial regimes, still remain. Court enforcement of contracts and property rights is slow and uncertain, making potential investments risky and unpredictable. The burden falls heaviest on the poor and middle classes, as business procedures and transactions are costly and time consuming. This hampers competitiveness in nearly all sectors of the AGOA countries. Commercial laws, particularly those dealing with secured transactions (lending against moveable and real property); and competition policy should be harmonized to allow for regional approaches to finance and competition, respectively.

Assistance needs to be provided to strengthen economic freedoms, particularly for the poor and middle classes. This can be done in a number of ways: (1) through making commercial laws more efficient, by streamlining requirements and procedures; (2) strengthening the independence of, and reducing corruption in, the judicial system; (3) formalizing existing rights held by people in land, collateral, and intellectual property; and (4) encouraging stronger anti-monopoly policies against both publicly and privately held cartels and monopolies. Such assistance should be provided not only to governments, but also to NGOs, business associations, lawyers groups, and law schools.

Recommendation #1: Assist in efforts to harmonize commercial laws across the region. A starting point would be for counterpart countries to consider adopting the United Nations Commission on International Trade Law (UNCITRAL) model law on secured transactions. The U.S. Federal Trade Commission, cooperating through the International Competition Network, could provide model legislation on competition policy.

Recommendation #2: Provide technical assistance to strengthen the enforcement of contracts. The World Bank's Doing Business indicator on contract enforcement can pinpoint key problem areas in time and cost of enforcing contracts in court. Legal, administrative, and procedural reforms could be tailored to improve the functioning of courts and enhance enforcement of judicial decisions. Training of government officials, the legal profession, and the media will help to implement these reforms.

Recommendation #3: Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets (both efficient and low-cost) for transacting real property rights.

Recommendation #4: Provide technical assistance to streamline business registration requirements and reduce fees associated with registration.

Recommendation #5: Provide technical assistance to improve tax and customs administration and public procurement laws.

Recommendation #6: Provide technical assistance on TRIPS compliance, and provide training to legal professionals involved in intellectual property rights enforcement. This would include strengthening the border enforcement regime, by developing tools and expertise.

Recommendation #7: Provide technical assistance on labor law reform aimed at both protecting internationally recognized worker rights and updating labor laws to increase labor market efficiencies.

Recommendation #8: Provide technical assistance in the area of inheritance laws and management transition plans for businesses. This recommendation is especially important where there are high incidence rates of HIV/AIDS, such as in Southern Africa.

Recommendation #9: Provide training and technical assistance to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner, in ways that do not discourage investment and trade.

Examples of USG assistance to improve commercial law legislation and enforcement:

- The U.S. Department of Justice sent a team of U.S. Government prosecutors and investigators to Botswana to present seminars on combating IPR crime to selected African law enforcement officials. The team was encouraged to closely coordinate with private industry groups supportive of strong IPR enforcement in planning and delivering the seminars.
- The Millennium Challenge Corporation is financing a land tenure project in Madagascar, which will develop new land laws, create a land database, establish local land management offices and train officials in land titling, and implement other activities aimed at reducing the time and cost of carrying out property transactions within Madagascar.

- USAID/RCSA is preparing a paper on best practices in land leasing for tourism development in southern Africa through the Southern Africa Trade Hub.
- USAID/Zambia is supporting the government of Zambia in establishing a small claims court system to enable speedy resolution of small business claims, thereby encouraging the expansion of private sector trade and investment activities.
- The Department of Commerce's Commercial Law Development Program implemented activities in Angola focused on technical assistance to the Ministry of Justice to develop case management and time standards techniques, through consultation programs for Angolan judges and clerks with U.S. counterparts.
- The U.S. Federal Trade Commission provides technical assistance on competition policy matters to countries around the world.

Removing trade policy barriers to intraregional trade. Currently, the level of formal intraregional trade in sub-Saharan Africa is very low. Increasing intraregional trade would increase the competitiveness of African business in the global market by reducing costs and improving efficiency through increased economies of scale. Trade among African countries is particularly impeded by restrictive trade policies such as high tariffs, quotas, and a complex and inefficient system of exceptions to these policies.

Recommendation #1: Provide technical assistance aimed at harmonizing and reducing trade barriers through regional economic organizations. Regional economic organizations such as customs unions can provide an incentive for dismantling policy trade barriers, by allowing countries to benefit from mutual barrier reductions. This assistance should target specific areas of technical assistance as needed, such as analytical needs, negotiating and implementing reduced trade barriers, and monitoring. In many cases, the structures are in place to harmonize and reduce trade policy barriers, but implementation is lacking. This may require targeted assistance at the country level, and it may be a problem of political will. Another issue is the many regional economic communities with overlapping membership; assistance should focus on rationalizing these entities and their policies.

Recommendation #2: Provide technical assistance to improve data collection, dissemination, and analysis. In order to make policy decisions to reduce trade barriers, government officials need access to data and the ability to manipulate and interpret it. Data are also required for monitoring the efficacy of programs and the general state of the economy. Also, as countries look toward integrating their monetary and trade policies, they will need to share data to develop regional policies, thus harmonizing data collection should be on the agenda. Training should be provided to government staff in data collection and analysis; technical assistance should be geared toward implementing systems of data collection. To ensure a developmental return on donors' investment, any contributions of computers and software should be complemented by local efforts to provide a functioning institutional environment. Assistance should also be provided in disseminating data through printed publications and in computer databases.

Examples of USG assistance to remove barriers to intraregional trade:

- USAID's West African Regional Program provides assistance to ECOWAS and its member countries to reduce tariffs and implement a common external tariff. The common external tariff has been developed with the goal of harmonizing it with that of UEMOA so that there can be one trade block in West Africa.

- USAID/RCSA's Southern African Trade Hub is providing assistance to the newly established Southern African Customs Union (SACU) Secretariat to prepare its operational plan which will facilitate effective implementation of a new customs union agreement.
- The Regional Agricultural Trade Expansion Support (RATES) program supported by USAID/REDSO maintains a website – www.cottonafrica.com – that provides trade news, policy updates and market information pertinent to African producers of cotton and cotton-related products. The site also helps to link buyers and sellers of these products.

II. Physical Infrastructure

Developing and improving transportation infrastructure. Transportation infrastructure throughout the region generally needs to be improved in urban and rural areas, and on a national and regional basis. Roads are essential to linking rural areas with urban markets and ports, and require a large investment. Ports must be modernized in order to facilitate large flows of goods smoothly and quickly. Transit must also be improved, to provide labor mobility and reliability. U.S. agencies should partner with African governments to combine assistance to improve roads and ports with reforms in the management and administration of public infrastructure.

Recommendation #1: Devise a regional transportation infrastructure strategy based on current and projected needs, targeting ports for updating and transportation links to those ports. Coordinate this strategy and resulting work plans with other donors, as well as with African governments and regional bodies.

Recommendation #2: Provide technical and financial assistance to governments and to the private sector for maintaining roads, railroads, and other transportation infrastructure. Improve the government tendering and funding process for road improvements and maintenance, and strengthen the private sector contracting industries where necessary.

Recommendation #3: Provide technical assistance to regional bodies in setting road safety standards, including vehicle maintenance standards and regulations.

Recommendation #4: Provide technical assistance to assist in strengthening safety and security systems at air and sea ports while promoting efficiency.

Recommendation #5: Provide technical assistance for feasibility studies for new investments in transportation infrastructure.

Recommendation #6: Provide technical assistance to improve transit. This may include plans to reduce traffic, improve conditions for pedestrians, and improve provision of commercial and public transportation.

Recommendation #7: Develop an approach to accommodate the landlocked countries' need to access ports. Provide assistance for negotiating transshipment arrangements and logistics.

Examples of USG assistance to improve transportation infrastructure:

- The U.S. Department of Transportation (DOT), through its Safe Skies for Africa program, is working with ten sub-Saharan African countries to enhance aviation safety and air navigation on the continent. With the help of the Safe Skies program, Cape Verde was able to achieve FAA Category One status, which will facilitate the country's air links and trade.
- DOT also provided technical assistance to Nigeria to help upgrade its aviation, port, and rail transportation systems, with an emphasis on safety and security and developing oversight and accountability systems.
- The U.S. Trade and Development Agency provided a grant to the Malagasy Ministry of Transportation for a feasibility study of a barge-lightering system, an American technology, to improve the efficiency and capacity of Madagascar's second largest port.
- USAID/Malawi has provided support to develop the transport sector through the Malawi Network for Capacity Building and Knowledge Exchange in Transportation Management Program managed by Washington State University. This project aims to build in-country capacity at the higher education institutions in Malawi to deliver post graduate education in Transport curriculum to Malawi nationals employed in the public and private sectors.
- OPIC is providing a loan guarantee of up to $30 million to develop and rehabilitate the railway and port facilities of the Nacala corridor in Mozambique, Malawi, and Zambia, providing a less expensive alternative to the port in Durban, South Africa, for transporting goods overseas from landlocked countries.
- The United States is working with the Group of Eight industrialized countries together with other multilateral institutions, to improve donor coordination and communication through a donor consortium focused on African infrastructure.
- The Millennium Challenge Corporation will provide funding for significant transportation infrastructure projects in Cape Verde, including road and small bridge investments to ensure improved transportation links to social services, employment opportunities, local markets, and ports and airports; improvements to the Port of Praia, which handles half of the island nation's cargo. The improvements in the Port of Praia, combined with concurrent privatization of port services, are expected to increase the efficiency of the port and to prevent a bottleneck to growth in commerce, especially the tourism industry.

Developing and improving energy and communications infrastructure. There are deficiencies in the availability of energy and communications infrastructure. This has hindered trade and investment, as well as growth of local businesses in the region. A lack of functioning private markets also hinders investment in energy and communications infrastructure. This problem is also addressed in other recommendation areas, such as commercial laws and the financial sector.

Recommendation #1: Promote public-private partnerships in energy and communications infrastructure investments. Provide technical assistance for feasibility studies for new investments in energy and communications infrastructure.

Recommendation #2: Promote privatization of energy and communications services, to improve efficiency of services. Also, provide technical assistance to improve the government's ability to regulate such services.

Recommendation #3: Provide technical assistance to regional entities to manage energy and communications networks across national boundaries, to promote greater efficiency.

Examples of USG assistance to improve energy and communications infrastructure:

- USAID/WARP supports ECOWAS in managing the West African Power Pool, by addressing the legal, fiscal, administrative, management, and technical issues necessary for the power pool's creation and development. The West African Power Pool facilitates electricity trading within the subregion, resulting in a more reliable and cost-effective supply of electricity.
- USAID/WARP also provides technical assistance to West African states involved in the $600 million West Africa Gas Pipeline project. The gas pipeline will supply, on a commercial basis, natural gas from Nigeria to markets in Ghana, Togo and Benin. Over the long term, the project will assist in reducing the region's energy shortage and will improve the environment by reducing flaring.
- The U.S. Trade and Development Agency is supporting a feasibility study of private sector power generation in Nigeria, a wireless communications training program in Nigeria, and a regional petroleum products pipeline in East Africa.
- USAID/Zambia has facilitated an exchange program between the Zambian Energy Regulation Board (ERB) and the US National Association of Regulatory Utility Commissions aimed at strengthening the capacity of ERB to fairly regulate the Zambian energy sector.

Improving agricultural trade support infrastructure. The ability to trade agricultural products depends, in part, on the availability of supporting infrastructure such as storage and packing centers. This infrastructure is lacking, especially for small and medium scale agricultural producers.

Recommendation #1: Prepare an agriculture strategy using a supply chain approach to identify weak links in the chain. The strategy should aim to reduce spoilage, detect pinch points in the chain, and track cargo along the supply chain. Provide technical and financial assistance to improve support infrastructure for agriculture that is in tune with the latest technology to reduce spoilage and grow local markets, and to allow Africa to compete with global yield rates. This will likely include infrastructure such as cold storage, packing centers, and slaughterhouses.

Examples of USG assistance to improve agricultural support infrastructure:

- USAID/Uganda assisted with establishment of cold storage facilities at the Uganda national airport to facilitate flower and chilled fish exports to Europe.
- USAID/Malawi has made significant inroads in revamping the dairy industry in Malawi by taking advantage of the infrastructure that was left following the closure of some state-run dairy farms and encouraging smallholder farmers to diversify into dairy production (i.e. slaughterhouses, warehouses, packing centers, and milk cooling center). This project was implemented in collaboration with Land O'Lakes.
- Through the Southern Africa Trade Hub, USAID/RCSA has helped the Zambia Export Growers Association to devise a plan for upgrading cold storage capacity for flowers and fresh vegetable exports.

III. Accessing Markets and Meeting Market and Regulatory Requirements

Improving business management skills. Assistance is needed by sub-Saharan African business owners and managers to build their competitiveness and their capacity to participate in international trade. U.S. agencies should seek cost-sharing partnerships with African business to ensure that participants have a stake in learning and implementing new management skills.

Recommendation #1: Provide technical assistance and financial support to locally based institutions with a mission of supporting small business development through training in business practices.

Recommendation #2: Provide technical assistance to improve the understanding of internationally competitive practices in the production, processing, and marketing of targeted non-traditional products to support export diversification. Provide technical assistance to firms in identifying non-traditional products and markets.

Recommendation #3: Provide training to businesses in identifying and accessing markets, and navigating the international trade system, including training in ICT methods.

Examples of USG assistance to enhance private sector capacity:

- USAID/REDSO supports the African Women Agribusiness Network, which builds the capacity of women-owned and operated agribusinesses, enhancing their competitiveness in international markets.
- The West Africa Trade Hub provides business development training and technical assistance to export ready companies in a number of sectors to improve their ability to participate in international trade.
- Peace Corps Volunteers work at the community level with host country organizations, small enterprises, and individuals throughout sub-Saharan Africa to build capacity to participate in global trade through ICT integration, skills training in entrepreneurship, and sustainable production and marketing efforts.

Promoting international business linkages. African businesses require assistance to identify appropriate business contacts in the United States.

Recommendation #1: Support business matchmaking programs that link potential buyers of African products with African businesses through trade fairs and exhibitions, as well as through Internet listings and customized recommendations.

Recommendation #2: Provide financial support to owners of African businesses with export potential to attend trade fairs and exhibitions in the United States.

Recommendation #3: Build local capacity to identify and advertise promising business opportunities and partnerships for foreign investors. This should be done in conjunction with investment promotion activities.

Examples of USG assistance to promote business linkages:

- The West African International Business Linkages (WAIBL) project, funded by USAID/WARP, facilitates trade links between West African and North American businesses, and facilitates the financing of business opportunities by connecting West African businesses to commercial banks and relevant U.S. government entities such as the Export-Import Bank.
- USAID/Malawi supports Agriculturally-Linked Enterprises (SALES), an activity that provides a number of market linkage and business development services to Malawian enterprises. Through this activity, Malawian enterprises receive assistance to respond to the constraints and opportunities identified within certain agriculturally-linked sectors with growth potential such as cotton-textiles-garments, coffee, macadamia, food processing and selected natural resource-based products and tree crops. Further collaboration with the Southern Africa Regional Trade Hub and related regional projects could assist in linking Malawian businesses with regional and international market opportunities.
- USAID/RCSA's Southern African Trade Hub sent representatives from 16 firms in seven southern Africa countries to the June 2005 Corporate Council on Africa Summit in Baltimore, continuing its support for export-ready firms to attend major trade fairs and find new buyers and markets.

Collecting, analyzing, and disseminating market information. There is limited capacity for the collection, analysis, dissemination, and use of market information in Africa. Businesses and investors need accurate and detailed market information to plan their production, marketing, investment, and financing strategies, and they also need to build the capacity to use market information for their planning. The availability and informed use of market information would result in more competitive firms, higher profits for producers and traders, and lower prices for consumers.

Recommendation #1: Provide technical assistance to institutions that gather market information. Assistance should be provided in data collection and analysis methods, and managing commercially viable operations. This assistance should be channeled through associations and government agencies. Successful operations can introduce a fee-for-service model to expand operations and remain responsive to end-user needs.

Recommendation #2: Support the development of formal arrangements to link market information gathering entities to facilitate the ease of accessing market information.

Recommendation #3: Provide technical assistance to potential users of market information in the use of such information, through seminars, publications, and direct training.

Examples of USG assistance to facilitate availability of market information:

- USAID/WARP supports an NGO to improve regional agricultural market information systems, and to improve the capacity of regional trade organizations and producer organizations to use this information.

Strengthening scientific capacity to facilitate economic competitiveness in agriculture. Food safety and quality standards of markets are increasingly underpinned by science, ranging from new European standards on aflatoxin to regulation of biotechnology-derived crops. Meeting those standards requires building that scientific capacity to ensure that developing countries can access international markets. To remain competitive in those markets, developing countries need to continue to innovate and adopt new technologies which improve productivity, reduce production costs, increase quality, or diversify international market opportunities such as with guava, herbal teas, and vegetables.

Recommendation #1: Provide support for technical training and research to build capacity for science-based regulation of agriculture and biotechnology and to improve agricultural competitiveness through the application of new technologies.

Recommendation #2: Provide technical assistance to produce "off the shelf" agriculture technologies for dissemination to farmers.

Recommendation #3: Build awareness of biotech issues, and participate in impact assessments of new technology to measure social, economic, and environmental impacts of new technology products.

Examples of USG assistance to strengthen scientific capacity in agriculture:

- USAID/REDSO supports the Association for Strengthening Agricultural Research in Eastern and Central Africa, a nonpolitical organization of National Agricultural Research Institutes of ten countries in the subregion.
- USAID/Uganda is assisting the government of Uganda with a banana wilt research investigation. Also, its Investment in Developing Export Agriculture activity supported a joint venture between Monsanto and a local seed company to develop a triple-hybrid corn seed adapted to local conditions.
- USAID/WARP supports the West African Council on Research and Development, a non-political organization of the national agricultural research institutes of 22 countries in the sub-region.
- USAID/WARP is also supporting regional organizations in the application of biotechnology through capacity building and product development, establishment of biosafety frameworks and biotechnology policies, and through communication and outreach to inform the general public as well as decision makers.

Meeting global market standards. Sub-Saharan African producers need greater capacity to meet global market requirements, such as requirements for quality, uniformity, and volume. Consistently meeting quantity and volume requirements of international markets has frequently been identified as a problem for regional producers.

Recommendation #1: Provide assistance to producers and producer organizations aimed at enabling them to research and meet market standards with regard to quality and quantity.

Recommendation #2: Establish partnerships with U.S. companies and buyer organizations to jointly support programs to increase capacity in meeting market standards.

Examples of USG assistance to help countries meet global market standards:

- USAID/REDSO supports the Regional Agricultural Trade Expansion Support (RATES) program, which is designed to increase the value and volume of agricultural trade within the East and Southern Africa region and between the region and the rest of the world. In addition to other program areas supporting agriculture, RATES works to improve product quality and marketing in coffee, maize, cotton, livestock, and dairy.
- Through the Southern Africa Trade Hub, USAID/RCSA is developing a "how-to" manual for exporters of fresh produce to South Africa to help regional producers meet market standards.

IV. Financial Sector

Strengthening the financial sector. Financial sector stability and public fiscal management need to be strengthened in order to facilitate a stable climate for trade and investment. This area especially requires coordination with other donors, and with the standards of the international lending institutions. U.S. agencies should seek partnerships with African financial regulators to ensure U.S.-supported training activities are provided within a functional institutional environment.

Recommendation #1: Provide training to sub-Saharan African governments in public sector financial management.

Recommendation #2: Provide technical assistance to governments to improve the regulation of financial intermediaries.

Recommendation #3: Provide technical assistance to governments to reform tax laws and the collection of taxes to maximize revenue, fairness, and efficiency.

Recommendation #4: Expand lending by lowering market lending risks. This support should focus on improving financial transparency of borrowers, developing credit information systems, and strengthening legal support for loan recovery.

Recommendation #5: Facilitate use of the formal financial system by removing unnecessary impediments to financial services, particularly to cross-border trade settlement transactions.

Recommendation #6: Support expansion of term finance, particularly for housing and municipal infrastructure.

Recommendation #7: Expand development of warehouse credit schemes that facilitate use of smallholder commodities as collateral for bank credit.
Examples of USG assistance to strengthen African financial sectors:

- The U.S. Treasury Department provides technical assistance to many African governments in public sector financial management, leading to more prudent fiscal policies, an expanded financial sector, and an enabling environment for international trade.
- USAID/South Africa has worked with the government of South Africa on improving the regulation of financial institutions, including the movement to a single financial regulator and the creation of a micro-finance credit regulator.

- USAID/Zambia and EGAT's Development Credit Authority are collaborating with the Zambian Agricultural Commodities Association (ZACA) in implementing a warehouse credit scheme. ZACA warehouses crops deposited by small farmers. When a crop is deposited, the operators issue receipts against the commodity, describing its weight and grade, and store it until the depositor wishes to collect it. Since the crop is guaranteed by ZACA, the depositor can also secure a loan from any financial institution using the grain as collateral. This relieves pressure to sell the crop immediately for ready cash.
- USAID/Ethiopia supports in-service training in financial management for the government of Ethiopia. This activity strengthens the capacity of the public financial management system to manage public sector financial transactions and improves the capacity of public sector managers to use information about financial transactions.

Access to finance. African businesses need access to credit for regular operations, to expand businesses, and for short-term trade financing. Access to credit is an issue of concern for all types of African businesses, but is especially difficult in rural areas.

Recommendation #1: Provide technical assistance to commercial banks and other lenders, including microfinance institutions, in risk management and assessing loan applications for rural customers. Promote collaboration between commercial banks and microfinance institutions. Promote harmonization of credit information.

Recommendation #2: Provide technical assistance to potential borrowers in applying for credit.

Recommendation #3: Provide financial support for insurance and loan guarantees for nontraditional loans.

Examples of USG assistance to improve access to finance:

- USAID/Mozambique implements a program to strengthen the capacity of existing financial service providers to expand to rural areas. Components include a loan guarantee fund, a venture capital fund, and technical assistance and training to financial institutions.
- The MCC is supporting a finance project in Madagascar, with activities to modernize banking laws and laws regulating financial instruments and markets; mobilize rural savings by making new treasury instruments available to savings institutions, entrepreneurs, and households; make bank savings products available in rural areas and establish Micro Finance Institutions credit lines; improve credit skills training and accounting standards to improve the creditworthiness of borrowers; and modernize the interbank payment system to reduce risk and delays in settlement.
- USAID/South Africa has worked on micro-finance credit regulation resulting in an enormous reduction in the failure rate of micro-finance institutions and an increase in funds to smaller enterprises and the poor. USAID's assistance is centered on developing audit capabilities, regular reporting of activities, published codes that preclude predatory lending and require assessment of credit-worthiness of borrowers. USAID/South Africa has also helped develop the current "Truth in Lending" bill to protect consumers from some egregious practices.
- OPIC provided a loan of $10 million to a Rwandan bank to increase its capital for mortgage, small business, and commercial expansion lending.

Savings mobilization. People living in rural areas have limited access to savings instruments, which are valuable in mitigating risks and providing capital for business. Due to high rates of inflation and costly over-regulation, deposit rates are often negative in real terms.

Recommendation #1: Provide technical assistance to local organizations to develop voluntary savings accounts accessible to rural populations. When appropriate, provide technical assistance to small-scale savings institutions to become formal microfinance institutions or part of a formal microfinance network. Voluntary savings accounts with liberal withdrawal rights are important, because in the past savings accounts were introduced only as a mandatory requirement for accessing credit, and this caused suspicion toward savings institutions.

Barrier	TA Recommendation	Countries
I. Policy and Administration		
A. Developing and Implementing Government Policies	1. Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy.	Angola, Benin, Burkina, Faso, Cape Verde, Chad, DR Congo, Ethiopia, Gabon, Gambia, Ghana, Guinea, Kenya, Madagascar, Mauritius, Mozambique, Malawi, Nigeria, Senegal, Seychelles, Sierra Leone, South Africa, Tanzania, Uganda
	2. Engage senior government officials in improving the business/trade environment.	Botswana, Burkina Faso, Cape Verde, Chad, Congo, Djibouti, Ethiopia, Gabon, Gambia, Guinea Bissau, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Niger, Nigeria, Sierra Leone, South Africa, Tanzania, Uganda, Zambia
	3. Build homegrown technical training capacity by training local trainers.	Madagascar, Niger, Nigeria, Tanzania, Uganda
B. Improving customs procedures, enforcement, and trade facilitation.	1. Conduct diagnostic studies on customs procedures and trade facilitation.	Benin, Cameroon, Ethiopia, Ghana, Guinea, Kenya, Mali, Mozambique, Nigeria, Rwanda, Tanzania, Uganda
	2. Create a strategy with African governments to modernize customs procedures using Information and Communication Technology (ICT). Aim to simplify rules and procedures and harmonize with global standards.	Cameroon, Ethiopia, Ghana, Guinea, Kenya, Malawi, Mozambique, Nigeria, Rwanda, Tanzania, Uganda, Zambia
	3. Provide technical assistance in customs valuation, control and release of goods, and risk management.	Benin, Cameroon, Ethiopia, Guinea, Kenya, Mozambique, Rwanda, Tanzania, Uganda
	4. Provide technical assistance to improve the efficiency of trade transit corridors.	Benin, Botswana, Cameroon, Guinea, Kenya, Mali, Mozambique, Nigeria, Rwanda, Tanzania, Uganda
	5. Provide TA to publish customs regulations for the public.	Benin, Cameroon, Kenya, Madagascar, Mozambique, Nigeria, Tanzania, Uganda
C. Improving technical regulations and standards.	1. TA for implementing WTO Agreement on TBT.	Kenya, Madagascar, Malawi, Mali, Mauritania, Mozambique, Namibia, Nigeria, Uganda
	2. TA for harmonizing regulations with international standards.	Madagascar, Malawi, Mali, Mauritania, Mozambique, Namibia, Nigeria, South Africa, Uganda
	3. TA for negotiating mutual recognition of conformity assessments.	Madagascar, Mali, Malawi, Mauritania, Mozambique, Namibia, Nigeria, South Africa
	4. TA for recognizing equivalence standards.	Madagascar, Mali, Mauritania, Mozambique, Namibia,

Barrier	TA Recommendation	Countries
		Nigeria, South Africa, Uganda
D. Sanitary and Phytosanitary (SPS) measures.	1. Provide TA to local institutions in assisting producers in meeting SPS standards.	Botswana, Cameroon, Cape Verde, Congo, DR Congo, Ethiopia, Gambia, Ghana, Guinea Bissau, Kenya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, Zambia
	2. Provide TA in developing testing facilities for SPS compliance.	Botswana, Cameroon, Cape Verde, Congo, DR Congo, Ethiopia, Gambia, Ghana, Guinea Bissau, Kenya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Senegal, Sierra Leone, Swaziland, Uganda, Zambia
	3. TA to government institutions on pest risk assessments.	Cameroon, Congo, DR Congo, Ghana, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, South Africa, Tanzania, Uganda, Zambia
E. Improving commercial law legislation and enforcement.	1. TA to harmonize commercial laws regionally.	Regional trade organizations in Sub-Saharan Africa
	2. TA to strengthen enforcement of contracts.	Angola, Benin, Burkina Faso, Cameroon, Chad, Congo, DR Congo, Guinea, Lesotho, Malawi, Nigeria, Rwanda, Sierra Leone
	3. Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights.	Angola, Botswana, Burkina Faso, Cameroon, Congo, DR Congo, Ethiopia, Ghana, Guinea Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mozambique, Nigeria, Rwanda, Sao Tome, Sierra Leone, Swaziland, Tanzania, Uganda
	4. TA to streamline business entry requirements.	Angola, Cameroon, Chad, Congo, DR Congo, Ethiopia, Ghana, Guinea, Kenya, Lesotho, Mali, Mozambique, Namibia, Rwanda, Sierra Leone, Tanzania, Zambia
	5. TA to improve tax and customs administration and public procurement laws.	Benin, Cameroon, Congo, Gabon, Ghana, Guinea, Kenya, Malawi, Mozambique, Niger, Nigeria, South Africa, Tanzania, Uganda, Zambia
	6. TA on TRIPS compliance.	Kenya, Mali, Mozambique, Rwanda, Tanzania
	7. TA aimed at protecting internationally recognized worker rights and promoting	Benin, Botswana, Burkina Faso, Cameroon, Chad, Congo, DR Congo, Gabon, Guinea, Kenya, Madagascar, Mali,

Barrier	TA Recommendation	Countries
	efficient, market-oriented allocation of human resources.	Mauritania, Mozambique, Niger, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania
	8. TA in the area of inheritance laws and management transition plans for businesses.	Botswana, Ethiopia, Lesotho, South Africa, Swaziland, Zambia
	9. TA to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner.	Angola, Benin, Cameroon, Chad, DR Congo, Ethiopia, Gabon, Guinea, Kenya, Madagascar, Mozambique, Nigeria, Senegal, Sierra Leone, Tanzania, Uganda
F. Removing trade policy barriers to intraregional trade.	1. Provide TA aimed at harmonizing and reducing trade barriers through regional economic organizations.	Regional trade organizations in Sub-Saharan Africa.
	2. Provide TA to improve data collection and analysis for policy decision makers.	Madagascar, Uganda, Ghana
II. Physical Infrastructure		
A. Developing and improving transportation infrastructure.	1. Regional transportation infrastructure strategy.	Provide to sub-regional groupings in West, Central, East, and Southern Africa.
	2. TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure.	Angola, Burkina Faso, Cameroon, Congo, Djibouti, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea Bissau, Madagascar, Malawi, Mauritania, Namibia, Niger, Nigeria, Rwanda, Sao Tome, Senegal, Sierra Leone, South Africa, Tanzania, Uganda, Zambia
	3. TA to regional bodies in setting road safety standards, including vehicle maintenance standards and regulations.	Mali, Uganda, Ghana
	4. TA to assist in strengthening safety and security systems at air and sea ports.	Benin, Gabon, Kenya, Madagascar, Uganda
	5. TA for feasibility studies for new investments in transportation infrastructure.	Cameroon, Cape Verde, Chad, Congo, DR Congo, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Nigeria, Sao Tome, Senegal, Sierra Leone, South Africa, Tanzania, Uganda
B. Developing and improving energy and communications	1. Promote public-private partnerships in energy and communications infrastructure investments.	Benin, Botswana, Burkina Faso, Cameroon, Chad, Congo, Ethiopia, Gambia, Guinea, Guinea Bissau, Kenya, Malawi, Mauritania, Niger, Nigeria, Rwanda, Sao Tome, Sierra

Barrier	TA Recommendation	Countries
infrastructure.		Leone, Swaziland, Tanzania, Zambia
	2. Promote privatization of utility services and provide TA for regulating these services.	Burkina Faso, Chad, Gambia, Guinea, Malawi, Mauritania, Rwanda, Sierra Leone, South Africa, Tanzania
	3. TA to regional entities to manage energy and communications networks.	Regional trade organizations in Sub-Saharan Africa
C. Improving agricultural trade support infrastructure.	1. TA and financial assistance to improve cold storage and other agricultural trade support infrastructure.	Cape Verde, Djibouti, Ethiopia, Gambia, Ghana, Guinea, Malawi, Mali, Mozambique, Niger, Nigeria, Rwanda, Senegal, Tanzania, Uganda, Zambia
III. Accessing Markets and Meeting Market and Regulatory Requirements		
A. Improving business management skills.	1. TA and financial assistance to locally based institutions that support small business development.	Cameroon, Djibouti Ethiopia, Gambia, Ghana, Kenya, Madagascar, Mali, Mauritania, Namibia, Niger, Rwanda, Tanzania, Uganda
	2. TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products.	Botswana, Burkina Faso, Cameroon, Ethiopia, Ghana, Kenya, Madagascar, Malawi, Mali, Mauritania, Niger, Nigeria, Rwanda, Senegal, South Africa, Tanzania, Uganda
	3. TA to identify and access markets.	Botswana, Ethiopia, Ghana, Madagascar, Nigeria, Rwanda, Senegal, South Africa, Tanzania
B. Promoting international business linkages.	1. Support to business matchmaking programs.	Ethiopia, Ghana, Madagascar, Malawi, Mozambique, Rwanda, Tanzania
	2. Financial support to business owners to attend trade fairs and exhibitions.	Rwanda, Tanzania
	3. Build local capacity to identify and advertise promising business opportunities and partnerships for foreign investors.	Senegal, Tanzania
C. Collecting, analyzing, and disseminating market information.	1. TA to institutions that gather market information, in data collection and analysis.	Botswana, Ethiopia, Ghana, Lesotho, Madagascar, Tanzania, Uganda
	2. Link market information gathering entities together.	Madagascar, Uganda
	3. TA to users of market information.	Botswana, Madagascar, Uganda
D. Strengthening scientific capacity to facilitate economic competitiveness in	1. Provide support for technical training and research to build capacity for science-based regulation of agriculture and biotechnology and	Ethiopia, Malawi, Mozambique, Nigeria, Senegal, Uganda

Barrier	TA Recommendation	Countries
agriculture.	to improve agricultural competitiveness through the application of new technologies.	
	2. TA to produce “off the shelf” agriculture technologies for dissemination to farmers.	Burkina Faso, Ethiopia, Gambia, Ghana, Madagascar, Malawi, Mozambique, Nigeria, Tanzania, Uganda
	3. Build awareness of biotechnology issues and participate in impact assessments.	Provide to sub-regional groupings in sub-Saharan Africa
E. Meeting international market standards.	1. TA to producers to meet market standards.	Botswana, Burkina Faso, Cameroon, Ethiopia, Ghana, Madagascar, Malawi, Mali, Nigeria, Rwanda, South Africa, Swaziland, Tanzania, Uganda
	2. Establish partnerships with U.S. companies and organizations to support programs to increase capacity in meeting market standards.	Botswana, Ethiopia, Madagascar, Nigeria, Rwanda, Tanzania, Uganda
IV. Financial Sector		
A. Strengthening the financial sector.	1. TA to governments in public sector financial management.	Angola, Cameroon, Chad, DR Congo, Ethiopia, Gabon, Malawi, Mali, Mozambique, Rwanda, Sao Tome, Senegal, Tanzania Uganda, Zambia
	2. TA to governments to improve financial intermediary regulation.	Angola, DR Congo, Ethiopia, Mali, Mozambique, Sao Tome, South Africa, Tanzania
	3. TA to reform tax laws and collection of taxes.	Congo, Ghana, Guinea, Mozambique, Sao Tome, Senegal, Tanzania, Zambia
	4. Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery.	Burkina Faso, Cameroon, Cape Verde, Congo, DR Congo, Ethiopia, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Madagascar, Malawi, Mauritania, Mozambique, Nigeria, Rwanda, Sao Tome, Seychelles, Tanzania, Zambia
	5. Facilitate the use of the formal financial system by removing unnecessary impediments to financial services, particularly to cross-	Cameroon, Cape Verde, DR Congo, Ethiopia, Guinea, Nigeria, Tanzania

Barrier	TA Recommendation	Countries
	border trade settlement transactions.	
	6. Support expansion of term finance, particularly for housing and municipal infrastructure.	Cameroon, Cape Verde, DR Congo, Ghana, Guinea, Lesotho, Kenya, Madagascar, Malawi, Mauritania, Nigeria, Rwanda, Tanzania
	7. Expand development of warehouse credit schemes that facilitate use of small holder commodities as collateral for bank credit.	Benin, Burkina Faso, Cameroon, Congo, DR, Congo, Gambia, Ghana, Guinea, Guinea Bissau, Madagascar, Mali, Nigeria, Rwanda, Senegal, Tanzania
B. Access to finance.	1. TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers.	Burkina Faso, Cameroon, Congo, DR Congo, Ethiopia, Gambia, Ghana, Guinea Bissau, Madagascar, Malawi, Mali, Mauritania, Mozambique, Rwanda, Sao Tome, Senegal, South Africa, Tanzania, Uganda
	2. TA to potential borrowers applying for credit.	Burkina Faso, Cameroon, Congo, DR Congo, Ghana, Guinea Bissau, Madagascar, Sao Tome, Senegal, Tanzania, Uganda
	3. Financial support for insurance and loan guarantees.	Cameroon, DR Congo, Gambia, Madagascar, Malawi, Tanzania, Uganda
C. Savings mobilization.	1. TA to local organizations to develop voluntary savings accounts accessible to rural populations.	Ghana, Guinea Bissau, Malawi, Niger, Rwanda, Tanzania

Annex A- Country Summary and Selected Recommendations for Technical Assistance

Angola	Economic Strengths and Potential Growth Sectors	• Agriculture, fisheries, and agro-processing, including fish and coffee • Minerals and metals, including diamonds, marble, and iron ore • Energy-related products, including liquefied natural gas • Services, including transportation services
	Major Challenges to Export Growth	• Uncertain business environment, including institutional weakness, lack of a skilled workforce necessary to diversify into more skill-intensive sectors, high cost of capital, and difficulties obtaining business permits • Infrastructure, including poor roads and railways
	Selected Recommendations for Technical Assistance	• Technical assistance to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner. • Provide technical assistance to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • Provide technical and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • Technical assistance for feasibility studies for new investments in transportation infrastructure. • Provide technical and financial assistance to improve cold storage and other agricultural trade support infrastructure. • Encourage government to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • Provide technical assistance to streamline business entry requirements, strengthen enforcement of contracts. • Provide technical assistance to governments in public sector financial management. • Technical assistance to governments to improve financial intermediary regulation.
Benin	Economic Strengths and Potential Growth Sectors	• Agriculture, forestry, fisheries, and agroprocessing, including cotton, fruits and nuts • Energy-related, including petroleum • Manufacturing, including yarn, textiles, and leather • Minerals and metals, including gold, phosphates, iron ore, marble, and clay
	Major Challenges to Export Growth	• Governance, including lack of government transparency and judicial transparency • Uncertain business environment, including difficulties starting a business, lack of capital, and difficulties enforcing contracts • Infrastructure, including unreliable water and electricity supplies; and inadequate rural roads • Tariffs, including tariff peaks on textiles

	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • TA to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner. • TA to assist in strengthening safety and security systems at sea ports. • Promote public-private partnerships in energy and communications infrastructure investments. • Conduct diagnostic studies on customs procedures and trade facilitation. • Provide technical assistance in customs valuation, control and release of goods, and risk management. • Provide technical assistance to improve the efficiency of trade transit corridors. • Provide TA to publish customs regulations for the public. • TA to strengthen enforcement of contracts. • TA to improve tax and customs administration and public procurement laws. • TA aimed at reducing labor market rigidities. • Expand development of warehouse credit schemes that facilitate use of small holder commodities as collateral for bank credit.
Botswana	Economic Strengths and Potential Growth Sectors	• Minerals and metals, including gold, base metals, and diamonds • Manufacturing, including glass and jewelry • Agriculture and agro-processing, including beef, ostrich products, and hides and skins • Services, including tourism and financial services outsourcing
	Major Challenges to Export Growth	• Infrastructure, including high utility costs and supply constraints, insufficient telecommunications infrastructure, and high transportation costs • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors • Geographic trade-related barriers, including regional instability, land-locked status that requires use of neighboring country infrastructure, distance to current or potential markets, and regional infrastructure constraints • HIV/AIDS

	Selected Recommendations for Technical Assistance	• Promote public-private partnerships in energy and communications infrastructure investments. • Provide technical assistance to improve the efficiency of trade transit corridors. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA in the area of inheritance laws and management transition plans for businesses. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • TA to identify and access markets. • TA to producers to meet market standards. • Establish partnerships with U.S. companies and organizations to support programs to increase capacity in meeting market standards. • Provide TA to local institutions in assisting producers in meeting SPS standards. • Provide TA in developing testing facilities for SPS compliance.
Burkina Faso	Sectors with Greatest Export Growth Potential	• Agriculture and agroprocessing, including shea butter • Manufacturing, including leather, cotton yarn and handicrafts • Minerals and metals, including gold • Services, including tourism
	Major Challenges to Export Growth	• Infrastructure, including inadequate transport infrastructure, inefficient railway operations, and high transportation and utility costs • Labor, including low literacy and life expectancy rates and lack of skilled labor necessary to diversify into more skill-intensive sectors • Uncertain business environment, including high business operating costs and difficulties enforcing contracts • Geographic trade-related barriers, including land-locked status necessitating use of neighboring country infrastructure
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • Engage senior government officials in improving the business/trade environment. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • Promote public-private partnerships in energy and communications infrastructure investments. • Promote privatization of utility services and provide TA for regulating these services. • TA to strengthen enforcement of contracts. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA aimed at reducing labor market rigidities. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • TA to produce “off the shelf” agriculture technologies for dissemination to farmers.

		• TA to producers to meet market standards. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • Expand development of warehouse credit schemes that facilitate use of small holder commodities as collateral for bank credit. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers. • TA to potential borrowers applying for credit.
Cameroon	Economic Strengths and Potential Growth Sectors	• Agriculture, forestry, fisheries, and agro-processing, including hardwood lumber and wood products, bananas, cocoa, cotton, coffee, and processed fruits and vegetables • Energy-related, including downstream petroleum products • Manufacturing, including light industrial products • Minerals and metals, including aluminum • Services, including tourism
	Major Challenges to Export Growth	• Infrastructure, including inadequate rural roads, lack of electricity and fixed line telecommunications network, and lack of a deep-water port • Uncertain business environment, including high cost of capital, low volume capacity, and lack of knowledge of global markets • Governance, including lack of government and judicial transparency • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors • Limited capacity to meet SPS and other export market standards • Tariffs, including tariff escalation in some markets
	Selected Recommendations for Technical Assistance	• TA to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • TA for feasibility studies for new investments in transportation infrastructure. • Provide technical assistance in customs valuation, control and release of goods, and risk management. • Provide technical assistance to improve the efficiency of trade transit corridors. • TA to strengthen enforcement of contracts. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA to streamline business entry requirements. • TA aimed at reducing labor market constraints. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • TA for public sector financial management. • Facilitate the use of the formal financial system by removing unnecessary impediments to financial services, particularly to cross-border trade settlement transactions. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers.

		• Provide TA to local institutions in assisting producers in meeting SPS and other standards.
Cape Verde	Sectors with Greatest Export Growth Potential	• Agriculture, forestry, fisheries, and agroprocessing, including seafood • Manufacturing, including apparel, footwear, and electronics • Services, including tourism and transportation support
	Major Challenges to Export Growth	• Limited fish processing and refrigeration facilities and high utility costs • Labor, including shortage of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including burdensome and ambiguous administrative procedures that increase the cost and time of doing business
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • Engage senior government officials in improving the business/trade environment. • TA for feasibility studies for new investments in transportation infrastructure. • TA and financial assistance to improve cold storage and other agricultural trade support infrastructure. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • Facilitate the use of the formal financial system by removing unnecessary impediments to financial services, particularly to cross-border trade settlement transactions. • Support expansion of term finance, particularly for housing and municipal infrastructure. • Provide TA to local institutions in assisting producers in meeting SPS standards. • Provide TA in developing testing facilities for SPS compliance.
Chad	Sectors with Greatest Export Growth Potential	• Agriculture, including cotton, gum arabic, onions, shallots, and garlic • Energy-related, including petroleum
	Major Challenges to Export Growth	• Governance, including lack of judicial transparency and domestic security issues • Infrastructure, including lack of paved roads and railroads • Labor, including low literacy rate and lack of skilled labor necessary to diversify into more skill-intensive sectors • Uncertain business environment, including extensive business start-up, licensing, and registration procedures, and associated costs • Geographic trade-related barriers, including land-locked status necessitating use of neighboring country infrastructure and lack of direct flights
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • Engage senior government officials in improving the business/trade environment. • TA to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner. • TA for feasibility studies for new investments in transportation infrastructure. • Promote public-private partnerships in energy and communications infrastructure investments. • Promote privatization of utility services and provide TA for regulating these services.

		• TA to strengthen enforcement of contracts. • TA to streamline business entry requirements. • TA aimed at reducing labor market constraints. • TA to governments in public sector financial management.
Democratic Republic of the Congo	Economic Strengths and Potential Growth Sectors	• Agriculture, including coffee • Energy-related, including petroleum and hydroelectricity • Minerals and metals, including copper, diamonds, cobalt, sulphites, zinc products, and tantalum
	Major Challenges to Export Growth	• Governance, including political instability, lack of transparency, and lack of government control over coffee- and mineral-producing territories • Infrastructure, including inadequate road, port, and telecommunications networks • Uncertain business environment, including collapse of banking system, insecure property rights, difficulties starting a business, and difficulties enforcing contracts • Limited capacity to meet SPS and other export market standards • Geographic trade-related barriers, including costly air freight
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • TA to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner. • TA for feasibility studies for new investments in transportation infrastructure. • TA to strengthen enforcement of contracts. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA to streamline business entry requirements. • TA aimed at reducing labor market constraints. • TA to governments in public sector financial management. • TA to governments to improve financial intermediary regulation. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • Facilitate the use of the formal financial system by removing unnecessary impediments to financial services, particularly to cross-border trade settlement transactions. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers. • TA to potential borrowers applying for credit. • Financial support for insurance and loan guarantees. • Provide TA to local institutions in assisting producers in meeting SPS standards.
Republic of the Congo	Economic Strengths and Potential Growth Sectors	• Forestry, including wood and wood products • Energy-related, including petroleum and electricity • Manufacturing, including processed wood products • Minerals and metals, including magnesium and gold
	Major Challenges to Export Growth	• Uncertain business environment, including high cost of inputs, high cost and limited supply of credit, and

		high cost of utilities • Governance, including burdensome regulations and limited contract enforcement • Infrastructure, including inadequate road network and port facilities • Trade policy, including high import tariffs • Limited capacity to meet SPS and other export market standards
	Selected Recommendations for Technical Assistance	• Engage senior government officials in improving the business/trade environment. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • TA for feasibility studies for new investments in transportation infrastructure. • Promote public-private partnerships in energy and communications infrastructure investments. • TA to strengthen enforcement of contracts. • TA to streamline business entry requirements. • TA to improve tax and customs administration and public procurement laws. • TA aimed at reducing labor market constraints. • TA to reform tax laws and collection of taxes. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers. • TA to potential borrowers applying for credit. • Provide TA to local institutions in assisting producers in meeting SPS standards.
Djibouti	Sectors with Greatest Export Growth Potential	• Agriculture, including fisheries products, livestock, and leather products • Salt • Services, including port-related services and telecommunications
	Major Challenges to Export Growth	• Infrastructure, including poor roads and few refrigerated storage facilities • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors, especially with respect to managerial skills • Geographic trade-related barriers
	Selected Recommendations for Technical Assistance	• Engage senior government officials in improving the business/trade environment. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • TA and financial assistance to improve cold storage and other agricultural trade support infrastructure. • TA and financial assistance to locally based institutions that support small business development.
Ethiopia	Sectors with Greatest Export Growth Potential	• Agriculture and agro-processing, including coffee, animal-related products, and horticultural products • Energy-related, including hydropower and geothermal energy • Manufacturing, including textiles and apparel, leather goods, and jewelry • Services, including tourism, air transportation, and publishing
	Major Challenges to Export Growth	• Governance, including lack of transparency, social instability, civil unrest, famine, and population displacement • Infrastructure, including inadequate roads and telecommunications systems • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors

		• Trade policy, including high tariffs on inputs • Uncertain business environment, including structural issues in the banking sector, lack of market information, limited technology, and limited access to finance • Limited capacity to meet SPS and other export market standards
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • Engage senior government officials in improving the business/trade environment. • TA to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner. • TA for feasibility studies for new investments in transportation infrastructure. • Promote public-private partnerships in energy and communications infrastructure investments. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA to streamline business entry requirements. • TA and financial assistance to locally based institutions that support small business development. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • Support to business matchmaking programs. • TA to produce "off the shelf" agriculture technologies for dissemination to farmers. • TA to producers to meet SPS and other export market standards. • TA in public sector financial management. • TA to improve financial intermediary regulation. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery.
Gabon	Economic Strengths and Potential Growth Sectors	• Agriculture, forestry, fisheries, and agro-processing, including lumber and wood products, seafood, and palm oil • Minerals and metals, including manganese
	Major Challenges to Export Growth	• Governance, including lack of government transparency • Infrastructure, including inadequate and poorly maintained road network • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors and low funding for education • Geographic trade-related barriers, including few direct regional and international flights to potential markets
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • Engage senior government officials in improving the business/trade environment. • TA to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure.

		• TA to assist in strengthening safety and security systems at air and sea ports. • TA for feasibility studies for new investments in transportation infrastructure. • TA to improve tax and customs administration and public procurement laws. • TA aimed at reducing labor market constraints. • TA to governments in public sector financial management.
The Gambia	Sectors with Greatest Export Growth Potential	• Agriculture, fisheries, and agroprocessing, including various nuts, flowers, fruits, and vegetables • Energy-related, including offshore petroleum • Manufacturing, including textiles and ceramic tiles • Services, including tourism and port services
	Major Challenges to Export Growth	• Uncertain business environment, including high cost of capital, inputs, and utilities; low managerial and technical expertise; poor marketing and distribution systems; and excessive regulations • Infrastructure, including poor roads and inadequate telecommunications • Limited capacity to meet SPS and other export market standards
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • Engage senior government officials in improving the business/trade environment • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure • TA for feasibility studies for new investments in transportation infrastructure • Promote public-private partnerships in energy and communications infrastructure investments. • Promote privatization of utility services and provide TA for regulating these services. • TA and financial assistance to improve cold storage and other agricultural trade support infrastructure. • TA and financial assistance to locally based institutions that support small business development • TA to produce “off the shelf” agriculture technologies for dissemination to farmers. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • Expand development of warehouse credit schemes that facilitate use of small holder commodities as collateral for bank credit. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers. • Financial support for insurance and loan guarantees. • Provide TA to local institutions in assisting producers in meeting SPS standards • Provide TA in developing testing facilities for SPS compliance
Ghana	Sectors with Greatest Export Growth Potential	• Agriculture, forestry, fisheries, and agroprocessing, including cocoa, cut flowers, fruits, and vegetables • Manufacturing, including ceramics, cosmetics, electrical equipment, handtools, and jewelry • Minerals and metals, including diamonds and downstream aluminum products • Services, including tourism, diamond cutting and polishing, and offshore data processing
	Major Challenges to Export Growth	• Uncertain business environment, including lack of government transparency and high cost of capital • Regulatory, including complex land tenure system

		• Infrastructure, including inadequate and insufficient road network, and unreliable energy supply • Labor, including shortage of certain skilled labor necessary to diversify into more skill-intensive sectors • Limited capacity to meet SPS and other export market standards
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • TA for feasibility studies for new investments in transportation infrastructure. • TA and financial assistance to improve cold storage and other agricultural trade support infrastructure. • Conduct diagnostic studies on customs procedures and trade facilitation. • Create a strategy with African governments to modernize customs procedures using Information and Communication Technology (ICT). Aim to simplify rules and procedures and harmonize with global standards. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA to streamline business entry requirements. • TA to improve tax and customs administration and public procurement laws. • TA and financial assistance to locally based institutions that support small business development. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • TA to identify and access markets. • TA to institutions that gather market information, in data collection and analysis. • TA to produce "off the shelf" agriculture technologies for dissemination to farmers. • TA to producers to meet market standards. • TA to reform tax laws and collection of taxes. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • Support expansion of term finance, particularly for housing and municipal infrastructure. • Expand development of warehouse credit schemes that facilitate use of small holder commodities as collateral for bank credit. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers. • TA to potential borrowers applying for credit. • Provide TA to local institutions in assisting producers in meeting SPS standards. • Provide TA in developing testing facilities for SPS compliance. • TA to government institutions on pest risk assessments.
Guinea	Economic Strengths and Potential Growth Sectors	• Minerals and metals, including bauxite, aluminum ores, diamonds, copper ores and concentrates, and gold • Agriculture, fisheries, and agroprocessing, including cocoa, coffee, natural rubber, pineapples, and cashews
	Major Challenges to Export Growth	• Uncertain business environment, including lack of government transparency and judicial transparency, and high cost of capital

		• Infrastructure, including poor roads and ports, lack of adequate storage facilities, high utility costs, and insufficient telecommunications infrastructure • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • TA to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • TA for feasibility studies for new investments in transportation infrastructure. • Promote public-private partnerships in energy and communications infrastructure investments. • Promote privatization of utility services and provide TA for regulating these services. • TA and financial assistance to improve cold storage and other agricultural trade support infrastructure. • Conduct diagnostic studies on customs procedures and trade facilitation. • Create a strategy with African governments to modernize customs procedures using Information and Communication Technology (ICT). Aim to simplify rules and procedures and harmonize with global standards. • Provide technical assistance in customs valuation, control and release of goods, and risk management. • Provide technical assistance to improve the efficiency of trade transit corridors. • TA to strengthen enforcement of contracts. • TA to streamline business entry requirements. • TA to improve tax and customs administration and public procurement laws. • TA aimed at reducing labor market rigidities. • TA to reform tax laws and collection of taxes. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • Facilitate the use of the formal financial system by removing unnecessary impediments to financial services, particularly to cross-border trade settlement transactions. • Support expansion of term finance, particularly for housing and municipal infrastructure. • Expand development of warehouse credit schemes that facilitate use of small holder commodities as collateral for bank credit.
Guinea-Bissau	Sectors with Greatest Export Growth Potential	• Agriculture, forestry, fisheries, and agroprocessing, including cashews, mangoes, cotton, and processed wood products • Energy-related, including natural gas
	Major Challenges to Export Growth	• Uncertain business environment, including high cost and limited access to capital • Infrastructure, including expensive and inadequate utilities, and destroyed road network • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors • Limited capacity to meet SPS and other export market standards
	Selected Recommendations for Technical Assistance	• Engage senior government officials in improving the business/trade environment. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • TA for feasibility studies for new investments in transportation infrastructure.

		• Promote public-private partnerships in energy and communications infrastructure investments. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • Expand development of warehouse credit schemes that facilitate use of small holder commodities as collateral for bank credit. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers. • TA to potential borrowers applying for credit. • TA to local organizations to develop voluntary savings accounts accessible to rural populations. • Provide TA to local institutions in assisting producers in meeting SPS standards. • Provide TA in developing testing facilities for SPS compliance.
Kenya	Sectors with Greatest Export Growth Potential	• Agriculture and agro-processing, including coffee, tea, cut flowers, fresh fruit, and pyrethrum • Manufacturing, including textiles and apparel • Services, including tourism
	Major Challenges to Export Growth	• Governance, including lack of transparency in government procurement and lack of security • Infrastructure, including poor roads, poor railways, unreliable electrical power, and inadequate telecommunications network • Regulatory, including lack of regulatory transparency and onerous customs procedures • Trade policy, including high tariffs and export taxes on hides, skins, and scrap metal • Uncertain business environment, including high taxes, lack of security, and large informal economy • Geographic trade-related barriers, including certification necessary for direct flight access to potential markets
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • Engage senior government officials in improving the business/trade environment. • TA to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner. • TA to assist in strengthening safety and security systems at air and sea ports. • TA for feasibility studies for new investments in transportation infrastructure. • Conduct diagnostic studies on customs procedures and trade facilitation. • Provide technical assistance in customs valuation, control and release of goods, and risk management. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA to streamline business entry requirements. • TA to improve tax and customs administration and public procurement laws. • TA on TRIPS compliance. • TA aimed at reducing labor market constraints.

		• TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • Provide TA to local institutions in assisting producers in meeting SPS standards. • Provide TA in developing testing facilities for SPS compliance.
Lesotho	Sectors with Greatest Export Growth Potential	• Manufacturing, including apparel • Agriculture and agro-processing, including cereals, animal hair, fruit juices, mushrooms, and canned peaches and asparagus • Minerals and metals, including diamonds • Services, including tourism
	Major Challenges to Export Growth	• Infrastructure, including poor roads and inadequate container terminal and airport cargo-holding capabilities • Labor, including HIV infection rates, labor productivity, and lack of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including land ownership limits and cumbersome mining regulations • Geographic trade-related barriers, including transportation issues relating to land-locked status • Uncertain business environment, including business start-up time and number of procedures to enforce contracts
	Selected Recommendations for Technical Assistance	• TA for feasibility studies for new investments in transportation infrastructure. • TA to strengthen enforcement of contracts. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA to streamline business entry requirements. • TA in the area of inheritance laws and management transition plans for businesses. • TA to institutions that gather market information, in data collection and analysis. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • Support expansion of term finance, particularly for housing and municipal infrastructure.
Madagascar	Sectors with Greatest Export Growth Potential	• Agriculture, fisheries, and agro-processing, including vanilla, cloves, fish and crustaceans, and fresh fruit • Energy-related products, including refined petroleum • Manufacturing, including textiles and apparel • Minerals and metals, including metals and metal minerals, industrial minerals, dimension stone, and semiprecious stones • Services, including tourism and business process outsourcing
	Major Challenges to Export Growth	• Infrastructure, including poor road, rail, and port facilities; high port fees; unreliable and costly air transport; and poor telecommunications and electricity systems • Regulatory, including high taxes, ill-defined property rights, and inefficient customs procedures • Geographic trade-related barriers, including long distance to markets, lack of flights, and costly flights • Governance, including lack of judicial, tax, and customs transparency

		• Uncertain business environment, including access to capital and high interest rates • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors, and difficulty in obtaining visas for foreign workers • Trade policy, including delays in value-added tax refunds • Limited capacity in marketing, certification, and quality control
	Selected Recommendations for Technical Assistance	• Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • TA to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • TA to identify and access markets. • Support to business matchmaking programs. • TA to institutions that gather market information, in data collection and analysis. • Establish partnerships with U.S. companies and organizations to support programs to increase capacity in meeting market standards. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers. • TA to potential borrowers applying for credit. • TA for harmonizing regulations with international standards. • TA for negotiating mutual recognition of conformity assessments. • Provide TA to local institutions in assisting producers in meeting SPS standards.
Malawi	Sectors with Greatest Export Growth Potential	• Agriculture and agro-processing, including cotton, coffee, macadamia nuts, groundnuts and associated oils, fruit juices, cut flowers, and paprika • Manufacturing, including textiles and apparel • Minerals and metals, including bauxite and titanium • Services, including medical, accounting, and architectural services
	Major Challenges to Export Growth	• Governance, including governmental transparency • Infrastructure, including inadequate transportation infrastructure, erratic electricity supply, lack of cold storage facilities, and low levels of irrigation • Regulatory, including foreign exchange conversion requirements and restrictive trucking regulations • Uncertain business environment, including high cost and lack of capital and technical and volume capacity constraints • Geographic trade-related barriers, including land-locked status necessitating use of neighboring country

		infrastructure
	Selected Recommendations for Technical Assistance	• Engage senior government officials in improving the business/trade environment. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • Promote public-private partnerships in energy and communications infrastructure investments. • TA and financial assistance to improve cold storage and other agricultural trade support infrastructure. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • Support to business matchmaking programs. • Provide support for technical training and research to build capacity for science-based regulation of agriculture and biotechnology and to improve agricultural competitiveness through the application of new technologies. • TA to producers to meet market standards. • TA to governments in public sector financial management. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • Financial support for insurance and loan guarantees. • Provide TA to local institutions in assisting producers in meeting SPS standards.
Mali	Sectors with Greatest Export Growth Potential	• Agriculture, forestry, fisheries, and agroprocessing, including cotton, cereals and grains, fruits and vegetables, and livestock • Minerals and metals, including gold • Services, including tourism
	Major Challenges to Export Growth	• Uncertain business environment, including high cost to start a business and lack of capital • Infrastructure including inadequate transportation infrastructure, limited access to technology, and expensive and inadequate utilities • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors • Limited capacity to meet SPS and other export market standards • Geographic trade-related barriers, including land-locked status necessitating use of neighboring country infrastructure and regional instability disrupting export outlets
	Selected Recommendations for Technical Assistance	• TA and financial assistance to improve cold storage and other agricultural trade support infrastructure. • Conduct diagnostic studies on customs procedures and trade facilitation. • Provide technical assistance to improve the efficiency of trade transit corridors. • TA to streamline business entry requirements. • TA on TRIPS compliance • TA and financial assistance to locally based institutions that support small business development. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products.

		• TA to producers to meet market standards. • TA to governments in public sector financial management. • TA to governments to improve financial intermediary regulation. • Expand development of warehouse credit schemes that facilitate use of small holder commodities as collateral for bank credit. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers. • TA for implementing WTO Agreement on TBT. • TA for harmonizing regulations with international standards. • TA for negotiating mutual recognition of conformity assessments. • TA for recognizing equivalence standards. • Provide TA to local institutions in assisting producers in meeting SPS standards • Provide TA in developing testing facilities for SPS compliance • TA to government institutions on pest risk assessments.
Mauritania	Sectors with Greatest Export Growth Potential	• Agriculture, fisheries, and agroprocessing, including citrus fruits, and vegetables • Energy-related, including crude petroleum • Minerals and metals, including iron ore and diamonds • Services, including tourism
	Major Challenges to Export Growth	• Infrastructure, including poor and deteriorating roads • Labor, including low literacy rate and lack of skilled labor necessary to diversify into more skill-intensive sectors • Uncertain business environment, including difficulties with respect to obtaining credit and costly water and energy
	Selected Recommendations for Technical Assistance	• TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • Promote public-private partnerships in energy and communications infrastructure investments. • Promote privatization of utility services and provide TA for regulating these services. • TA aimed at reducing labor market rigidities. • TA and financial assistance to locally based institutions that support small business development. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • Support expansion of term finance, particularly for housing and municipal infrastructure. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers. • TA for implementing WTO Agreement on TBT. • TA for harmonizing regulations with international standards. • TA for negotiating mutual recognition of conformity assessments. • TA for recognizing equivalence standards.

		• Provide TA to local institutions in assisting producers in meeting SPS standards. • Provide TA in developing testing facilities for SPS compliance. • TA to government institutions on pest risk assessments.
Mauritius	Sectors with Greatest Export Growth Potential	• Services, including tourism, financial services, information and communication technologies, and distribution services
	Major Challenges to Export Growth	• Infrastructure, including high telecommunications costs • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including lack of competitive air transport policy and strict control of passenger visits
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • Engage senior government officials in improving the business/trade environment. • Provide TA to local institutions in assisting producers in meeting SPS standards. • Provide TA in developing testing facilities for SPS compliance.
Mozambique	Economic Strengths and Potential Growth Sectors	• Agriculture, forestry, fisheries, and agro-processing, including seafood, fresh fruits and vegetables, and cut flowers • Energy-related, including electricity • Manufacturing, including wood products • Minerals and metals, including aluminum and titanium • Services, including tourism
	Major Challenges to Export Growth	• Governance, including inefficient judicial system and domestic security issues • Infrastructure, including lack of paved roads, high transportation costs, high utility costs, inadequate transportation infrastructure, and inadequate electrical supply • Labor, including low labor productivity and lack of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including burdensome corporate laws, complex and restrictive labor laws, land rights issues, and customs delays • Trade policy, including delays in value-added tax refunds • Uncertain business environment, including low-volume production capacity, lack of standards capacity, and outdated technologies • Nontariff measures, including rules of origin • Limited capacity to meet SPS and other export market standards
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • Engage senior government officials in improving the business/trade environment. • TA and financial assistance to improve cold storage and other agricultural trade support infrastructure. • Conduct diagnostic studies on customs procedures and trade facilitation. • Create a strategy with African governments to modernize customs procedures using Information and Communication Technology (ICT). Aim to simplify rules and procedures and harmonize with global standards.

		• Provide technical assistance in customs valuation, control and release of goods, and risk management. • Provide technical assistance to improve the efficiency of trade transit corridors. • Provide TA to publish customs regulations for the public. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA to streamline business entry requirements. • TA to improve tax and customs administration and public procurement laws. • TA on TRIPS compliance. • TA aimed at reducing labor market rigidities. • TA to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner. • Support to business matchmaking programs. • Provide support for technical training and research to build capacity for science-based regulation of agriculture and biotechnology and to improve agricultural competitiveness through the application of new technologies. • TA to produce “off the shelf” agriculture technologies for dissemination to farmers. • TA to governments in public sector financial management. • TA to governments to improve financial intermediary regulation. • TA to reform tax laws and collection of taxes. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers. • TA for implementing WTO Agreement on TBT. • TA for harmonizing regulations with international standards. • TA for negotiating mutual recognition of conformity assessments. • TA for recognizing equivalence standards. • Provide TA to local institutions in assisting producers in meeting SPS standards. • Provide TA in developing testing facilities for SPS compliance. • TA to government institutions on pest risk assessments.
Namibia	Sectors with Greatest Export Growth Potential	• Minerals and metals, including diamonds, uranium oxide, and unprocessed minerals • Agriculture, fisheries, and agro-processing, including fresh and processed meat and fish • Manufacturing, including textiles and apparel
	Major Challenges to Export Growth	• Infrastructure, including frequent transport bottlenecks • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors and low productivity • Governance, including state ownership of water, electricity, telecommunications, and air transport • Regulatory, including royalties and differential tax rates on natural resources, quota entitlement and total allowable catch levels in fisheries, and control boards • Trade policy, including export control and licensing requirements and customs inefficiencies

	Selected Recommendations for Technical Assistance	• Engage senior government officials in improving the business/trade environment. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • TA to streamline business entry requirements. • TA and financial assistance to locally based institutions that support small business development. • Provide TA to local institutions in assisting producers in meeting SPS standards. • Provide TA in developing testing facilities for SPS compliance.
Niger	Economic Strengths and Potential Growth Sectors	• Minerals and metals, including uranium and gold • Energy-related, including crude petroleum • Agriculture and agroprocessing, including livestock, meat, gum arabic, and sesame
	Major Challenges to Export Growth	• Uncertain business environment including lack of capital, slow and cumbersome bureaucracy and high transport costs • Infrastructure, including poor roads and inadequate communications infrastructure • Labor, including low literacy rate, lack of skilled labor necessary to diversify into more skill-intensive sectors, and lack of managerial training • Limited capacity to meet SPS and other export market standards • Geographic trade-related barriers, including land-locked status necessitating use of neighboring country infrastructure
	Selected Recommendations for Technical Assistance	• Engage senior government officials in improving the business/trade environment. • Build homegrown technical training capacity by training local trainers. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • Promote public-private partnerships in energy and communications infrastructure investments. • TA and financial assistance to improve cold storage and other agricultural trade support infrastructure. • TA to improve tax and customs administration and public procurement laws. • TA aimed at reducing labor market rigidities. • TA and financial assistance to locally based institutions that support small business development. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • TA to local organizations to develop voluntary savings accounts accessible to rural populations. • Provide TA to local institutions in assisting producers in meeting SPS standards. • Provide TA in developing testing facilities for SPS compliance. • TA to government institutions on pest risk assessments.
Nigeria	Economic Strengths and Potential Growth Sectors	• Agriculture, fisheries, and agro-processing, including cocoa, cashews, sesame • Energy-related, including petroleum and natural gas • Manufacturing, including leather products • Minerals and metals, including tantalum and niobium ores
	Major Challenges to Export Growth	• Uncertain business environment, including limited access to capital, high cost of inputs, and difficulties enforcing contracts • Trade policy, including high import tariffs and import bans • Regulatory, including lack of government transparency in development and implementation of regulations • Infrastructure, including inadequate road and rail networks and port facilities

		• Labor, including labor market inflexibilities and lack of skilled labor necessary to diversify into more skill-intensive sectors
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • Engage senior government officials in improving the business/trade environment. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • TA for feasibility studies for new investments in transportation • Promote public-private partnerships in energy and communications infrastructure investments. • TA and financial assistance to improve cold storage and other agricultural trade support infrastructure. • Conduct diagnostic studies on customs procedures and trade facilitation. • Create a strategy with African governments to modernize customs procedures using Information and Communication Technology (ICT). Aim to simplify rules and procedures and harmonize with global standards. • Provide technical assistance to improve the efficiency of trade transit corridors. • Provide TA to publish customs regulations for the public. • TA to strengthen enforcement of contracts. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA to improve tax and customs administration and public procurement laws. • TA to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • Provide support for technical training and research to build capacity for science-based regulation of agriculture and biotechnology and to improve agricultural competitiveness through the application of new technologies. • TA to produce "off the shelf" agriculture technologies for dissemination to farmers. • TA to producers to meet market standards. • Establish partnerships with U.S. companies and organizations to support programs to increase capacity in meeting market standards. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • Facilitate the use of the formal financial system by removing unnecessary impediments to financial services, particularly to cross-border trade settlement transactions. • Support expansion of term finance, particularly for housing and municipal infrastructure. • Expand development of warehouse credit schemes that facilitate use of small holder commodities as collateral for bank credit.
Rwanda	Economic Strengths and Potential Growth Sectors	• Agriculture and agro-processing, including coffee, tea, and fruit • Manufacturing, including textiles and apparel and downstream chemicals • Minerals and metals, including tin, gold, coltan, tungsten, beryllium, kaolin, and peat • Services, including tourism

	Major Challenges to Export Growth	• Infrastructure, including limited rail and road networks and insufficient water and power supplies • Uncertain business environment, including limited technology use, limited access to credit, high cost of utilities, and burdensome regulations and bureaucracy • Limited capacity to meet SPS and other export market standards • Geographic trade-related barriers, including land-locked status necessitating access to neighboring country infrastructure
	Selected Recommendations for Technical Assistance	• TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • Promote public-private partnerships in energy and communications infrastructure investments. • Promote privatization of utility services and provide TA for regulating these services. • Conduct diagnostic studies on customs procedures and trade facilitation. • Provide technical assistance in customs valuation, control and release of goods, and risk management. • Provide technical assistance to improve the efficiency of trade transit corridors. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA to streamline business entry requirements. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • TA to identify and access markets. • Financial support to business owners to attend trade fairs and exhibitions. • TA to producers to meet market standards. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • Expand development of warehouse credit schemes that facilitate use of small holder commodities as collateral for bank credit. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers.
São Tomé and Principe	Sectors with Greatest Export Growth Potential	• Agriculture, forestry, fisheries, and agro-processing, including cocoa, cocoa products, coffee products, and fish • Energy-related, including crude petroleum • Services, including tourism and logistics services
	Major Challenges to Export Growth	• Infrastructure, including insufficient transportation infrastructure and utility constraints • Labor, including a small labor pool and lack of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including inability to own land • Uncertain business environment, including low-volume production capacity and outdated or inefficient agricultural technologies • Geographic trade-related barriers, including additional costs of air transport associated with island status
	Selected Recommendations for Technical Assistance	• TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • TA for feasibility studies for new investments in transportation infrastructure.

		• Promote public-private partnerships in energy and communications infrastructure investments. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA to governments in public sector financial management. • TA to governments to improve financial intermediary regulation. • TA to reform tax laws and collection of taxes. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers. • TA to potential borrowers applying for credit.
Senegal	Sectors with Greatest Export Growth Potential	• Agriculture, forestry, fisheries, and agro-processing, including groundnut oil, fresh fruit, and vegetables • Energy-related, including petroleum • Services, including tourism and information technology
	Major Challenges to Export Growth	• Infrastructure, including degrading railway and road networks and insufficient port facilities • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors, especially with respect to business management skills • Regulatory, including labor market inflexibilities and burdensome business regulations • Uncertain business environment, including high production costs • Geographic trade-related barriers, including certification necessary for direct flight access to potential markets
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • TA for feasibility studies for new investments in transportation infrastructure. • TA and financial assistance to improve cold storage and other agricultural trade support infrastructure. • TA aimed at reducing labor market rigidities. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • TA to identify and access markets. • Build local capacity to identify and advertise promising business opportunities and partnerships for foreign investors. • Provide support for technical training and research to build capacity for science-based regulation of agriculture and biotechnology and to improve agricultural competitiveness through the application of new technologies. • TA to governments in public sector financial management. • TA to reform tax laws and collection of taxes. • Expand development of warehouse credit schemes that facilitate use of small holder commodities as collateral for bank credit.

		• TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers. • TA to potential borrowers applying for credit. • Provide TA to local institutions in assisting producers in meeting SPS standards. • Provide TA in developing testing facilities for SPS compliance.
Seychelles	Sectors with Greatest Export Growth Potential	• Fisheries and agro-processing, including prepared or preserved fish and frozen fish • Services, including tourism and offshore business services
	Major Challenges to Export Growth	• Infrastructure, including high transportation costs, high utility costs, and capacity constraints • Labor, including high labor costs and a limited labor pool • Regulatory, including price controls, exchange rate policy, lack of foreign exchange, and limited access to capital • Trade policy, including relatively high ad valorem duties • Uncertain business environment, including the lack of domestically available inputs, the limited size of the economy, and high capitalization requirements
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery.
Sierra Leone	Economic Strengths and Potential Growth Sectors	• Agriculture, fisheries, and agro-processing, including cocoa and coffee • Energy-related, including petroleum and gas • Manufacturing, including jewelry • Minerals and metals, including diamonds, bauxite, rutile, and iron ores • Services, including tourism
	Major Challenges to Export Growth	• Governance, including lack of judicial transparency and domestic security issues • Infrastructure, including congested and inefficient port and impassable rural roads • Labor, including low literacy rate, lack of skilled labor necessary to diversify into more skill-intensive sectors, and lack of managerial training • Limited capacity to meet SPS and other export market standards • Uncertain business environment, including high costs for starting a business, and limited access to finance • Geographic trade-related barriers, including international security risk or regional instability, certification necessary for direct flight access to potential markets, and lack of direct flights
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • Engage senior government officials in improving the business/trade environment. • TA to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • TA for feasibility studies for new investments in transportation infrastructure. • Promote public-private partnerships in energy and communications infrastructure investments.

		• Promote privatization of utility services and provide TA for regulating these services. • TA to strengthen enforcement of contracts. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA to streamline business entry requirements. • TA aimed at reducing labor market rigidities. • Provide TA to local institutions in assisting producers in meeting SPS standards. • Provide TA in developing testing facilities for SPS compliance.
South Africa	Economic Strengths and Potential Growth Sectors	• Agriculture, fisheries, and agro-processing, including fresh fruits and vegetables, canned and processed food, cut flowers, wine, and ostrich products • Manufacturing, including motor vehicles, engines, and parts • Minerals and metals, including ores and concentrates, precious and semiprecious stones, wrought forms of tin, and alloys • Services, including financial services, information and communication technologies, business process outsourcing, tourism, and feature and commercial film • Energy-related products, including coal
	Major Challenges to Export Growth	• Uncertain business environment, including volatile exchange rate, limited access to finance for small, medium, and micro enterprises, low-volume production capacity, lack of confidence to invest in expanding output, and lack of export market knowledge • Regulatory, including uncertainty regarding Broad-Based Black Economic Empowerment rules and mining legislation that has slowed foreign direct investment, burdensome agricultural-sector regulations, inefficient passenger aviation system for tourism • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors, immigration policies, and relatively high wages • Trade policy, including export control and licensing requirements • Geographic trade-related barriers, including regional road fees, difficulties in transporting products that require careful handling or refrigeration, and lack of direct flights to certain markets
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • TA for feasibility studies for new investments in transportation infrastructure. • Promote privatization of utility services and provide TA for regulating these services. • TA to improve tax and customs administration and public procurement laws. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • TA to identify and access markets. • TA to producers to meet market standards. • TA to governments to improve financial intermediary regulation. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers. • Provide TA to local institutions in assisting producers in meeting SPS standards. • TA to government institutions on pest risk assessments.

Swaziland	Sectors with Greatest Export Growth Potential	• Agriculture and agro-processing, including cane sugar, food preparations, citrus fruit, and meat • Manufacturing, including artificial waxes, bookbinding machinery, textiles and apparel (woven cotton fabrics and gauze), and watch straps • Services, including tourism
	Major Challenges to Export Growth	• Infrastructure, including inadequate domestic energy generation • Regulatory, including ambiguous land tenure regulations and lack of land ownership security • Geographic trade-related barriers, including land-locked status necessitating use of ports in Mozambique or South Africa and high shipping costs • Labor, including high emigration, declining population growth rate, and delays in obtaining work permits for foreign workers
	Selected Recommendations for Technical Assistance	• Promote public-private partnerships in energy and communications infrastructure investments. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA in the area of inheritance laws and management transition plans for businesses. • TA to producers to meet market standards. • Provide TA to local institutions in assisting producers in meeting SPS standards. • Provide TA in developing testing facilities for SPS compliance.
Tanzania	Sectors with Greatest Export Growth Potential	• Agriculture, fisheries, and agro-processing, including fish, coffee, spices, horticulture and floriculture products, and processed and packaged food • Energy-related, including petroleum • Manufacturing, including textiles and apparel, processed wood products, and leather products • Minerals and metals, including gold • Services, including tourism
	Major Challenges to Export Growth	• Infrastructure, including an inadequate port and poor road and rail networks • Regulatory, including excessive regulations, especially in the agriculture and mineral sectors • Trade policy, including high import tariffs and export taxes • Uncertain business environment, including high cost of capital, inputs, utilities, and transport; lack of export market knowledge • Lack of technical capacity to meet international standards
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • Engage senior government officials in improving the business/trade environment. • TA to ensure that judicial systems apply commercial, labor, and other business related laws in a fair and equitable manner. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • TA for feasibility studies for new investments in transportation infrastructure. • Promote public-private partnerships in energy and communications infrastructure investments. • Promote privatization of utility services and provide TA for regulating these services.

		• Provide technical assistance to improve the efficiency of trade transit corridors. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA to streamline business entry requirements. • TA to improve tax and customs administration and public procurement laws. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products. • TA to institutions that gather market information, in data collection and analysis. • TA to producers to meet SPS and other export market standards. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers.
Uganda	Sectors with Greatest Export Growth Potential	• Agriculture, fisheries, and agro-processing, including coffee, cotton, fish, vanilla, cut flowers, dairy products, and tobacco • Minerals and metals, including cobalt and gold • Services, including tourism
	Major Challenges to Export Growth	• Governance, including lack of judicial and tax transparency and lack of security • Infrastructure, including inefficiencies in utilities and transportation • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors and low labor productivity • Regulatory, including inefficient customs procedures • Uncertain business environment, including high cost of capital, lack of technology, outdated equipment, lack of market information, and lack of scale economies • Nontariff measures, including customs procedures and valuations, standards and labeling requirements • Geographic trade-related barriers, including land-locked status necessitating use of poor regional road networks and inadequate rail and air transport
	Selected Recommendations for Technical Assistance	• Provide TA to government institutions to improve outreach and consulting with stakeholders, and train stakeholders in advocacy. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • TA to assist in strengthening safety and security systems at air and sea ports. • TA for feasibility studies for new investments in transportation infrastructure. • TA and financial assistance to improve cold storage and other agricultural trade support infrastructure. • Conduct diagnostic studies on customs procedures and trade facilitation. • Provide technical assistance in customs valuation, control and release of goods, and risk management. • Provide technical assistance to improve the efficiency of trade transit corridors. • Encourage governments to formalize rights to land and real property, simplify land tenure laws, and establish free markets for transacting real property rights. • TA to improve tax and customs administration and public procurement laws. • TA and financial assistance to improve understanding of internationally competitive practices in the production, processing, and marketing of targeted nontraditional products.

		• TA to produce "off the shelf" agriculture technologies for dissemination to farmers. • TA to producers to meet SPS and other export market standards. • TA in public sector financial management. • TA to commercial banks and other lenders in risk management and assessing loan applications for rural customers.
Zambia	Sectors with Greatest Export Growth Potential	• Agriculture and agro-processing, including horticulture and floriculture products, cotton, tobacco, cereal flours, maize, honey, coffee, and logs • Minerals and metals, including copper, cobalt, gemstones, niobium, and tantalum • Manufacturing, including leather products, textile and apparel, and handicrafts • Energy-related products, including electricity
	Major Challenges to Export Growth	• Infrastructure, including inadequate road and railway networks, and high cost of telecommunications • Geographic trade-related barriers, including land-locked status necessitating use of neighboring country infrastructure and regional instability • Uncertain business environment, including high inflation rates, high cost of utilities, burdensome regulations, high cost of capital, outdated technology, and high tax rates • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors
	Selected Recommendations for Technical Assistance	• Engage senior government officials in improving the business/trade environment. • TA and financial assistance in maintaining roads, railroads, and other transportation infrastructure. • Promote public-private partnerships in energy and communications infrastructure investments. • TA and financial assistance to improve cold storage and other agricultural trade support infrastructure. • Create a strategy with African governments to modernize customs procedures using Information and Communication Technology (ICT). Aim to simplify rules and procedures and harmonize with global standards. • TA to streamline business entry requirements. • TA to improve tax and customs administration and public procurement laws. • TA in the area of inheritance laws and management transition plans for businesses. • TA to reform tax laws and collection of taxes. • TA to governments in public sector financial management. • Expand lending by lowering market lending risks: improve financial transparency of borrowers, develop credit information systems, and strengthen legal support for loan recovery. • Provide TA to local institutions in assisting producers in meeting SPS standards. • Provide TA in developing testing facilities for SPS compliance. • TA to government institutions on pest risk assessments.

Annex B- Total U.S. Trade with AGOA Eligible Countries (in thousands of dollars)

Country	Total U.S. Exports 2003	Total U.S. Exports 2004	TOTAL U.S. Imports 2003	TOTAL U.S. Imports 2004	AGOA including GSP 2003	AGOA including GSP 2004
Angola	482,612	588,584	4,176,429	4,475,677	not eligible	4,314,937
Benin	29,386	43,760	602	1,525	0	215
Botswana	24,682	51,632	13,642	72,986	6,324	20,145
Burkina Faso	10,612	21,747	893	583	not eligible	not eligible
Cameroon	89,342	98,676	193,319	328,337	147,011	243,277
Cape Verde	7,872	50,466	5,640	3,686	2,465	2,902
Chad	63,523	40,306	22,434	698,405	14,478	568,918
Congo (DROC)	30,384	60,186	173,867	112,266	119,471	79,284
Congo (ROC)	78,601	64,512	407,186	849,730	340,790	344,570
Djibouti	34,287	43,109	615	964	27	63
Ethiopia	407,354	458,179	30,496	41,167	2,885	5,319
Gabon	61,856	92,181	1,927,715	2,423,504	1,177,458	1,919,407
Gambia	10,588	22,181	134	361	20	21
Ghana	204,426	300,341	83,603	140,474	40,586	74,014
Guinea	35,280	57,528	69,226	64,225	194	89
Guinea-Bissau	1,203	1,227	1,912	26,611	0	26,131
Kenya	193,009	386,938	249,137	352,165	184,441	286,688
Lesotho	5,098	5,481	393,056	467,047	372,674	447,803
Madagascar	45,488	33,041	383,329	469,404	187,879	316,817
Malawi	16,507	21,514	80,076	79,356	59,256	64,421
Mali	29,916	42,033	2,394	3,702	262	202
Mauritania	34,191	76,835	929	7,347	3	0
Mauritius	23,689	18,319	298,096	270,397	143,077	160,468
Mozambique	62,340	75,869	8,711	9,933	7,917	7,989
Namibia	26,668	66,047	123,249	238,219	46,755	161,193
Niger	32,365	30,771	4,034	26,855	63	72
Nigeria	996,453	1,510,369	10,113,618	16,295,101	9,356,012	15,416,604
Rwanda	7,914	11,107	2,623	5,411	6	67
Sao Tome & Principe	1,243	2,793	91	86	0	0
Senegal	98,888	73,204	4,326	3,000	720	518
Seychelles	6,947	10,247	15,324	6,010	3	3
Sierra Leone	27,466	39,952	6,478	10,842	75	351
South Africa	2,698,201	2,977,484	4,887,962	5,926,332	1,668,573	1,781,039
Swaziland	8,075	11,708	162,033	198,769	133,975	176,853
Tanzania	63,639	124,697	24,234	23,818	1,569	3,601
Uganda	42,240	62,660	34,883	25,810	1,509	5,147
Zambia	19,002	26,102	12,469	32,467	510	2,595
Total	6,011,347	7,601,786	20,229,905	34,406,599	14,105,065	26,558,922

Source: U.S. International Trade Commission

Note: Countries Eligible for AGOA in 2005