SHEDDING NEW LIGHT ON **AFRICA'S INVESTMENT OPPORTUNITIES**

MULTILATERAL INVESTMENT GUARANTEE AGENCY **WORLD BANK GROUP**

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Preface

A recent report published by the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group with the United Nations Conference on Trade and Development (UNCTAD) highlighted that U.S. and Japanese corporations, among others, reported higher profitability for their Sub-Saharan African operations than in any other region of the world. However, many countries in Sub-Saharan Africa, which offer very promising investment opportunities, have long suffered from the poor image of the continent as a whole. Political instability and violent conflict in a number of countries are among the factors that have led to a sorry perception of the region. This image has perhaps been no more widespread than in the global business community, which for decades has granted the region only a tiny amount of foreign direct investment (FDI).

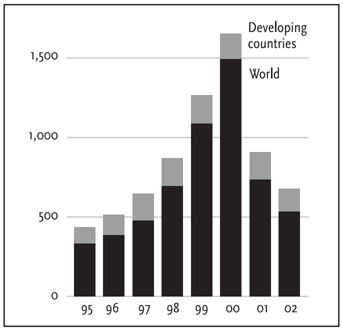
Viewing Sub-Saharan Africa as a void of growth and opportunity, however, is clearly a mistake. MIGA has initiated a partnership with the Swiss Government (the MIGA-Swiss Partnership - MSP) to help selected Sub-Saharan African countries, which have made significant progress in reforming their economies, reach out to potential investors and draw their attention to new opportunities for investment created in their economies. This approach is being piloted in four African countries – Ghana, Mozambique, Senegal and Tanzania. These countries are among those in Africa that offer significantly improved investment environments and a range of new investment opportunities. Further, recent new trade agreements offer the region enhanced preferential access to the world's largest markets, as well as those closer to home. This has significantly altered Sub-Saharan Africa's business landscape, opening up new opportunities for commercial development and growth.

The purpose of this briefing paper is threefold. First, it presents some of the findings of a comprehensive study undertaken for the MSP by the International Trade Centre, analyzing investment opportunities by sector arising from trade agreements for selected Sub-Saharan African countries. Second, it summarizes the results of other research which has been done by various players on these countries. The briefing paper draws heavily upon information from national and international sources, such as investment promotion intermediaries and ministries in the participating countries, as well as international organizations (e.g., World Trade Organization) and private companies. Third, the briefing paper identifies industries offering fertile opportunities for prospecting for very profitable investments by potential investors.

I. Relevant FDI Trends

CHART 1
FDI flows, $ billion

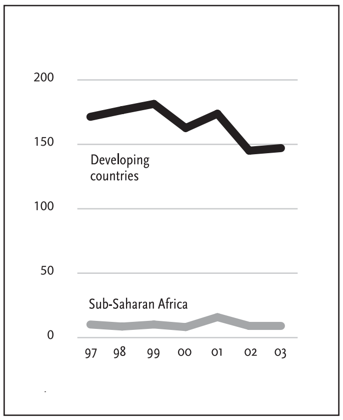
Source: World Bank, Global Development Finance 2003.



The global FDI boom, which began in the late 1990s and reached its peak in 2000 with nearly US$1.5 trillion in flows driven by robust economic growth and a surge in cross-border mergers and acquisitions in the industrialized world, ended in 2001 (chart 1). Between 2000 and 2002, global flows lost nearly two thirds of their peak value, with an estimated US$534 billion in flows registered in 2002. FDI flows to developing countries also declined, but only by 20 percent between their peak in 1999 and 2002 (chart 1).

CHART 2
FDI flows
to developing countries
and Sub-Saharan Africa

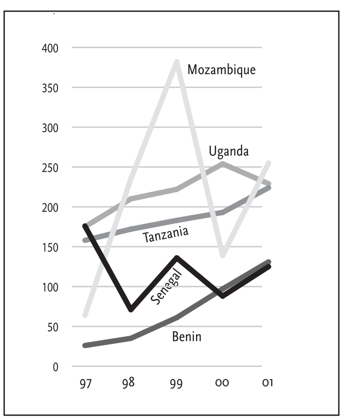
Source: World Bank, Global Development Finance 2003.



Even during the global FDI boom, flows to Sub-Saharan Africa did not take off as was the case in other developing regions. In fact, with the exception of 2001 when an unusually high level of FDI to Sub-Saharan Africa was registered, owing to an unbundling of cross-share holdings involving Anglo American and De Beers of South Africa, flows have remained largely stable both in value and as a share of developing country inflows (chart 2). In fact, flows to Sub-Saharan Africa never exceeded 5 percent (except in 2001) of the developing country total. FDI is concentrated in petroleum producing countries, such as Nigeria and Angola, and comes from a handful of industrialized countries (United Kingdom, United States and France). The natural resource sector is the key recipient, although the share of services has been on the rise.

CHART 3
FDI flows to selected Sub-Saharan African countries bucking the downturn

Source: UNCTAD, World Investment Report 2002.



While Sub-Saharan Africa as a whole did not receive as much FDI as the rest of the developing regions during the boom, its downturn has also been markedly less severe once the special circumstances that boosted FDI flows in 2001 are taken into account. In fact, estimated FDI flows for 2002 and 2003 are almost at the same level as the average for the period 1997-2000. Several Sub-Saharan countries also bucked the global downward trend, registering significant increases in 2001 (chart 3), when FDI flows declined significantly in many other developing countries. Sub-Saharan Africa's FDI flows have therefore held relatively steady without the large oscillations that have characterized their movement in other regions, and have posed significant gains in several countries.

Global FDI flows are expected to recover in late 2003 or 2004. Flows to developing countries and to Sub-Saharan Africa are also expected to increase marginally in 2003. However, as before, it is not anticipated that growth of FDI flows to Sub-Saharan Africa as a region will be significantly above what it has been in the past. Furthermore, the concentration of FDI in the primary sector raises many questions as regards linkages to the domestic economy, importance for development, and FDI prospects in other employment-intensive or export-oriented sectors. Still, improving investment conditions in individual countries, as well as new investment opportunities arising from trade agreements, make them good candidates for receiving new FDI.

II. Trade Agreements and Resulting Investment Opportunities

Several trade agreements have been concluded over time between industrialized nations and Sub-Saharan African countries, as well as among countries in Sub-Saharan Africa. The most recent agreements in particular, such as the African Growth and Opportunity Act and the Cotonou Agreement, give rise to new investment opportunities allowing foreign investors preferential access to the markets of industrialized countries for a range of products and goods exported from Sub-Saharan Africa. Brief summaries of the agreements, as well as the kinds of investment opportunities that arise from them, are presented in this section. More information on what these agreements imply for trade with Sub-Saharan Africa can be found in the annex, available online at www.ipanet.com/documents/WorldBank/databases/africa/africa_opportunities_annex.pdf (Acrobat Reader required).

A. Major Trade Agreements

African Growth and Opportunity Act (AGOA)

The African Growth Opportunity Act (AGOA), signed on October 2, 2000, designated 35 Sub-Saharan African countries as beneficiaries of preferential trade. The Act offers beneficiary countries duty-free and quota-free U.S. market access for basically all products through the Generalized System of Preferences (GSP) program. It also provides additional security for investors and traders in Sub-Saharan African countries. AGOA ensures GSP benefits for eight years (until September 30, 2008), seven years longer than in the rest of the world, and it also eliminates the GSP competitive needs limitation for African countries. In addition to the standard GSP list of approximately 4,600 items, duty-free treatment was extended by AGOA to more than 1,800 tariff-line items (e.g., footwear, luggage, handbags, watches and flatware) on December 21, 2000. For more information on AGOA, see http://www.agoa.gov/ and in the annex.

The EU-ACP Partnership Agreement (Cotonou Agreement)

The ACP-EU Partnership Agreement, called the "Cotonou Agreement", is an aid and trade agreement concluded between 76 of the 78 ACP (African, Caribbean and Pacific) countries and the European Union (EU) in June 2000 in Cotonou, Benin. It builds on 25 years of ACP-EU co-operation under four successive Lomé Conventions. Cotonou is a non-reciprocal tariff preference agreement that offers tariff and quota-free entry to EU for ACP countries. The preferences will be maintained until the December 31, 2007. From 2008 onwards, a set of reciprocal Economic Partnership Agreements (EPAs), or alternative trade arrangements, will replace them. The countries not in a position to enter into EPAs could be transferred into the EU's GSP. The Cotonou agreement covers 100 percent of industrial products and 80 percent of agricultural products. Manufactured and processed products are exempted from customs duties. On agricultural products, separate concessions exist for tropical products and for temperate products. The EU has also agreed to separate trading protocols on five products: sugar, beef and veal, bananas and rum. The full text of the agreement can be found at http://www.acpsec.org/gb/cotonou/accord1.htm. For more information, see the annex.

"Everything But Arms" (EBA)

On February 26, 2001, the EU General Affairs Council adopted the Everything But Arms (EBA) amendment to the European Union's Generalised System of Preferences (GSP), which came into effect on March 5, 2001. The EBA gives duty and quota free access to all the products originating in Least Developed Countries (LDCs), except arms and ammunitions. Only the three most sensitive products, bananas, rice and sugar, were not immediately liberalized. Full liberalization for these products will be phased in by 2009. One feature of the EBA is that LDCs can import agricultural products from third countries for their domestic consumption in order to export their own domestic production (import /export swaps, or "triangular trade"). Also, LDCs can, under certain conditions, cumulate "regionally" or "bilaterally." For more information on the EBA, see the annex.

Common Market for Eastern and Southern Africa (COMESA)

The Preferential Trade Area for Eastern and Southern African States (PTA) became the Common Market for Eastern and Southern Africa (COMESA) in 1994. The current COMESA members are Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe. Tanzania withdrew from COMESA in 2001. Its free-trade area (FTA) was launched on October 31, 2000, but only nine members (Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe) met this deadline. Its agenda is to deepen and broaden the integration process among members through the adoption of more comprehensive trade liberalization measures, such as the complete elimination of tariff and non-tariff barriers to trade, and the adoption of a Common External Tariff (CET); the free movement of capital, labor, goods, and right of establishment within COMESA; the adoption of a common set of standards and technical regulations, quality control procedures, certification schemes and sanitary and phyto-sanitary regulations; the standardization of taxation rates (including value-added tax and excise duties), and conditions regarding industrial cooperation, particularly on company laws, intellectual property rights and investment laws; and the establishment of a Monetary Union. The Common External Tariff is to be implemented by 2004; the rates will be 0 percent, 5 percent, 15 percent, and 30 percent, on capital goods, raw materials, intermediate goods, and final goods, respectively. More information on COMESA can be found at http://www.comesa.int/ and in the annex.

East African Community (EAC)

Kenya, Tanzania and Uganda signed an Agreement establishing the Permanent Tripartite Commission for East African Cooperation, known as the East African Community (EAC), on November 30, 1993. The treaty establishing the EAC was signed on November 30, 1999, and came into force on November 30, 2000. The objectives of EAC include harmonizing tariffs and customs regimes; free movement of people; and improving regional infrastructure. Implementation of the free trade area has been postponed and is now expected by 2004. A preferential tariff is intended to prevail within EAC and a common external tariff (CET) is envisaged by 2004. More information on the EAC can be found at http://www.eachq.org/ and in the annex.

Economic Community of West African States (ECOWAS)

ECOWAS was established in 1975 by 15 West African countries; Benin, Burkina Faso, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo. Cape Verde joined ECOWAS in 1977, and Mauritania withdrew in early 2000. The ECOWAS Trade Liberalisation Scheme (TLS) provides for four successive 25 percent annual reductions in customs duty on approved manufactured products. In line with the provisions of the scheme, 0.5 percent of the value of import duties from developing countries will be paid into the TLS account from 2000. As of end-1999, 810 industrial products had been admitted under the scheme, 416 (or 51 percent) of which were manufactured in Nigeria. In general, the trade liberalization scheme is not yet operational. More information on ECOWAS can be found at http://www.ecowas.int/ and in the annex.

Southern African Development Community (SADC)

The current SADC member States are: Angola, Botswana, the Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. SADC members have negotiated a Trade Protocol, which was signed in August 1996, and which became effective on September 1, 2000. The ultimate objective of the Trade Protocol is the establishment of a SADC Free-Trade Area. This is intended to remove tariff and non-tariff barriers to trade within the region within eight years, although progress will depend on the speed with which individual members dismantle their existing barriers. So far, only South Africa has made a concrete commitment to progress, agreeing to reduce its tariffs substantially during the eight-year period. More information on SADC can be found at http://www.sadc.int/ and in the annex.

B. Investment Opportunities Arising from Key Trade Agreements

To determine whether preferential market access opens opportunities for FDI in Sub-Saharan Africa, MIGA recently commissioned the International Trade Center (ITC) of the World Trade Organization (WTO) and UNCTAD to carry out a study of FDI prospects for Ghana, Mali, Mozambique, Senegal, Tanzania and Uganda. The objective of this study was to identify specific industries which appear to offer strong potential to attract investment, particularly to serve global or regional markets. In particular, the priority was to detect opportunities in regional and international markets that may arise from the most recent changes in preferential market access schemes, such as AGOA, COMESA and the EBA initiative. The study focused on four of the five main forms of investment: natural resource-seeking investment (other than mining), investment aimed at the domestic market, investment aimed at regional markets, and export-platform investment. The analysis excluded FDI through privatization, as well as sectors such as energy, mining and tourism, which, while important for FDI, are less affected by preferential trade agreements.

The study further divided target markets into three categories: domestic, regional and international (global). For domestic-market (in an import-substitution strategy) and regional-market investment, the key determinants are size and growth of demand, existence of competitors, the protection offered to domestic/regional industries, as well as protection against exporters from outside the region. Supply-side factors, such as technology and raw material availability, transport quality and cost and industrial linkages, were also considered.

For investment targeted at international markets, the key aspects are the comparative advantages of Sub-Saharan countries and preferential market access. The recent export performance by Sub-Saharan Africa to the EU and the United States is used as an indicator of future growth prospects. Market-access data reported by the EU and the United States are used to assess preferential rates. Supply-side factors similar to those mentioned above are also employed. Regardless of the target market, each indicator for a given industry is awarded a score. A total score is then calculated as a weighted sum to make a determination of the sector's prospects for FDI. For the international market, separate scores were computed for the EU and United States markets.

The study concluded that opportunities for FDI in the region exist in all target markets and in a range of economic sectors. Opportunities are extensive (see table 1 showing the potential for investment opportunities by sector and by target market for the countries reviewed by MIGA) and need only the spur from FDI to turn promise into growth and development. The perception that Sub-Saharan Africa offers commercial potential only for basic commodities is misguided. Recent trade agreements and liberalization make the region as deserving of attention from the business and investment community as other world regions that have traditionally not been ignored.

TABLE 1 PROSPECTS FOR FDI BY PRODUCT AND BY TARGET MARKET FOR SELECTED AFRICAN COUNTRIES, 2002

PRODUCTS	GHANA	MALI	MOZAMBIQUE	SENEGAL	TANZANIA
AGRI-BUSINESS					
Meat products, (poultry)	DM, RM		DM	DM? , RM?	
Meat products (fresh and frozen bovine)				RM?, EU	
Lamb					EU
Dairy products (milk, milk powder)	DM	DM, RM	DM		
Frozen vegetables (peas, beans, potatos)	EU				
Pineapple, canned & juices	US				
Canned tomatoes	DM, RM, IM		DM, RM		DM, RM
Cocoa butter and paste	IM				
Chocolate and cocoa preparation	RM				
Soup and sauces				DM, RM	
Uncooked pasta				DM, RM	
Wheat and wheat flour			DM, RM	DM?, RM?	DM?, EU
Maize and maize flour			DM, EU?		DM?, EU
Milled Rice					DM, EU
Broken Rice					DM, EU
Husk Rice					EU
Vegetable oils: palm oil,	DM, RM		DM	DM, RM	
margarine, sunflower seed oil	DM?, RM				
Sugar Cane			DM, EU		DM, EU
Refined Sugar				DM, RM, IM?	DM
Molasses					EU
Sugarconfectionery, chewing gum, sweet biscuits	RM		DM, RM	DM, RM	
Bananas, oranges, grapefruit, grapes			EU		EU
Off season fruits (pineapples, mangoes etc.)	EU				
Off season fruits and vegetables (yams, sweet potates, onions, carrots)		DM, EU		DM, RM	
Off season fruits (peaches and apricots)				IM?	EU
Off season fruit and vegetables-tomatoes				IM	
Off season fruits (strawberries)				IM?	
Kidney beans					RM
Fruit juices			DM		
Mineral water			DM	RM	
Beer	RM		DM	DM?, RM?	DM
Other alcoholic beverages	RM		EU		
Processed sea food			EU	DM, RM, EU	
Canned sardines	DM?, RM?				
Frozen fish (tuna, cuttle fish)	DM?, RM, EU				
Dried fish	RM, EU?				
Crustaceans (frozen & prep.)	EU				
Cigarettes	RM		DM	DM, RM	
Tobacco			EU		RM, EU
Tea or mate					US?
Chicory					IM, EU
Cotton					RM, US
MANUFACTURING					
Soaps, surface-active agents	RM		DM	DM, RM	
Cosmetics	RM				
Pharmaceutical	DM, RM				

TABLE 1 PROSPECTS FOR FDI BY PRODUCT AND BY TARGET MARKET FOR SELECTED AFRICAN COUNTRIES, 2002 (cont.)

PRODUCTS	GHANA	MALI	MOZAMBIQUE	SENEGAL	TANZANIA
Plastic articles (for consumers)			DM	DM?, RM?	
Plastic tableware	RM, IM?				
Plastic for toilet & household	RM				
Pneumatic tire			DM?		
Metal furniture					DM, RM?
Wooden furniture	DM, RM?, EU			DM	
Wood products	IM		RM?, IM		
Paper and paperboard	DM, RM		DM, RM		
Cotton fabrics	DM, RM	DM, RM	DM?, RM?, IM?		DM?, RM?
Apparel	US?	DM, RM	RM, IM	DM?, RM?, EU?	
Men's shirts of cotton					RM, US?
Women's cotton garments					RM?
T-shirts of cotton					RM?, US
Dresses					RM?, US
Cotton pajamas & nightdresses					RM?, US
Non-cotton women's garments					RM, US
Synthetic fabrics	RM				
Handicrafts	IM				
Footwear	DM, RM?, IM?		IM?	DM?, RM?, IM?	
Articles of iron & steel			DM?		
Aluminum products	RM		RM, IM		
Aluminum sheets, plates	RM, IM				
Portland & hydraulic cement				DM, RM	
Paints and varnishes, ink				DM, RM	
Insecticides, herbicides, pesticides	RM			DM, RM	
Electronic Conductors				DM, RM	
Ball point pens				DM, RM	
Salt	RM				EU
Books and brochures	RM				
Automotive parts					DM

Key: DM: Domestic market; RM: Regional market
IM: Internatonal market; EU: European Union market
US: United States market
DM, RM, IM, EU, US High potential
DM?, RM?, IM?, EU?, US? Questionable impact

Taking Uganda as an example, the highest scores for investment in the domestic market targeted at import substitution were recorded by the books/brochures, paper, printed matter sectors and hair preparation sectors, as well as a variety of agricultural products.

On the regional level, focusing specifically on the EAC, good investment prospects exist for products that are and those that are not currently being exported. These range from peas, sugar, doors/windows and frames, and plastic boxes and cases (current export products) to soya bean oil, polymers and ceramics (not current export products).

For the EU market, many of Uganda's exports have benefited from duty-free access for some time. However, the EBA initiative has opened up new opportunities for traditional exports, such as tobacco, maize and sugar. Further potential exists for items not previously exported to the EU. These include alcoholic beverages, pineapple and certain fresh vegetables. For other sub-Saharan countries, wheat and meat products have good prospects for EU export.

AGOA does not imply any notable change in market access for Uganda's leading exports to the United States, such as tobacco, coffee and tea. The latter two products have been exempted from duties since 1999. In fact, opportunities for Uganda under AGOA appear limited to footwear, but are more extensive for other countries in the region.

III. Export-oriented investment opportunities in Sub-Saharan Africa

This section discusses the potential for FDI in specific export-oriented sectors, drawing upon the impact of key trade agreements on investment opportunities and providing examples by sector in the cases of Tanzania, Ghana, Mozambique and Senegal.

A. Tanzania

Agro-Processing

Agriculture remains as the mainstay of the economy. Its contribution in terms of aggregate growth, exports, employment and linkages with other sectors is significant. Agricultural production accounts for approximately 49 percent of GDP (in 1999) and the sector supports 80 percent of Tanzanians. The Government is in the process of finalizing the Agriculture Sector Development Strategy; preliminary reports point to a heavy emphasis on export promotion for the major cash crops.

Opportunities exist in processing and canning of fruit and vegetables, meat processing and packaging, and the manufacturing of spirits from the molasses produced from sugar processing factories in Kilimanjaro and Morogoro. Opportunities also exist in the production of processed dairy products, such as sweetened condensed milk, milk powder, infant milk, butter, margarine, ice cream, yogurt, cheese etc., although much of this must first be directed towards the local and regional market. Other opportunities exist in horticulture (flowers, fruits and vegetables) that are air-freighted overnight to export markets.

Opportunities exist as well in adding value and expanding the size of Tanzanian exports to SADC countries, where demand includes beans, tobacco, cotton (not carded or combed), cottonseed residue, raw hides, and skins. Tanzania is an exporter of all these products, but opportunities exist for increasing the value-added and the size of these exports. These products also have a tariff that is 5-15 percent lower than the tariff applied to the EU or the MFN tariff. For example, as one of the main exporters of beans to SADC is the United States, it could benefit from the tariff preference by investing in bean production in Tanzania. Value can be added to bean exports by washing, sorting, and grading the beans, rather than outsourcing these activities. Technical innovation in cotton production could help to increase current export yields. The United States and Australia (the main producers of bovine hides to SADC) could also cut transportation costs by manufacturing in Tanzania (UNCTAD/ICC Report on Tanzania, 2001).

It is possible for Tanzania to import inputs from the EU, to further process and re-export them to the EU with zero tariff. Products in this category include: lamb, maize, wheat, fruit and vegetables, cane molasses, chicory and coffee substitutes, tobacco and salt (UNCTAD/ICC Report on Tanzania, 2001).

Manufacturing
Accounting for only about 10 percent of GDP, Tanzania's industrial sector is one of the smallest in Africa. This sector is dominated by food processing, beverages, agribusiness, light manufacturing, construction, soaps and detergents, leather, packaging, textiles and footware. Recent trends show that growth in this sector has come from consumer goods. The manufacturing sector has, however, been affected by persistent power shortages caused by low rainfall in the hydroelectric dam catchment area, a condition compounded by years of neglect at the state-controlled electric company.

Investment opportunities for import substitution in the domestic market exist in the following commodities, all of which have an import value of over US$5 million and tariffs between 10-30 percent: sugar (there are substantial sugar imports and investment in sugar cane production and sugar refinery could be considered); non-knitted cotton garments for women (potential to widen the scope of the cotton apparel); wheat, maize, and palm oil (these products have large import values – between US$13-33 million); and beer making and metal furniture. Tanzania already produces these commodities, but their production could be expanded to substitute for imports (UNCTAD/ICC Report on Tanzania, 2001).

One area of potential investment is the apparel industry. The industry can take advantage of the Africa Growth and Opportunity Act (AGOA) status, which has removed barriers for exporting Tanzania's textile products to the U.S. market. Tanzania has started to export apparel to the United States and elsewhere, as some foreign investors that previously invested in Kenya have also invested in Tanzania after Kenya was hit by a U.S. quota in the late 1990s. Investment in this sector has good potential to increase, particularly if Tanzania can get its EPZs to run efficiently, as Tanzania lags behind Uganda in production yields.

B. Ghana

Agro-Processing
Opportunities exist in cocoa production, since the Government removed its monopoly on its export in 1999 to allow the private sector to participate partially in exporting cocoa. Demonstrated supply of cocoa products, such as the Tema-based chocolate factory, offers encouraging prospects to other companies, and has already attracted a Swiss company established in the Tema Free Zone. Coca Cola and Pioneer Food (Star-Kist Tuna) are two of the companies operating in Ghana's food processing sector.

Preliminary assessment points to opportunities in the cultivation of flowers, such as sunflowers, roses and chrysanthemums etc., for local and export markets that need to be investigated further.

Ghana has established a supply base for processed fish with the Pacific Tuna Cannery (PFC). Currently, PFC is one of Heinz Europe's top fish processing companies. Opportunities exist not only in canned, but also in fresh chilled and frozen fish.

Investors have begun to take advantage of the opportunities existing in the export of fruit (such as pineapple) and vegetables (such as Asian vegetables). These products can reach markets as bulk exports by sea-freight, or as processed and packaged items shipped by overnight airfreight to EU markets (currently exports are going mainly to the United Kingdom). Opportunities for import substitution in the domestic market exist for the following food products: rice, coconut and vegetable oils, canned fish, pasta, canned tomatoes (imports valued at US$10 million in 2000), meat products, wheat flour, and dairy products. These products have a strong demand in the local market and are protected by high tariffs.

Manufacturing

The Government has announced special provisions to attract investment in the textile and garment sectors in response to AGOA, which promises to increase prospects for manufactured exports to the United States. Ghana offers a potential destination for the establishment of plants for cotton, textiles and labor-intensive, non-trendy, casual and informal wear and undergarment production for export markets. Ghana also represents an interesting opportunity in the area of "Afro-centric" clothing (African designs and mixed African and Western designs). Companies like JC Penny want this kind of clothing for their catalog business, which is aimed at the African-American community. Several small foreign and local companies are already exporting such clothing. and exports could increase further.

Although Ghana's earlier forestry policy has led to a decrease in the availability of wood, there are still some opportunities for wood processing (e.g., furniture) using the supply of wood from the Northern and Central region.

Ghana has the potential to export beauty products to the regional market, and has already received investments (including one from a leading U.S. manufacturer) in ethnic cosmetics and hair product manufacturing for the local and export markets.

Handicraft exports have substantially increased during the past few years, and significant increase in this area is still possible. Foreign buyers, such as Pier 1 and AMC, have located representatives in the region and are considering the formation of joint ventures with local trading companies.

Opportunities for regional trade within ECOWAS, specifically with Nigeria, include goods that have an important marketing component, or are "cultural" products, such as books. Other products include frozen fish, vegetable oils, beer and cigarettes, which are duty-free and benefit from ECOWAS preferential market access. Other regional export opportunities include plastics, aluminum products (based on Valco's aluminum output) and pharmaceuticals. Exports in this area could significantly increase if regional trade agreements are honored and if transportation problems are addressed and resolved. As Nigeria begins to grow, opportunities in these sectors will also increase. Regional opportunities also exist in increasing exports to other countries within UEMOA. Products with a strong demand in UEMOA include frozen fish, salt, cosmetics, insecticides and cotton fabrics. Medicine can enter UEMOA duty free from Ghana, which represents a sizable market. Pharmaceutical companies, such as Bayer, already present in Nigeria, can invest in Ghana in order to gain duty free access to UEMOA.

C. Mozambique

Agro-Processing

The Government has long defined agriculture as the basis for the country's economic development. The sector accounts for 35 percent of GDP, 40 percent of exports and 75 percent of work force in employment. Growth is now possible for the export market, in part due to efforts at the local level (such as the improvement of the port of Maputo, the development of the Belulane industrial park/export processing zone and the overall improvement in business environment, for instance), as well as at the international level (Mozambique's favorable coverage in the investment community by anchor project companies). Growth in the export market is also possible because Mozambique qualifies for preferential treatment by the EU and the United States. Agricultural exports show tremendous potential provided investors can provide additional market access and, in some instances, address infrastructure constraints.

Until recently, agro-processing investments were directed at the local market, mostly in the food and beverages area (e.g., Coca Cola, Laurentina Beer, Cervejas de Mocambique and dairy companies, such as Parmalat and Lacticinios de Umbeluzi). There is good potential for import substitution in agricultural and processed products, especially where tariffs for imports are high enough to protect the developing domestic industry. For example, tariff on wheat is 3 percent, while tariff on wheat flour is 30 percent.

Strong potential in agro-processing exists in cashew nuts and cotton exports, through further value-added processing. Potential success exists in citrus, tea (access to the EU and U.S. markets is possible at zero tariffs), copra and tobacco, except for un-manufactured tobacco. Sugar also has great potential, since exporters will continue to benefit from the U.S. quota allocation and also from the thorough liberalization of the EU's trade regime applicable to LDCs. In addition, processed sugar products could provide opportunities for import substitution, especially since a variable surcharge is levied on sugar imports. Although opportunities for sugar export within SADC are limited by high tariff protection, South Africa could use Mozambique as an export-platform to the EU.

Investment opportunities also exist in the area of agricultural inputs to service the increasing investments being made in this sector. Fertilizers and agricultural machinery are two areas where investors are showing interest. A Mauritius investor is currently building a plant for mixing, packaging and distributing fertilizers, and an Italian company is producing pumps and other equipment.

The fishing industry is the largest primary resource sector, and its products accounted for 25 per cent of merchandise exports in 1998. Prawns and shrimp account for 90 per cent of the value of fishery exports, at 14,000 tons a year. The Mozambican fishing fleet is limited, although there are a number of joint venture companies and direct licensing schemes with Japanese, Spanish, Portuguese and South African fishing firms. The Government announced several measures in 1999 to stimulate local processing and the development of a semi-industrial sector in which Mozambican capital is predominant. Opportunities also exist in providing services to the fishing industry, as well as in meeting compliance with phyto-sanitary standards.

Aquaculture in Mozambique is in its infancy and its future development is a top priority for the Government, especially for shrimp aquaculture. Foreign investors will be encouraged by the presence of other companies such as Aquapesca LDA, the French firm currently managing a prawn and shrimp farming operation at Quelimane, Zambezi province. Opportunities also exist for the culture of oysters, mussels, algae and pearls.

Mozambique currently exports primarily raw fish. Stocks of other species, including mackerel, bream, grouper, snapper, anchovy, sardine, tuna, marlin, as well as lobster, oyster, mussels and clams, are abundant and substantially under-exploited. The Government's strategy is to promote the value added in this sector and it welcomes foreign investors who can provide semi-industrial shrimp vessels, as well as install processing plants.

Mozambique has a competitive advantage over other suppliers in the export of fish products to the EU, as the EU grants duty-free access to its market and establishes preferential margins of over 10 percent for Mozambique fisheries products. Exports to the United States for some products, such as tuna, are also considerable. In addition, regional tariff protection within SADC is low enough for most items. This provides the potential for Mozambique to export fish to neighboring SADC countries.

Mozambique has excellent climate and land conditions for the development of domestic livestock for import substitution. The rearing of pigs, goats, rabbits and poultry has great potential, as the existing supply does not meet domestic demand, and substantial volumes of meat, poultry and dairy products are imported from South Africa and Europe.

As regional integration within SADC continues, there could be a potential for export growth to SADC countries (especially to Mauritius, which is the main export destination of livestock from Mozambique). Currently, import protection within SADC remains high, with tariffs of up to 35 per cent. This, however, also means that the development of local markets, which would lead to import substitution, has priority.

Manufacturing
Manufacturing has increased sharply in recent years (average of 10.6 percent over 1995-2000), induced by a massive and successful privatization of industries. Food processing accounts for roughly one-third of total industrial production. Light manufacturing, such as beverages, textiles and wood processing, is also important. Consumer goods manufacturing is expected to rise rapidly within the next three years. One-quarter of heavy industrial production is in metal-based products, chemicals, rubber and plastics. There are also investment opportunities in construction materials to support the dynamic construction sub-sector, as the average tariff protection in the manufacturing sector is 13.8 per cent, and the Government's policies aim at reducing external dependence. Investors would mainly make an impact in the manufacturing sector with regard to import substitution.

Investment opportunities could also emerge for by-products of the MOZAL project, especially in the field of processing and manufacturing of aluminum products. If the domestic market is large enough, there could be a potential for import substitution in these sectors. Exports to regional and international markets are also possible.

AGOA should increase opportunities in the garment and textile sector, which has been growing. Mauritius already has a knitting factory in Beira, and there are several Pakistani shirt exporters and a German shoe manufacturer in Maputo. As the EPZ in Maputo becomes more established, garment exports should increase quickly as several South African investors have indicated an interest in investing in this area. Regarding prospects for regional exports of textiles and apparel, the South African Customs Union (SACU) reached a special marketing agreement with Malawi, Mozambique, Tanzania and Zambia in 2001 that provides for duty-free exports from these countries to SACU on the basis of "single stage transformation" rule of origin to be applied for a period of five years. At the international level, footwear benefits from preferential treatment in both the EU and U.S. markets, as both markets provide preferential margins of 17 per cent.

D. Senegal

Agro-Processing
Food processing of peanuts is important, with the industry earning US$79 million in 2000, the third largest export revenue generator. Peanut production accounts for 40 per cent of cultivated land, although most exports leave Senegal in unprocessed form.

The fishing industry is especially relevant to Senegal; the sector is among the largest foreign exchange earners, generating US$239 million in exports in 2000. Fisheries processing, such as frozen and chilled fish, are currently in the first stage, expanding to value-added packaging foods in later stages. Senegal's fishing industry needs to attract the necessary technology and management know-how to improve the condition of the industrial fishing operations. There is a need to diversify into other product lines, move existing products up-market and attract new investment to maintain and to upgrade the existing fishing fleet.

Manufacturing
Apparel and textiles products provide an opportunity for investment under the AGOA. This law creates a number of new opportunities for labor-intensive manufacturing products, especially in textiles, garments and footwear, with a price advantage of around 20 per cent as compared to exports from competing countries that do not enjoy this preferential status.

IV. FDI Facilitation: The Role of MIGA

A. Political Risk Insurance

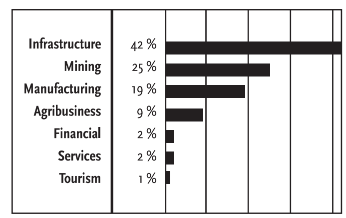
MIGA provides investment guarantees (political risk insurance) covering transfer restrictions, expropriation, breach of contract and war and civil disturbance to eligible foreign investors for qualified investments in developing member countries.

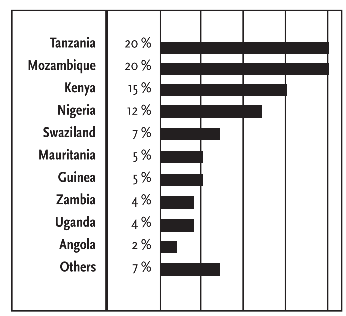
Since its inception, MIGA has issued 597 guarantees for projects in 82 countries, totaling more than US$11 billion in coverage. These deals are estimated to have leveraged an additional US$46 billion in FDI. As a result of the agency's intensified efforts, Africa's share of MIGA's gross guarantees portfolio has risen from 7 percent in 1999 to nearly 17 percent (or US$793 million) by the end of fiscal year 2002. Below are some examples of guarantees issued:

- Agri-business in Uganda: MIGA guarantees offered US$7 million in coverage for Afriproduce Limited's investment in a coffee processing facility in Uganda. The project is introducing cost-effective drying, cleaning, and processing techniques to produce coffee for export.
- Manufacturing in Angola: Coverage totaling US$18.4 million was provided to Barlows Tractor International Limited of the United Kingdom for its shareholder loan and equity investment in Barlows Angola. The investment will enable the establishment of a dealership and a repair and maintenance workshop for power generation and forklift equipment at an industrial site south of Luanda.

Outstanding Guarantees Portfolio in Africa

Percentage gross exposure by sector and country





MIGA's political risk insurance products have enabled the catalyst to allowing many investment projects in developing countries to proceed by helping to mitigate any perceived risk. In addition, such insurance often adds value to the project by enhancing the credit, giving better access to finance and often reducing the cost of the finance.

B. Capacity-building Services

MIGA provides a full suite of investment marketing services and support resources to assist its member countries attract and sustain foreign direct investment -- and ultimately spur economic growth and reduce poverty. At the heart of this effort are its technical assistance services. MIGA's approach to technical assistance and advisory services is designed to help clients move up the "ladder of effectiveness" -- in other words, each step makes investment intermediaries more competitive at attracting and winning investment.

MIGA's Investment Marketing Services Department provides customized "hands-on" assistance to investment intermediaries in client countries committed to developing their investment promotion capabilities. In addition, the agency provides clients with access to an extensive knowledge base of best practice guides, analytical and marketing tools, investor research resources and benchmarking techniques to help them develop and implement a successful investment promotion strategy. The agency's work emphasizes the transfer of best practice in FDI promotion, MIGA provides a broad range of tailored technical assistance to investment intermediaries, including: strategy development, sector targeting, investor facilitation training, promotion missions and marketing materials, investor tracking systems and other specialized information technology applications.

C. Investment Information Resources: IPA*net* and FDI Xchange

MIGA is a pioneer in the use of the Internet as a means of promoting investment in developing countries. Since 1995, MIGA has been providing timely and essential data and analyses to investors and their advisors, helping them to reduce time spent searching for information online. Nearly 50,000 visitors per month access MIGA's database of over 13,000 investment information resources drawn from over 600 organizations.

MIGA has developed and maintains a portal Web site, IPAnet (http://www.ipanet.net) that provides prospective foreign investors with comprehensive country, sector or topic information for emerging markets worldwide. New investment information resources added to IPAnet are also disseminated to investors via the FDI Xchange (http://www.fdixchange.com), an e-mail alert service that delivers updates on new investment opportunities, as well as relevant information and analysis to support investment decision-making. The FDI Xchange provides business intelligence on investment opportunities and market developments in emerging economies in a single package. This personalized update service leverages a growing network of 60 international content partners to keep users abreast of current investment research and FDI trends, as well as privatization and infrastructure deals and projects that the World Bank Group is supporting in emerging markets. The service is available free of charge.

D. MIGA Swiss Partnership for Investments in Sub-Saharan Africa

The MIGA Swiss Partnership is a pilot program, working with just four African countries to test the impact of applying international investment promotion best practice to bring international investments to Africa. The program works with a regionally diverse group of countries on the continent. Drawing on resources provided by MIGA and the Swiss Government, the Partnership draws on international best practice to design and implement targeted investment outreach programs, and to support local investment intermediaries in their implementation.

MIGA Member Countries in Sub-Saharan Africa Angola, Benin, Botswana, Burundi, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Eritrea, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Nigeria, Senegal, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe. **Countries currently fulfilling membership requirements:** Guinea-Bissau, Liberia, Niger, Rwanda.