Project on Supporting Investment Promotion in Africa

Project Completion Report

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Table of Contents

Location of Target Countries

Chapter 1 Outline of the Project 1
1.1 Background of the Project 1
1.2 Objectives and Scope of the Project 1
1.3 Work Flow of the Project and Considerations for Implementing the Project 2
Chapter 2 Outcome of the project 5
2.1 Overview 5
2.2 Expert Dispatch 5
2.3 Data Collection Survey 12
2.4 Cross-Cutting Activity 13
Chapter 3 Analysis of Investment Promotion in Africa 15
3.1 Flow of Data Collection and Analysis 15
3.2 Investment Trends in Targeted Countries 15
3.3 Investment Climates for FDI Promotion in Africa 21
3.4 Current Situation and Evaluation of Investment Promotion Policies 49
3.5 Current Situation of Institutions for Investment Promotion 63
3.6 Issues and Policies Related to Foreign Investment Promotion in Africa and Policy Response 84
Chapter 4 Recommendations on Overseas assistance for investment Promotion in Africa 98
4.1 JICA's Role for Investment Promotion 99
4.2 Recommendation for JICA's Assistance in Investment Promotion in Africa 100
4.3 JICA's Thematic Guidelines for Trade and Investment 107

List of Table

Table 1-1 Standardized items to be collected 3
Table 2-1 Summary of Activities in Kenya 6
Table 2-2 Summary of Activities in Ghana 7
Table 2-3 Summary of Activities in Zambia 9
Table 2-4 Outline of the Third Country Visit 10
Table 2-5 Outline of the Business Mission to Japan 11
Table 2-6 Outline of the Cross-Cutting Activity 13
Table 3-1 Investment Trends in Targeted Countries 15
Table 3-2 Investment Intention Survey Results in India and South Africa 18
Table 3-3 Reasons Not to Invest in the Target Countries 22
Table 3-4 Concerns of Companies Who Have Not Entered Africa 23
Table 3-5 FDI' s Types and Conditions 23
Table 3-6 Types of Foreign Direct Investments and Issues (Resource Export Type) 24
Table 3-7 Types of Foreign Direct Investments and Issues (Vertical Type) 27
Table 3-8 Types of Foreign Direct Investments and Issues (Horizontal Type) 28
Table 3-9 Distance to Frontier Index and Ranking of Doing Business 30
Table 3-10 Project Findings of Significant Issues in Business Environments 33
Table 3-11 Comparison of Labour Wages in African and Asian Cities 34
Table 3-12 Comparison of Power Tariffs in African and Asian Cities 36
Table 3-13 Power Outages in Asian and African Countries 37
Table 3-14 Trade Logistics Costs in African and Asian Countries 38
Table 3-15 Costs for Inland Transportation 38
Table 3-16 Time for International Transportation in Ethiopia, DRC, and Kenya 39
Table 3-17 Average Tariff Rates of African and Asian Countries 45
Table 3-18 Issues in Administrative Processes for Import of Goods 45
Table 3-19 Priority Areas of Investment Promotion in Africa and Asia 50
Table 3-20 Overview of Legal Systems Concerning Investment in Africa and Asia 52
Table 3-21 Fiscal incentives for Investors in Target Countries 56
Table 3-22 Fiscal incentives in Africa and Asia 57
Table 3-23 Non-Fiscal Incentives in Africa and Asia 58
Table 3-24 Outline of IPAs in Africa and Asia 65
Table 3-25 Outline of Authorities Supervising Special Zone Scheme and Industrial Parks in Africa and Asia 68
Table 3-26 Status of Implementation of Investment Promotion Activities (1) 70
Table 3-27 Status of Implementation of IInvestment Promotion Activities (2) 72

Table 3-28 Permission/Approval in IPA, and Status of One Stop Services for Investor Support 76
Table 3-29 Overview of the Results of IPA Capacity Building Activities in Ghana and Zambia 79
Table3-30 Activities under the Projects 81
Table 3-31 Issues on Promotion of Foreign Investment, Direction of Improvement and the Policy Areas for Problem Solution 85
Table 3-32 Issues of IPAs' Capacities and Measures 93
Table 3-33 Donor and International Institutions Support to Investment Promotion 94
Table 4-1 Issues on Promotion of Foreign Investment and Direction of Improvement 98
Table 4-2 Sustainable Development Goals (SDGs) 100
Table 4-3 Issues Concerning IPAs' Capacities and Support 106
Table 4-4 Thematic Guidelines for Trade and Investment 108

List of Figures

Figure 3-1 Changes of DTF Index of Doing Business 2016 to 2018 31
Figure 3-2 The Risks Perceived by Investors in Africa 32
Figure 3-3 Life Cycle of Investment and Investment Environment 32
Figure 3-4 Evaluation of Private Property Rights in Africa and Asia 40
Figure 3-5 Evaluation of Freedom of Economic Activities in Africa and Asia 40
Figure 3-6 Comparison of Ratio of Tax to Profit in Africa and Asia 42
Figure 3-7 Company's Activities and the Role of IPA 69

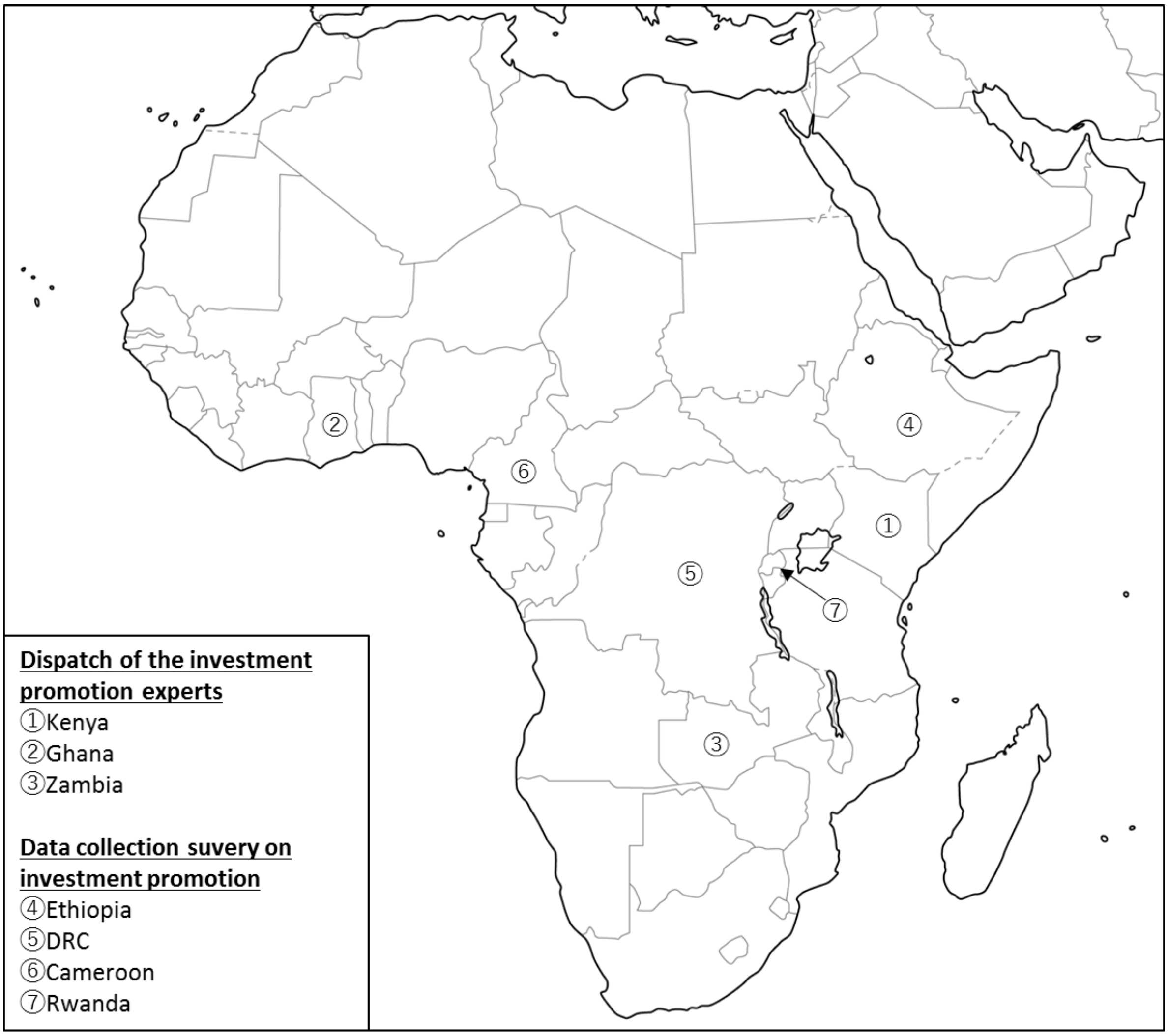
Appendixes

Appendix 1 PR material
Appendix 2 Summary of Data Collection Survey in the Four Countries

List of Abbreviation

Abb.	:	Name
AGOA	:	African Growth Opportunity Act
ANAPI	:	DR Congo Agence Nationale pour la Promotion des Investissement
API	:	Agence de Promotion des Investissements
ASEAN	:	Association of South East Asian Nations
BPO	:	Business Process Outsourcing
C/P	:	Counterpart
CBF	:	Cameroon Business Forum
COMESA	:	Common Market for Eastern and Southern Africa
CPCAI	:	Comité de Pilotage pour l'Amélioration du Climat des Affaires et des Investissements
DTF	:	Distance to Frontier
EAC	:	East African Community
ECCAS	:	Economic Community of Central African States
ECOWAS	:	Economic Community of West African States
EIC	:	Ethiopia Investment Commission
EPZ	:	Export Processing Zone
EPZA	:	Export Processing Zone Authority
EU	:	European Union
FDI	:	Foreign Direct Investment
FEC	:	Fédération des Entreprises du Congo
FTA	:	Free Trade Area
GDP	:	Gross Domestic Products
GICAM	:	Groupement inter patronal du Cameroun
GIPC	:	Ghana Investment Promotion Centre
ICSID	:	International Centre for Investment Disputes
ICT	:	Information, Communication, and Technology
IES	:	International Enterprise Singapore
IFC	:	International Finance Cooperation
IPA	:	Investment Promotion Agency
IPDC	:	Industrial Park Development Corporation
IPP	:	Independent Power Producer
JICA	:	Japan International Cooperation Agency
KAM	:	Kenya Association of Manufacturers
KEPSA	:	Kenya Private Sector Alliance
KenInvest	:	Kenya Investment Authority
L/C	:	Letter of Credit
MFN	:	Most Favored Nation Treatment
MIGA	:	Multilateral Investment Guarantee Agency
MOU	:	Minutes of Understanding
ODA	:	Official Development Assistance
OECD	:	Organisation for Economic Co-operation and Development
OHADA	:	Organisation pour l'Harmonisation en Afrique du Droit des Affaires
OJT	:	On the Job Training
ONZFI	:	Office National des Zones Franches Industrielles
OSS	:	One Stop Service
PFI	:	Policy Framework for Investment
PPD	:	Public Private Dialogue
PPP	:	Public Private Partnership
PSF	:	Private Sector Federation
RDB	:	Rwanda Development Board
RRA	:	Rwanda Revenue Authority
SADC	:	Southern African Development Community

SEZ	:	Special Economic Zone
SEZ-DU	:	Special Economic Zone Delivery Unit
SEZA	:	Special Economic Zone Authority
TICAD V	:	Tokyo International Conference on African Development V
TMEA	:	Trademark East Africa
UNCTAD	:	United Nations Conference on Trade and Development
VAT	:	Value Added Tax
WIPO	:	World Intellectual Property Organisation
WTO	:	World Trade Organization
ZDA	:	Zambia Development Agency



Location of Target Countries

Executives Summary

1. Outline of the Project

The Project on Supporting Investment Promotion in Africa ("The Project") was implemented as a part of the technical cooperation of the Japan International Cooperation Agency (JICA) from July 2017 to January 2018. It has been realised that it is necessary to provide a wide range of assistance for investment promotion from analysis on investment policies and investment climate (including legal frameworks) to expertise on business conducted by foreign companies. Hence, the Project was designed and implemented utilising two modes: i) Dispatch of the investment promotion experts in Kenya, Ghana, and Zambia, and ii) Data collection survey on investment promotion in Ethiopia, Rwanda, DRC, and Cameroon. Through the comprehensive assistance across Africa, the effectiveness of the Project was expected.

In the Project, investment promotion-related information was collected based on the standardised methods, through which the data across 7 countries can be comparable. The policy and institutional framework for investment promotion was analysed using the Policy Framework for Investment (PFI) developed by the Organisation of Economic Cooperation and Development (OECD). For technical capacity building, the experts dispatched to Ghana and Zambia further identified the problems based on the collected information and implement the pilot activities with their counterpart investment promotion agencies (IPAs).

2. Investment Trends in Targeted Countries

Inflow of foreign direct investment (FDI) based on balance of payments drastically grew in Ghana where investment was expanded in the oil and gas sector and has stayed over 3 billion USD since 2011. FDI inflow into Ethiopia has been rising rapidly since 2013. FDI inflow into Rwanda shows an increase while those of the other target countries turned downwards around 2014. Reasons for the downward trends include the recent resource price slump and slowing down of big infrastructure investment. Among investor countries, China has a strong presence in the target countries in terms of both the number and the amount of investment.

3. Characteristics and Motivation of Foreign Direct Investment in Africa

Common type of foreign direct investment (FDI) in Africa are such type of investment exploiting and produces primary commodities but exporting them without much value addition and the type of investment in manufacturing and services aiming at domestic markets and/or regional economic markets. On the other hand, the type of investment aimed to reduce production cost and shift labour-intensive production processes and the type of investment where processes are divided across the world are limited. The type of investment targeting local markets include investment in public works and infrastructure development.

Procedures for all FDI types include several processes and prerequisites. For example, some prerequisites are factors in competitiveness, such as resource endowments, climate conditions, production cost factors (e.g. cheap labour).

FDI in business aiming at resource and primary commodity export and local markets tends to takes prior steps. Such types often start with import or export, gradually build bases through business, such as raw material supply, human resources, and networks, in their investment destinations. They can secure economic efficiency in establishing production and service bases through gaining knowledge of risk control and cost reduction. Also, there are other way of entering the business including equity investment to local companies.

In determining where to invest, potential investors (i) confirm that candidate countries satisfy conditions essential to achieve their objectives for expanding their business abroad and (ii) look into legislations on local markets and business operations and cost estimates at the planning phase. Reinvestment and additional investment may be further done based on (iii) the actual experiences of operation and analysis of the market trend.

Therefore, investment decisions are considered to result from not only satisfying certain conditions, such as endowments of and access to resources and other production factors, costs, local markets, and costs to secure profitability of operation, but also providing their information for those who in need.

In light of the results of a survey on foreign investors' intention of investment in Africa conducted in the Project and interviews with foreign investors in the target countries the following factors can be considered influential in investment decisions.

- Possibility of reduction of costs related to production, logistics and business administration
- The current condition of local politics, social situation, systems, markets and availability of associated information
- Existing accumulations of industries with local human resources and partner companies, as well as related economic activities

4. Evaluation of the Investment Climate in Africa

According to the review of the situations mainly in the Project target countries, the efforts on improvement of investment climate have been made as a result of efforts to improve the business environment in line with the World Bank Group's Doing Business indices. However, it should be noted that the many critical problems are identified in the areas which are not captured by the Doing Business indices. Among the problems, power, logistics and other infrastructure issues can be raised as a root cause of high production and operation costs. The problems are not only caused by the insufficiency of infrastructure development, but by the quality of operation and management. While the labour cost is a critical determinant of the location of labour-intensive industries, some countries' wage levels are in the same level with or less than those of Asian countries. Despite the problems of productivity, the quality of human resources, and cost competitiveness of raw material transport, some areas are engaged in the labour-intensive garment industry, utilising the African Growth and Opportunity Act (AGOA) by the United States. Certain conditions may be able to increase cost competitiveness and realize investment.

Many challenges have been identified in areas that concern foreign investors in particular and the operation of the private sector at large, such as taxes, trade-related procedures, work permit acquisition. Many countries have also adopted single window systems to reduce costs and time for tax and trade-related procedures. On the other, some issues have been raised. They include issues on transparency, such as unclear and undisclosed rules and regulations and their untimely dissemination, and responsible officers' capacity. Some other issues are attributable to human resource shortages in companies.

5. Evaluation of Investment Promotion Policies

(1) Evaluation of Legal Systems and Policies for Investment Promotion

In terms of non-discrimination of foreign investors, some countries place some sectors on the negative list for foreign investors from a perspective of domestic industrial development, oblige foreign investment registration, and set a minimum paid-up capital. In some countries, foreign investors are treated differently from the domestic players with the additional requirements for licensing specific to some industries. It is therefore necessary to formulate policies which balance between non-discrimination of foreign investors and alignment with industrial policy and export promotion.

The political and social situations and governance are frequently cited as risks for investment in Africa by foreign investors. To address such concerns, all target countries participate in the international framework of investor protection, such as the New York Convention for a framework for arbitration of international commercial conflicts, the International Centre for Investment Disputes (ICSID), and the Multilateral Investment Guarantee Agency (MIGA). In addition, some of them reinforce investor protection by bilateral investment treaties (BITs).

Efforts have been made to enhance the business and investment climate, including legal development and increased transparency and predictability of law enforcement. A typical example is the Organisation for the Harmonisation of Business Law in Africa (Organisation pour l'harmonisation en afrique du droit des affaires: OHADA) formed by 16 French-speaking countries of Central and Western Africa. However, their operation results are not necessarily highly appreciated. Continued efforts are therefore required to enforce them, such as the establishment of detailed rules for operation in each country and human development in government authorities to enforce them and judicial circles.

(2) Evaluation of Investment Incentive Schemes

The evaluation of investment incentive schemes focuses on incentives efficacy and its verification and processes for granting incentives. Fiscal and non-fiscal incentives are granted in consistency with policy objectives of investment promotion and specific industrial development. There is a need to examine whether incentive schemes are selected in line of the policy objectives of promoting certain types of investment. Fiscal incentives do not necessarily meet the needs of target industries and benefits of incentives to companies. In addition, target countries have or are developing a special zone system that provides a package of incentives, such as fiscal and non-fiscal incentives and deregulation. The special zone system needs not only institutional development but also the development of business operation environment, such as infrastructure development like industrial parks or special zones. When it is implemented as public projects, it is necessary to consider the implementation structure in view of areas where the government does not have know-how, such as identification of infrastructure demands, ensuring profitability of the projects, marketing, and operation and management of industrial estates.

In processes of granting incentives, complicated institutional structures have been observed which need coordination with various governmental bodies including the revenue authority. There is a need to enhance the significance of policies and users' convenience through clarifying and disclosing rules, and streamlining procedures.

(3) Evaluation of Formulation Process of Investment Promotion Policies

Cross-country comparisons through the World Bank Group's Doing Business have promoted the leadership of the countries to make efforts to enhance the business environment. However, issues lie in the continuity of such efforts, and the expansion of the efforts to areas which are perceived as issued by the private sectors but are not covered by the Doing Business indices.

In some countries, private sector organisations have the capability to identify issues and provide recommendations or request of improvement to the government, and monitor the implementation of measures for improvement.

On the other hand, in countries with the limited capacity of the private sector, the governments need to take the lead. High-level initiative and commitment are essential for making public private dialogue effective and leading it to policy formulation.

6. Evaluation of Function of Investment Promotion Agencies

IPAs are established by states based on their own legal background and institutional settings. IPAs in such countries where the registration/licenses for foreign investors are mandatory manage and administer the process of registration/issuing license and monitoring to check the progress of the projects or performance required (e.g. Ethiopia and Ghana). Most of the target country do not mandate investors for registration unless they apply for the incentives (e.g. Kenya, DRC, Zambia, Cameroon and Rwanda). As Zambia Development Agency (ZDA), IPAs may be a part of the large entity which are in charge of such areas as export promotion and regulating special economic zones.

Major functions of IPA are (i) investment approval (registration, licensing, certificate) based on the investment and investment promotion laws, (ii) PR and promotion (iii) investor services for preparation of investment (e.g. information provisions and introduction of contacts) and smooth operation (aftercare), and (iv) policy advocacy in general. Licensing and approval of granting incentives for certain industries may be under the jurisdiction of specialised agencies other than IPAs based on the specific industrial sector laws. PPP project formulation, procurement and negotiations of contracts may be handled by the ministries of finance apart from some examples of IPAs.

IPA’s functions to responds to the problems of investment promotion are (i) information dissemination, (ii) reduction of time and costs for processing administrative requirements through streamlining the processes, (iii) monitoring, and (iv) policy advocacy.

IPAs undertake promotion activities and information dissemination using various media. Contents of information should be packaged by targeting specific audience. Information regarding investment potentials mainly target on potential investors, whereas detailed information on legal system and local partners are for those in the planning phase. The media and the mechanism of updating in the adequate frequency has need of improvement.

Investors encounters various processes for regulatory and administrative requirements at the time of starting business. One-stop service (OSS) may be pursued by some IPAs. Policy advocacy is reinforced through monitoring activities. Through the monitoring, actual status and progress of the projects as well as the issues to be solved may be more deeply understood in addition to promote re-investment. However, the limitation in budget and human resource constrain strengthening the functions.

7. Issues for Foreign Investment Promotion in Africa and Recommendations for JICA’s Support

Investment promotion in Africa requires in the areas of (i) fulfilling the specific pre-conditions of the certain industrial sector, (ii) reduction of cost related to production and operation, (iii) reduction of costs incurred through processing administrative requirements, and (iv) formulation of investment promotion policies and implementation.

The diversity of African countries should be first recognised upon considering support measures. However, it is widely recognised that it is necessary to satisfy premises of foreign investment and to form favourable business environment for private sector development. JICA's role in the investment promotion in Africa are identified as (i) capacity building for policy formulation and implementation, (ii) improving business environment, (iii) facilitating partnership and cooperation with related organisations.

(1) Promote Vibrant Economic Activities and Trade and Industry Development

Trade promotion is expected to stimulate direct investment through the stregthening economic linkages between potential investors and domestic industries. Support to capacity development of the counterpart government entitites for policy formulation and trade facilitation can be embarked on. Considering the access to raw material, human resources and the markets as the premises of investment, industrial development to ensure the supply of these factors should be also supported. In addition to the development of potential industires, the areas such as formuation of mid- to long-term policy, capacity development of service delivery of governmental organisations and private sector actors should be also supported. Capacity development of IPAs for the service delivery can also embrace the matchmaking and linkage development between foreing investors and local industires.

The degree of integration of regional economic communities (RECs) influences the attractiveness and competitiveness as investment destinations by providing the access to expanded markets, source of raw materials and human resources. Improvement of business enviroment are also expected through the common institutional development across RECs. The demand for support can be identifed in the area of REC-wide institional development for trade facilitation, establishing common industrial base system (e.g., standards and comformity assessment system), and development of logistics network

(2) Support for Reduction of Production and Operation Costs

The demand for support for measures to reduce production and operation costs are found in many forms. Infrastructure development for transport and lostics, power supply and water as wellas the capacity development for better service delivery are the typical areas with the support demand. On the other hand, due to the pressurised fiscal situation in some African countries, caution for provision of financial support should be cautious not to increase the debts. Such countries may seek the possibility of finanicing the projects through PPP approach. However, institutional frameworks and capacity of the goverments for project formulation, procurement, contract negotation and project management still need to be improved. Based on the mid- to long-term vision with the clear understandings on the support demand, legal system development through clafirication rules and regulations, fostering of human resources with specialised knowledge and skills should be supported.

(3) Support for Streamlining Administrative Procedures to Reduce Business Costs

The problem of costs incurred by processing regulatory and adminsitrative requriement can be found in the areas related to the company's act, employment/labour policy, tax, and land management and registration. The nature of the problems are not only the cost and time captured by the World Bank Group's Doign Business, but also more fundamental issues as insititutional and legal system and the capacity of officers and private sectors. Therefore, support may be provided first for formulation of policies and technical advisory to the organisational and human resource development.

Many countries employ the special zone scheme (e.g. special economic zone, export processing zone, free zone) which combines fiscal and non-fiscal incentives and de-regulation. The support for institional and organisational capacity development for implementation of the scheme has high in demand. On the other hand, it is important to review the appropriateness of the special zone scheme as well as the efficacy of the incentive package. In case the development of infrastructure development is a part of the couterpart governments' plan, the C/P should be fully aware of the needs of specialised skills and experiences in infrastrcture development, viability of the project. The vision and understanding of the C/P on the formaltion of pulic and private cooperation, adequacy of the project and the implementation framework should be fully confiremed before desiding the decision of suppport as well as scoping the area and the contents of the support.

(4) Capacity Building for Policy Formulation and Implementation

For the invstment promotion, IPA's major functions play important role, but other set of critical policy issues are improving business environment and national branding area. These issues can be tackled with the strong leadership and cross-sectoral and inter-ministerial approach. Therefore, the support may be considered to target the up-stream policy formulation and legal and institutional development. Capacity building of collecting and managing data such as statistics and registered investoment is also important for IPA and the counterpart government can make insightful analysis for policy formulation.

IPA's functions may be categoriesd into to two types: (i) promotion through PR activities and proactive marketing of potential investors and (ii) facilitation through improved business environment. Based on the investment climate and the institutional setting of each IPA, the areas to be supported and the methods should be decided. Support for IPAs for improvement of promotion functions may be provided through organisational and human resource development for the better service delivery to meet the demand of investors. Although IPAs have capacity for developing informational materials and organising missions and seminars with the budget secured, there are rooms of improvement in the areas including targeted and proactive marketing, method of information dissemination, and systems to work for updating and manage the information. Some organisations are attempting to develop OSS system as a mean of facilitation of investment. However, many countries promote on-line processing of regulatory and administrative requirements. Therefore, the actual design of OSS or facilitation measures may be prioritised and focus on the areas with higher demand from investors while other areas may seek the coordination and integration with services by other entities. The support may be provided in the form of technical advisory to profile and develop the systems.

CHAPTER 1 OUTLINE OF THE PROJECT

1.1 Background of the Project

The Fifth Tokyo International Conference on African Development (TICAD V) was held in June 2013. Active discussions took place on the direction of African development in line with the core themes of TICAD V, namely "Robust and Sustainable Economy," "Inclusive and Resilient Society" and "Peace and Stability". The Yokohama Action Plan, the roadmap for future African development, emphasized the importance of the private sector from the view of promoting economic growth. The plan also points out the importance of promoting investments in various sectors in addition to natural resources and accelerating employment, business linkage between local and foreign companies, and technical transfer. The Government of Japan promised to assist African countries (e.g. dispatch advisors to ten countries).

In this regard, the Japan International Cooperation Agency (JICA) already dispatched experts to several countries. JICA also received requests to send experts from other countries, and it realized that it is necessary to provide a wide range of assistance for investment promotion from analysis on investment policies and investment climate (including legal frameworks) to expertise on business conducted by foreign companies.

Hence, the project was designed with two elements: i) Dispatch of the investment promotion experts in Kenya, Ghana, and Zambia, and ii) Data collection survey on investment promotion in Ethiopia, Rwanda, DRC, and Cameroon with the objectives listed below. This approach will make the project more inclusive and effective.

1.2 Objectives and Scope of the Project

1.2.1 Objectives of the Project

Based on the background, the objectives of the project are as follows:

- To research investment climates, investment potential, and investment structure of the targeted countries and to conduct survey on the investment intention of foreign enterprises.
- To assist investment promotion of government agencies by dispatching Japanese experts to support developing their capacity, and to provide technical advice to improve the investment climate in the countries.

1.2.2 Target countries and Counterparts

The counterparts (C/Ps) for the Project are as follows.

(1) Dispatch of the experts

Kenya	Ministry of Industry, Trade, and Cooperatives (MoITC)
Ghana	Ghana Investment Promotion Centre (GIPC)
Zambia	Zambia Development Agency (ZDA)
Ethiopia	Industrial Park Development Corporation (IPDC)

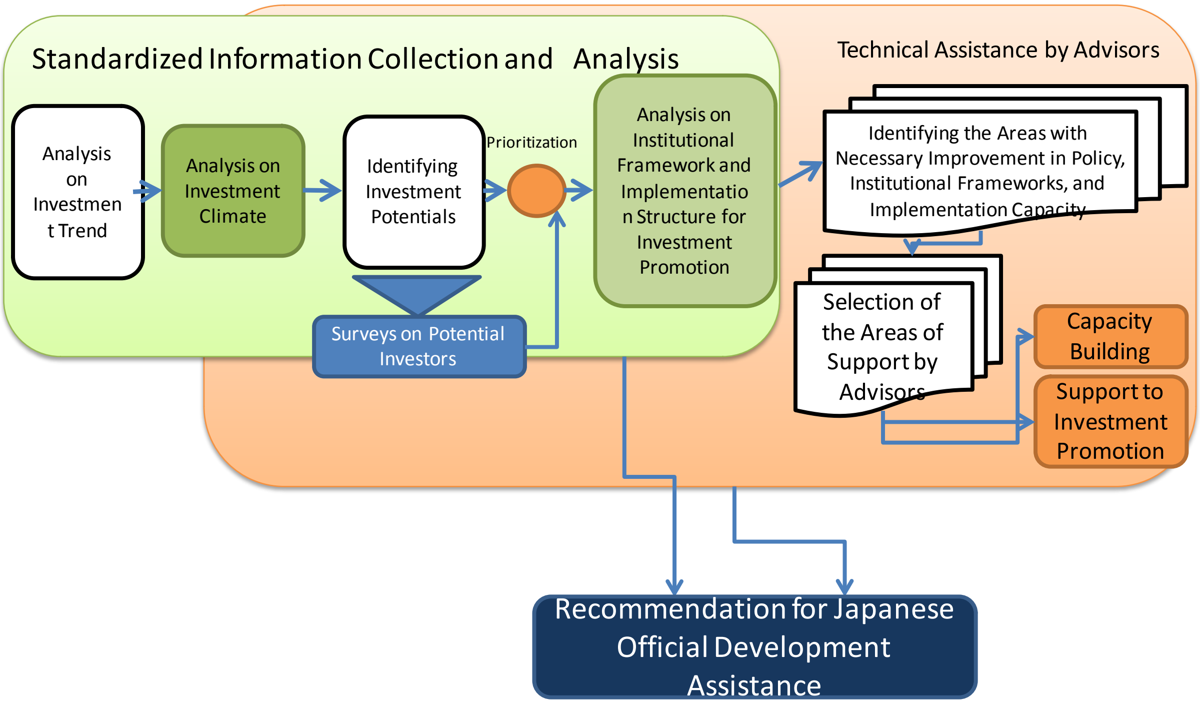
(2) Data collection survey on investment promotion

Cameroon	L’Agence de Promotion des Investissements etc.
Democratic Republic of Congo (DRC)	Agence Nationale pour la Promotion des Investissement (ANAPI), Fond pour la Promotion des Industries (FPI) etc
Ethiopia	Ethiopia Investment Commission (EIC)
Rwanda	Rwanda Development Board (RDB), Ministry of Trade and Industry, Rwanda Revenue Authority etc.

1.3 Work Flow of the Project and Considerations for Implementing the Project

1.3.1 Work Flow of the project

The project collects and analyses fundamental information on investment promotion in the targeted countries. The experts dispatched to the three countries identify the areas with necessary improvement in policy, institutional frameworks, and capacity building and select the areas of support during the project implementation period. Based on the analysis, recommendation for Japanese Official Development Assistance is presented.



Source: JICA Project Team

Figure 1-1 Activity Flow of the Project

1.3.2 Standardized Information Collection and Analysis

This Project, covering seven African countries, extracts issues common to African countries through the activities of each country and proposes a comprehensive and effective approach appropriate for the particularities of investment promotion for supporting investment promotion in Africa. The Project provides comprehensive analysis and recommendations on priority sector development strategies in industry, on trade and investment policy of the country, measures for investment promotion based on the analysis of industries with potential and on activities by the Official Development Assistance (ODA) to support such policies and measures. For this purpose, a standardized method was used in the information collection and analysis process, including activities by experts, to allow comparison among the targeted countries. The items to be collected are as shown in the table below. Also, in order to grasp the current status of policies, system and policy measures for investment promotion developed by the Organisation for Economic Co-operation and Development (OECD), the Policy Framework for Investment (PFI) was used as a reference.

1.3.3 Method to Develop Capacity and Support Investment Promotion

Based on the analysis, the project identified the areas to develop capacity of the counterpart (C/P) organization and/or officers and support investment promotion and implemented the activities within the dispatched experts' capacity in Ghana, Kenya, and Zambia. After the project implementation structure was difficult to be established in Kenya, the capacity building activities were conducted mainly in Ghana and Kenya[1].

The project organizes the functions of investment promotion agencies (IPA), the main institution to make and implement policies for investment promotion, in align with the process of foreign investors' activities (from finding a new market to start of operation), identifies areas to support IPAs, and selects activities implemented in the project with C/P. The experts implemented (i) Capacity building for daily work through on-the-job-training (OJT), (ii) Capacity building for identified issues and support on investment promotion activities (pilot activities), (iii) case study through the third country visit, and (iv) practical experience by conducting business mission to Japan and holding a seminar.

Table 1-1 Standardized items to be collected

Category	Item	Contents	Remarks
Investment Trends	Investment trends and major foreign direct investment (FDI)	Value and number of projects of investment (including FDI) and the recent trend (categorized per sector and origin of investors, ownership etc)	To compare with other countries in number.
Analysis on Investment Potentials	Natural resource endowments, agricultural, forestry, and fisheries productions	Overviews, production volumes and potentials	
	Current situation of private sector and structure of industrial sector	Overviews, available sectors, production volumes and locations of enterprises	
	Cost of labour, power, freight, and land	Unit cost, quality and accessibility	
	Size and growth prospects of domestic and regional markets	Trend of urbanization and population, income and consumption	
	Preferential treatment for exported products and regional economic integration	Bilateral investment treaty, preferential treatment for tax and duty, progress in regional economic integration	
Investment Climate (both hard and soft)	Infrastructure development	Cost and quality National plans for improvement	Identify the progress of main infrastructure development projects
	Investment licenses and administrative procedures	Procedures for obtaining investment license Functions of one stop service Actual situation on licensing process (time and costs)	Use indicators of Doing Business and Investment Across Border Organize flow charts for investors
Investment Policy	Policy measures of investment promotion	Legal framework, protection of investors, fiscal and no-fiscal incentives	Use PFI as a benchmark

[1] See 2.2.1 for the background and activity results in Kenya.

Category	Item	Contents	Remarks
Organization and capacity of Investment Promotion Authority (IPA)	Organization	Relevant authorities and the division of works and mandates among authorities Establishment law	
	Investment Promotion Agency	Organizational structure Internal management system (reporting system) Budget Human resource management policy and system Utilization of information and communication technology	
Ideas for technical cooperation	International cooperation by development partners	Planned and on-going projects for private sector development and investment promotion	

Source: JICA Project Team

CHAPTER 2 OUTCOME OF THE PROJECT

2.1 Overview

Following the signing of the Project on Supporting Investment Promotion in Africa (hitherto referred to as the Project) on July 9th, 2015, experts were dispatched to 1) Ghana and Zambia in late July of 2015 and 2) Kenya in August 2015, to start operations alongside counterpart (C/P) agencies. All the activities are completed when the work completion report for Kenya, Ghana, and Zambia was submitted after the completion of the business mission to Japan.

The initial plan for the data collection survey on investment promotion had been to investigate countries in the order of Ethiopia, Rwanda, Cameroon, and Democratic Republic of Congo (DRC). However, due to local security situations, the order has been modified to the following: Ethiopia, DRC, Cameroon, and Rwanda. All the surveys and reports were submitted to JICA.

2.2 Expert Dispatch

The outcomes from implementing the Project in three of the targeted countries, to which investment promotion experts were dispatched, are as follows:

2.2.1 Kenya

In Kenya, the experts were supposed to support the activities of the Ministry of Industrialization (reorganized as the Ministry of Industry, Trade and Cooperatives) and the Special Economic Zone Authority through three activities ("Promoting the development of a legal system," "Development of a framework" and "Business promotion for the Mombasa Special Economic Zone"), in order to promote the implementation of the Master Plan for Development of Dongo Kundu, Mombasa Special Economic Zone. However, since the Chinese companies submitted their own proposal on the development of the Mombasa Special Economic Zone to the Kenyan government, it was decided that the experts should support the Ministry of Foreign Affairs (Embassy of Japan in Kenya) and JICA by providing information needed when considering countermeasures.

A specific example is TICAD VI, held in Nairobi in August 2016, where an agreement was reached between the Japanese and Kenyan governments concerning the development of the Mombasa Special Economic Zone and the improvement of infrastructure around the Zone. However, since it was necessary to support Kenya in preparing the framework for accepting cooperation from the Japanese government, including the financial cooperation following the agreement, the Japanese government dispatched experts for a part of these preparations. After that, the "Design Mission for Mombasa Special Economic Zone Development Project " was commenced in December 2016, and detailed investigation for the preparation of the framework for accepting cooperation in Kenya and for specific support was taken over by said design mission. As a result, the work being done by the experts was terminated at the end of their sixth trip to Kenya.

Details of the work done by the Advisor for Industrial Development in Kenya are summarized in the table below.

Table 2-1 Summary of Activities in Kenya

Item	Summary of Activities
Activity 1. Support for development of a legal system	
1) Understand the status of the SEZ Act and provide advice on modifications to the Law 2) Understand the status of revisions to tax laws concerning fiscal incentives 3) Understand the status of and provide advice on the formulation of SEZ regulations 4) Review the harmonization of and provide advice on the legal system for SEZ in the East African Community 5) Provide advice on the feedback for the SEZ Act and the regulations for their enforcement in Kenya	The Special Economic Zone Act (SEZ Act) was enacted in December 2015. As for the SEZ regulations, IFC has supported the Ministry of Industry, Trade and Cooperatives with preparation of the draft, and the experts reviewed the draft and submitted comments. The first batch of regulations was enacted in August 2016. In the Finance Act of 2015, provisions for corporate tax cuts were indicated. On the other hand, Article 35(1) of the SEZ Act under the jurisdiction of the Ministry of Industry, Trade and Cooperatives provides for full exemption of corporate taxes. Although the Finance Act will take precedence of the SEZ Act in terms of provisions on the tax law, the Ministry of Industry, Trade and Cooperatives said it would encourage the Ministry of Finance to provide exemptions for corporate taxes going forward. While a part of the SEZ regulations are enforced, it is not clear that the regulation includes all the necessary process to operate SEZs. While the discussion to harmonize the East African Community (EAC) has been continuing since 2014, an agreement has not been reached yet. The experts have confirmed the direction of the discussion with their counterparts and gave advice as appropriate. In establishing a legal system for the SEZ, advice was provided through public hearings and individual interviews with the counterpart government, by introducing good practices and other information. Information on the Kenya Investment Authority was also collected in order to understand Kenya's investment promotion structure.
Activity 2. Support for development of framework	
1) Provide advice on establishing SEZA and support to strengthen its capacity 2) Provide advice on establishing a One Stop Centre and support to strengthen its capacity	Regarding the establishment of the Special Economic Zone Authority (SEZA), it was difficult to provide sufficient support for 1) and 2) due to the following developments during the final phase of the term. The Ministry of Industry, Trade and Cooperatives has presented the view that its selection of the Board members from October 2016 led to the establishment of SEZA. Actual operations, securing of budget and employment of staff etc., have not begun. In addition, enactment of the abovementioned SEZ regulations is awaited since the approval of SEZ is also based on the said regulations. On the other hand, small teams were formed within the Ministry of Industry, Trade and Cooperatives before the establishment of SEZA, and the preparations necessary for the establishment of SEZA, including budgeting and establishment of administrative organizations, have been proceeding ahead of schedule by the newly-established SEZ Delivery Unit (SEZ-DU). In connection with this, the experts have also collected information from SEZ-DU as appropriate. As SEZA is also in charge of attracting companies to SEZ, it looks to take advantage of the Kenya Investment Authority in order to effectively attract companies for the period of time from their official establishment until full-scale operation. For this purpose, as mentioned in Activity 2 above, information on the overview of the Kenya Investment Authority was gathered.
Activity 3. Support for business promotion in the Mombasa Special Economic Zone	
1) Confirm the situation for building a consensus between the Ministry of Industry, Trade and	With regard to the development of the Mombasa SEZ, port development within the SEZ through the ODA loan had been proposed in the preliminary survey (Project on Master Plan for Development of Dongo Kundu, Mombasa Special Economic Zone). However, since efforts towards the conclusion of the Minutes of Understanding (MOU),

Item	Summary of Activities
Cooperatives and Kenya Ports Authority 2) Provide advice on the procedures for public and private partnerships 3) Support for attracting investment from foreign companies (especially Japanese)	based on a proposal from a Chinese company, became active, support was provided upon request by the Japanese Embassy or JICA, such as providing information when appropriate. As a result, the MOU ultimately concluded on the development of the Mombasa SEZ between the Japanese and the Kenyan governments at TICAD VI. Since the Office of the President decided to take responsibility for coordination on the Kenyan side for complete development of the Mombasa SEZ following the conclusion of the MOU, advice on explanations to each ministry and the approach to public-private partnerships was given to the officials of the Office of the President. Information concerning the projects to attract domestic companies that could be potential developers as well as domestic and foreign companies that could be potential tenant companies were provided sequentially.

2.2.2 Ghana

Ghana has no record of surveys or projects implemented in the area of investment promotion by JICA. For this reason, after collecting and analyzing the relevant information, the fields with a particular need for technical assistance were identified among the areas of investment promotion and attraction of foreign investment first, and technical assistance was provided. As a result of information collection and analysis, preparation of PR material regarding the investment climate and related structures in Ghana, as well as analysis and organization of Ghana's strengths and weaknesses in comparison with its neighboring countries, were selected and performed as pilot activities.

Details of the work done by I Policy Advisor for Investment Promotion for Ghana are summarized in the table below.

Table 2-2 Summary of Activities in Ghana

Item	Summary of Activities
Activity 1. Information collection and analysis by standardized work (1)	
1) Understand investment trends 2) Analysis of investment potentials 3) Analysis of investment environment 4) Understand the overview of investment policies and investment-related structures 5) Extract issues and consider improvement goals	Overview including investment trends and flow of procedures for foreign investments was summarized. In addition, a data collection team was formed within the counterpart, Ghana Investment Promotion Centre (GIPC), and information related to investment policies and investment-related structures was collected exhaustively according to the list of "Items for information collection and analysis for investment promotion" to obtain the overview.
Activity 1. Information collection and analysis by standardized work (2)	
1) Understand the structure, roles and personnel capabilities of the counterparts and relevant organizations for investment promotion 2) Extract the issues and consider improvement goals	Overview of GIPC and investment-related organizations, including organizational structure and roles, were understood. In addition, interviews were conducted on relevant organizations and companies already engaged in the process, and the issues and obstacles to investment promotion in Ghana were identified.

Item	Summary of Activities
Activity 2. Support for improving investment promotion capabilities	
1) Set improvement goals for investment promotion 2) Select and determine the fields requiring assistance in the area of improvement of capabilities 3) Provide support for improving capabilities	The current status of GIPC was understood, issues were identified and what support can be provided as pilot activities were discussed with C/P. As a result, it was decided to perform the following two pilot activities, which are also relevant to Activity 3. ・ Preparation of an investment guidebook (in English and Japanese) ・ Conducting surveys on the investment climate of and the Japanese companies in the Economic Community of West African States (ECOWAS) (Information collection and organization) Lectures on information required from the investors' perspectives were provided to the counterparts for the purpose of preparing the investment guidebook. The investment guidebook was completed in May 2017, and was utilized and distributed at the Ghana and Zambia Investment Seminar held during the business mission to Japan in May and June 2017, as well as in company visits. In addition, when conducting surveys on the investment climate of and the Japanese companies in neighboring countries, a visit to Côte d'Ivoire was made from August to September of 2016. During the surveys, guidance and support were provided on how to collect information by visiting the relevant agencies and companies (utilization of survey sheets, etc.)
Activity 3. Support for attracting foreign investment	
1) Confirm, prioritize and finalize the details of the support for promoting foreign investment 2) Implement support for promoting foreign investment	Inquiries for the import of Ghana products to Japan are appearing. Although whether such inquiries will lead to foreign direct investment is unknown, there is a possibility that exports of Ghana products will increase. Therefore, advice and support was provided to GIPC for specific inquiries. In addition, seminars and meetings were held to improve the ability of personnel. In these seminars and meetings, the basic approach to attracting foreign investors and preparation of explanatory materials for the investment environment in Ghana were lectured on and discussed. They were held with the aim to enable the personnel to see and analyze the investment climate from the investors' perspectives and to consider improvement of certain themes.
Activity 4. Preparation of recommendations for ODA assistance	
1) Understand the trends of assistance by development partners 2) Prepare recommendations	GIPC and International Enterprise Singapore (IES) considered the One Stop Service (OSS) for various investment-related procedures. In considering these procedures, provision of services to investors was attempted by gathering the officials from the relevant ministries at GIPC. However, the officials from the ministries do not have the authority to approve the procedures, and the MOU with IES has expired without making full use of the functions of OSS.

2.2.3 Zambia

In Zambia, information has been relatively organized, since the projects for investment promotion and the related areas[2] implemented by JICA in the past and PFI were also implemented by OECD. Consequently,

[2] "Zambia Investment Promotion Project through South -South Cooperation", "Zambia Investment Promotion Project - Triangle of Hope- (ZIPP-TOH)" and "Study on Master Plan of Lusaka South Multi-Facility Economic Zone (LS-MFEZ)".

the experts mainly implemented support projects for attracting foreign investment and strengthened capabilities through on-the-job training (OJT) in the process of conducting substantial work. In giving support for attracting investment, specific sectors were selected and focus was given to improving information collection and negotiation abilities.

Details of the work performed by Technical Advisor for Investment Promotion for Zambia are summarized in the table below.

Table 2-3 Summary of Activities in Zambia

Item	Summary of activities
Activity 1. Confirmation of both status-quo and information available on investment and narrowing targets towards attraction in foreign direct investment (FDI).	
1) Understand investment trend properly 2) Analysis of investment potential and identification of investment promotion targets 3) Analysis of investment climate 4) Understand properly the overview on both investment policy and investment related systems 5) Organize information available for arranging a report and public information	Investment trends and summary of sector-specific approval process necessary for foreign companies to enter Zambia was compiled, and a list of Japanese companies already entering Zambia was prepared. In addition, the counterpart organized and assessed an overview of the structure and functions of the Zambia Development Agency (ZDA).
Activity 2. Technical support for FDI promotion	
1) Support for identifying, building and following up possible FDI projects	Technology transfers were conducted at each step of exploration, formation and follow-up of projects, as well as exploration of additional investment projects. In particular, since ZDA's previous method to attract investment was centered on a "waiting attitude," advice was provided to the C/P through OJT on a method to expand investment or promote reinvestment, mainly from Japanese companies already entering in Zambia through company visits and follow-up on the current situation, and the method to attract investment by "actively reaching out to" the Japanese companies in South Africa through individual company visits.
Activity 3. Capacity development of investment promotion organization (IPA)	
1) Capacity building through business practice such as dispatch of mission and holding of a seminar	As a result of understanding the current status of ZDA, identifying the issues and discussing what support can be provided as pilot activities with theC/P, it was decided that the following four pilot activities would be performed. · Renewal of website · Exploration of potential investing companies · Trial market survey · Establishment of work flow utilizing the Q Bee system A business trip to South Africa for "exploration of potential investing companies" was carried out in February 2016 and a business trip to the former Katanga Province of DRC for "trial market survey" was carried out in June 2016. In addition, "renewal of website" was completed in May 2017. As for "establishment of work flow utilizing the Q Bee system," a workshop was held in December 2016. Based on the major recommendations presented there, the Q Bee system was improved and completed in July 2017.

2.2.4 Third Country Visit

With regard to the technical cooperation provided to Ghana and Zambia, the third country visit was conducted jointly in Malaysia in October 2016[3]. Details of the visit and lesson learnt by the counterparts were as follows:

Table 2-4 Outline of the Third Country Visit

Purpose	To learn about investment promotion agencies in another country and their efforts for investment promotion and to utilize the obtained knowledge for investment promotion in Ghana and Zambia.
Number of participants	Ghana: Three persons + Expert Zambia: Four persons + Expert (Project Coordinator was dispatched from Japan to accompany them for the whole visit.)
Period	October 14 to 23, 2016 (Including travel days. Period of stay in Malaysia: October 17 to 21)
Places visited	Malaysian Investment Development Authority Malaysia Chamber of Commerce and Industries Eastern Corridor Area Development Committee Investment Promotion Division of the Pahang State Industrial parks, plantation companies Malaysia office of JETRO
Program overview	<u>Planning and preparation:</u> Participant-based preliminary surveys, questionnaires and interview questions were made based on information on the websites, etc. <u>Implementation:</u> Inspection tours and exchange of opinions were conducted on operating and management structures (organization, functions, work flow, public relations, etc.) of the visited institutions and on methods to attract investment. <u>Organizing, analyzing and sharing:</u> The challenges were identified through analysis by comparing the visited institutions and the institutions in Ghana and Zambia, which were summarized in a report. Debriefings were held at the institutions to which the participants belonged, and the results of the visit were widely disseminated to and shared with the concerned parties.
Lesson learnt from the visit	<u>Ghana:</u> The difference in investment climates between Malaysia and Ghana (especially the OSS activities, restrictions on the employment of foreigners, and provision for minimum investment) were learned, and it was found that the conditions in Ghana are disadvantageous to investors compared to those in Malaysia. Although GIPC wants to promote OSS among them, it takes time to coordinate the work, requiring coordination with the relevant ministries and agencies. Therefore, it is better to first undertake the facilitation of corporate registration etc., which is engaged by GIPC only. <u>Zambia:</u> The ZDA needs to identify in which sectors Zambia has investment competitiveness compared to the neighboring countries and to strategically advance activities to attract investment mainly in those sectors. For that purpose, cooperation from the relevant government agencies is important and knowledge of private consulting companies etc. may be utilized. In addition, considering that the personnel in charge of attracting investment need to have wide variety of knowledge, personnel training is required. There is also room for considering the content of incentives and the OSS function.

[3] In Kenya, as the content of the project was changed in the last minute, and in consideration of the special nature of the project, it was decided not to conduct a third country visit.

2.2.5 Business Mission to Japan

With regard to the technical cooperation provided to Ghana and Zambia, the business mission to Japan was conducted from May to June in 2017[4]. Details of the mission and lesson learnt by the counterparts were as follows:

Table 2-5 Outline of the Business Mission to Japan

Purpose	Implement practical investment promotion activities in Japan, through a presentation at the investment seminar and an explanation on the formation of investment projects to Japanese companies etc.
Number of participants	Ghana: Four persons + Expert Zambia: Four persons + Expert (One supporting personnel was dispatched to each country from preparation through conclusion of the mission.)
Period	May 27 to June 4, 2017 (Including travel days. Period of stay in Japan: From May 28 to June 3, 2017)[5]
Places visited	JICA JETRO Embassy of Ghana and Zambia in Japan Japanese companies (trading companies, manufacturers, financial companies etc.)
Program overview	Planning and preparation: Mainly the participants of each country selected Japanese companies with a high possibility of investing or reinvesting in the countries, conducted preliminary survey for the companies to be visited based on information on their websites etc., and prepared presentation material to be used in the investment seminar. Implementation: 1) Investment opportunities in Ghana and Zambia were shown at the investment seminars so that more Japanese companies would consider investing in Ghana and Zambia. 2) Requests from the visited companies were collected and a network was constructed so that it would be possible to get in touch with them in future. Organizing, analyzing and sharing: The results of the investment seminar and the minutes of meetings with the visited institutions were compiled and summarized in the implementation report. In addition, efforts were made to enable each country to continue following-up for attracting investments, by expressing gratitude to the institutions visited and organizing the contact information of seminar participants.
Lesson learnt from the mission	Ghana: In the investment seminar, direct questions and answers, as well as business cards were exchanged between many participants and presenters even after the closing of the seminar, whereby a network for future investment promotion activities was built. Zambia: There were benefits that could not be obtained by ZDA previously in the form of "returning immediately after a seminar," which were like missions that had been implemented by the presenters. Specifically, visiting companies individually enabled participants to learn deeply about intentions of companies, and by understanding the intentions of companies, participants were able to figure out the specific support required by ZDA.

[4] In Kenya, as the content of the project was changed at the last minute, and in consideration of the special nature of the project, it was decided not to conduct a study tour.

[5] Only the director of ZDA came to Japan on May 29 due to attendance to other meetings.

2.3 Data Collection Survey

The Project Team implemented the data collection survey in the targeted four countries as below.

2.3.1 Ethiopia

Surveys were conducted for two to three weeks in July and October 2015, respectively, and a report on the survey results was submitted in December 2015. In these surveys, the current situation on foreign investment trends, economic and investment policies and foreign investment potentials in Ethiopia was confirmed. In particular, information collection and analysis on institutional and operational aspects was conducted on important areas concerning the investment environment. The survey highlighted issues by reviewing the details of procedures actually experienced by investors and comparing their cases with those from other countries etc. In addition, based on the efforts of the Ethiopian government and donors in each area, a direction towards improvement was summarized.

2.3.2 DRC

Surveys were conducted for two to three weeks in December 2015 and February 2016, respectively, and a report on the survey results was submitted in April 2016. In these surveys, an overview of the investment promotion policy and the current situation of investment promotion agencies were understood with consideration for the developmental stages of the social economy, institution building and the investment potentials, and also mainly the potential issues in promoting investment into DRC in the future were organized and analyzed.

2.3.3 Cameroon

Surveys were conducted for two to three weeks in May and September 2016, respectively, and a report on the survey results was submitted in January 2017. In these surveys, the current foreign investment trends, economic and investment policies and foreign investment potentials in Cameroon were confirmed. During the process, information collection and analysis was conducted while being conscious of future potential forms of investment by Japanese-affiliated companies. In addition, the overview of the policy for investment promotion and the current situation of investment promotion agencies were understood, and also the potential issues in promoting investment into Cameroon in the future were organized and analyzed.

2.3.4 Rwanda

Surveys were conducted for two to three weeks in November 2016 and February 2017, respectively, and a report on the survey results was submitted in May 2017. In these surveys, the current situation on policies for economic development and investment promotion, as well as efforts to improve the business environment were understood, and also the current foreign investment trends and foreign investment potentials were confirmed. Considering that Rwanda has some restrictions, such as being small in economic scale and an inland country in spite of the high international reputation received for its business environment, the investment potentials were judged and the issues concerning the measures for strengthening the functions of investment promotion agencies to link them to investment promotion were organized and analyzed.

2.4 Cross-Cutting Activity

Cross-cutting activity was performed as follows:

2.4.1 Surveys on investment demand from foreign companies

For the purpose of extracting the necessary requirements for investment promotion in the area of investment potentials and identifying actual investors to the maximum extent, surveys on the investment demand from foreign companies have been conducted in South Africa since December 2015 and in India since September 2015. The overview and outcome of the surveys are as follows:

Table 2-6 Outline of the Cross-Cutting Activity

Activity	Summary
South Africa	
Scheduled number of companies to be surveyed 10 to 20 companies Survey period From October 2015 to November 2015 and first half of 2016 Major survey items Investment demand by industry; identification of obstructive factors etc.; and matters to be considered for improving services provided by IPA and enhancing the investment climate for the future.	Surveys were conducted twice with a total of 14 companies, in 2015 and 2016.
India	
Scheduled number of companies to be surveyed 10 to 20 companies Survey period From September 2015 to June 2016 Major survey items Investment demand by industry; identification of obstructive factors etc.; and matters to be considered for improving services provided by IPA and enhancing the investment climate for the future.	Over 100 companies engaged in various industries including agriculture, manufacturing, services, and infrastructure were contacted. Among them, interview surveys were conducted with 20 companies that had an interest in investing in Africa.
Japan	
Scheduled number of companies to be surveyed 30 to 40 companies Survey period Ongoing Major survey items Investment demand by industry; identification of obstructive factors etc.; and matters to be considered for improving services provided by IPA and enhancing the investment climate for the future.	Hearings and follow-ups were conducted on companies from time to time as part of the work done by experts. In the survey work, companies in the survey target countries, major trading companies as well as companies in logistics, manufacturing and information communication, technology (ICT) industries were interviewed. Interviews to the survey target countries were conducted mainly for the purpose of assessing the investment climate and narrowing down the necessary requirements for investment. Interviews were conducted on several Japanese companies over the course of the project as a part of the work done by experts.

2.4.2 Preparation of PR material to promote investment to Africa

As a tool to promote investment to Africa by Japanese-affiliated firms, PR material in PowerPoint was prepared. The material consists of four sections: investment trends in Africa, attractiveness and issues in investing in Africa, outline of the investment scheme and case studies in the targeted countries and JICA's scheme to support Japanese companies. The first, second, third and fourth editions of the material were submitted in September 2015, December 2015, June 2016 and February 2017, respectively. After that, the fifth edition was prepared as presentation material to be distributed at the Ghana and Zambia Investment Seminar in June 2017. The final edition was prepared for and included in the Appendix of this report.

CHAPTER 3 ANALYSIS OF INVESTMENT PROMOTION IN AFRICA

3.1 Flow of Data Collection and Analysis

The Project Team collected the data shown in Table 1-1 with the goal of creating a list of items related to investment promotion and extracting issues for future support, based on data collection and the results of technical assistance in targeted countries. This chapter identifies fields with obstacles against foreign investment promotion based on the analysis of collected data, clarifies the current investment policies and IPAs to analyze efforts by each government on current issues, and articulates important political issues towards investment promotion.

3.2 Investment Trends in Targeted Countries

3.2.1 Flow of Foreign Investments

The table below shows the investment trends and main investor countries seen in targeted countries. The flow of foreign direct investment (FDI) which had fallen during the global financial crisis triggered by the 2008 subprime mortgage crisis has shown a gradual increase in recent years. While the presence of resources and geographical proximity contribute to the trend in major investors and investments by sector, in general, a high presence of China can be noted in many countries.

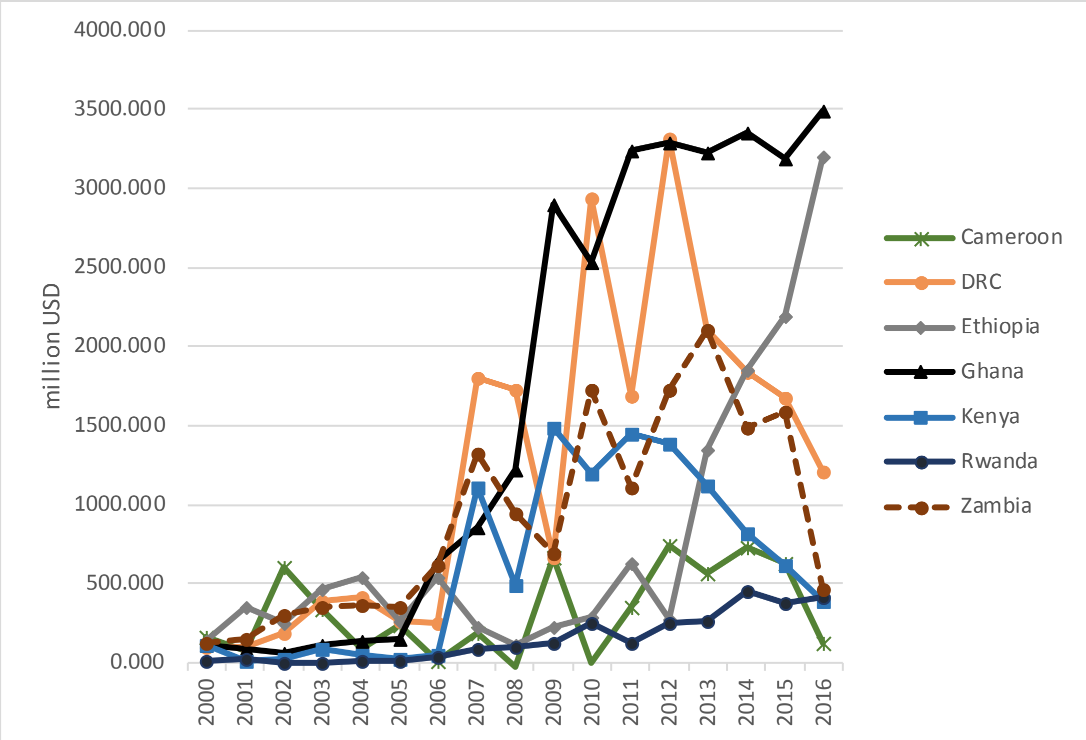
Table 3-1 Investment Trends in Targeted Countries

Country	FDI Trend	Trends by Sector	Investor Countries
Ethiopia	Inflow of FDI based on balance of payments reached 1.2 billion USD in 2014, surpassing 1 billion USD for the first time. After falling to 1.1 billion USD in 2008, it has been rising rapidly since 2013.	Manufacturing maintains the largest share in FDI on an approval basis, with 82% of total investment in 2011. The share of real estate, lease, and consulting increased in 2014, and jumped from single digits to 25% of total investments. The share of agriculture was relatively large until 2008 (28% of total investment in 2008) but dropped to 5% in 2015.	Of investment projects on an approval basis, the top investor (value basis) for 2013 and 2014 was China. Other countries increasing investments in recent years are Turkey, India, and the UK.
Kenya	FDI inflow is sluggish compared to other countries and marked 0.99 billion USD in 2014. Inflow in 2011 to 2012 was only 0.2-0.3 billion USD. In 2015, it was 14 billion with 52% increase. However, the flow has been declining after the peak.	Finance and manufacturing accounted for 20-31% of total FDI, both on a stock basis and flow basis. Meanwhile, data of investment projects (approval basis) from Kenya Investment Authority (KenInvest) show that in 2014, investments in construction and real estate were 65% of the total investment on a value basis.	Of investment projects on an approval basis, the top investor (value basis) for 2012 and 2013 was the UK. However, it lost its place to China in 2014. According to the data of licensed project, one or two projects by Japanese investors have been approved between the period of 2010 to 2014. The share of Japanese invested value is 3% in the total approved amount in 2015. In balance of payment base, the share was 2.3%.
Ghana	FDI inflow has stayed over 3 billion USD in the past few years. The amount was 3.36 billion USD in 2014. The continuous flow with the same level has been observed in the recent years.	There was a significant expansion of investment in the service sector in 2012-2014, excluding the oil and gas sector. In 2013 and 2014, it surpassed 40% of total investments (approval basis). However, this includes services such as engineering for oil and gas drilling projects, driving up the total amount. Sectors dominating over 35% of total investments were real estate and construction in 2012-2013, and manufacturing in 2014.	On a value basis, China stands out, accounting for 47.6% of total investments in 2014. Following China are the Netherlands and Canada. According to the data of the Financial Times, in the period between 2003 to July 2015, there has been 6 FDI projects originally from Tokyo. One strategic investment project (over 500 million USD) was implemented with a participation of Japanese company.

Country	FDI Trend	Trends by Sector	Investor Countries
Zambia	FDI inflow for 2014 was 2.48 billion USD. The 2005-2007 average was 0.74 billion USD, however, it has fluctuated between 1-2.5 billion USD in the past few years. In 2016, the inflow largely decreased.	Of FDI on an approval basis (cumulative amount, 2011-2015), the sectors with the top shares are mining (20%), manufacturing (17%), energy (17%), and construction (15%). Although less prominent, interviews revealed increasing investments in the agriculture sector.	While China takes up 30% of the number of projects, on a value basis, the UK (15%) and Australia (14%) are in the lead. According to the data of the Financial Times, in the period between 2003 to July 2015, there has been 4 FDI projects originally from Tokyo.
DRC	FDI inflow has been showing the expansional trend despite the fluctuation. In 2013, the FDI inflow exceeded 30 billion in 2013. However, in 2016, the value was reduced to 12 billion USD.	On an approval basis, over 50% of FDI is in the mining sector in recent years. The service sector accounted for over 30% of investments in 2011 and 2014.	No data obtained.
Cameroon	FDI inflow amount for 2015 was USD620 million. It maintains the range between USD500 and 800 million since 2009. However, in 2016, the inflow largely decreased.	FDI track record from 2003 to July 2015 shows large numbers of projects for manufacturing and retail. Cumulative amounts are high for the oil/ natural gas/coal sector and metals, accounting for 36% and 29% respectively. In terms of data of investment approved for the incentives, it may be difficult to grasp the trend as the data only exists after the commencement of implementation of new law for providing incentive for private investment in 2013. Data until 2016 shows that investment in the food products sector is high.	From 2003 to July 2015, France has been the biggest origin of investment both in terms of number of projects and cumulative amount. In addition, Australia and the USA show thee large track record because of investment in the mining and mineral resource sector.

Source: FDI flow data from UNCTAD World Investment Report 2015, Financial Times data, FDI (approval basis) data from IPAs, the Central Bank of Kenya et al. Foreign Investment Survey 2015 (for Kenya).

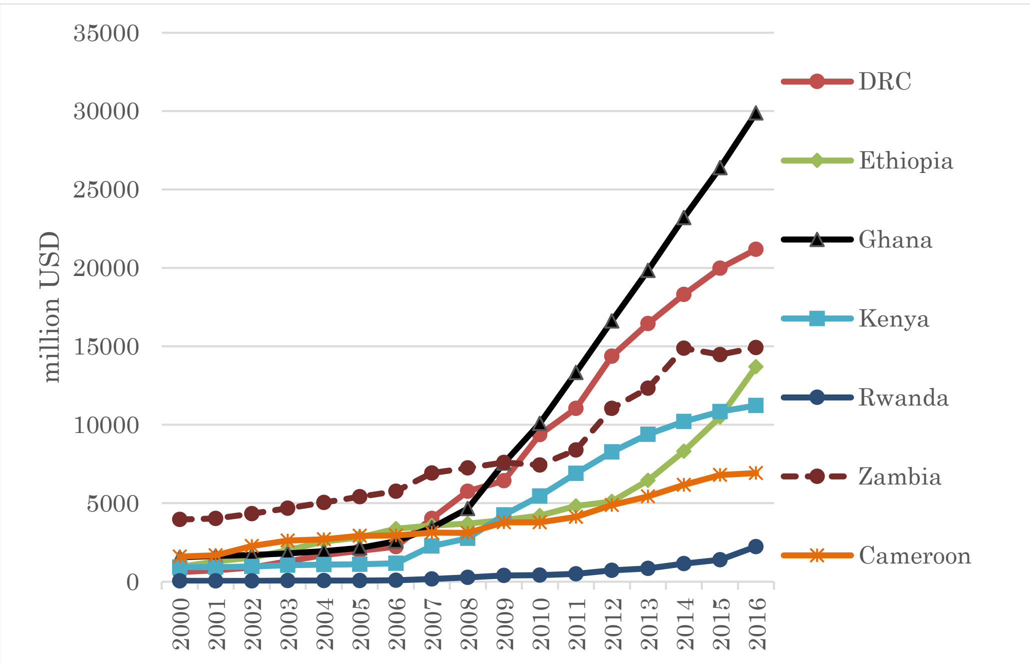
The figure below shows the amount of inwards FDI on a flow basis. The value of Ghana started to grow drastically around 2005 and maintain the value around 3 billion USD per year after 2011. Ethiopia also shows growth after 2012. Others has experienced decrease in 2016.



Source: UNCTAD Statistics

Figure 3-1 Inward FDI flow

The figure below shows the amount of inwards FDI on a stock basis. Ghana and DRC exhibited a large increase from the time around 2010. Ethiopia also experienced accelerated growth from 2012. On the other hand, the growth of Kenya, Zambia, and Cameroon has been sluggish in recent years.



Source: UNCTAD Statistics

Figure 3-2 Inward FDI stock

With the rapid rise in resource prices, those countries with mineral resources are seeing major fixed capital investment, and rapid stock increases. Ethiopia should be also noted as also having relatively large increased its stock in recent years.

3.2.2 Investment demand

The results of the investment intention surveys in India and South Africa conducted during the reporting period were as summarized in the table below.

Table 3-2 Investment Intention Survey Results in India and South Africa

Country	Investment demand	Key issues in investment motivation and investment destination decisions
India	India is interested in the business in African in fields such as agriculture, mining, infrastructure development, and medical care. Some companies showed interest in the market in the manufacturing industry as well. For the manufacturing industry, many interviewees asked the questions concerning the market conditions in each area. Although they are interested in general, they need to obtain more detailed information on business opportunities and consider specific destinations.	Selecting investment destination needs to be supported by providing information on the markets of each country. In addition, many companies pointed out the necessity of stability in the local political condition and economy and for government supports to ensure investment success.
South Africa	Companies surveyed were those with track records of business in Africa including the countries surveyed. They saw continued and expanded business in those countries positively. Kenya, Tanzania, Rwanda, Ghana, and Nigeria were raised as investment destinations or countries under consideration for expansion, although there were some variations depending on the type of products/services of each company, existing sites, and so on. The political stability and positive economic growth in Rwanda and Ghana were seen positively. For Cameroon, there were no interviewees with sufficient knowledge on the country to consider the investment.	The important factors of selecting investment destinations were the factors such as markets and their potential for growth, the regulatory environment, the stability and predictability in legal system, political stability, and the existence of partner companies.

Source: JICA Project Team

3.2.3 Motivation and Flow of Investment

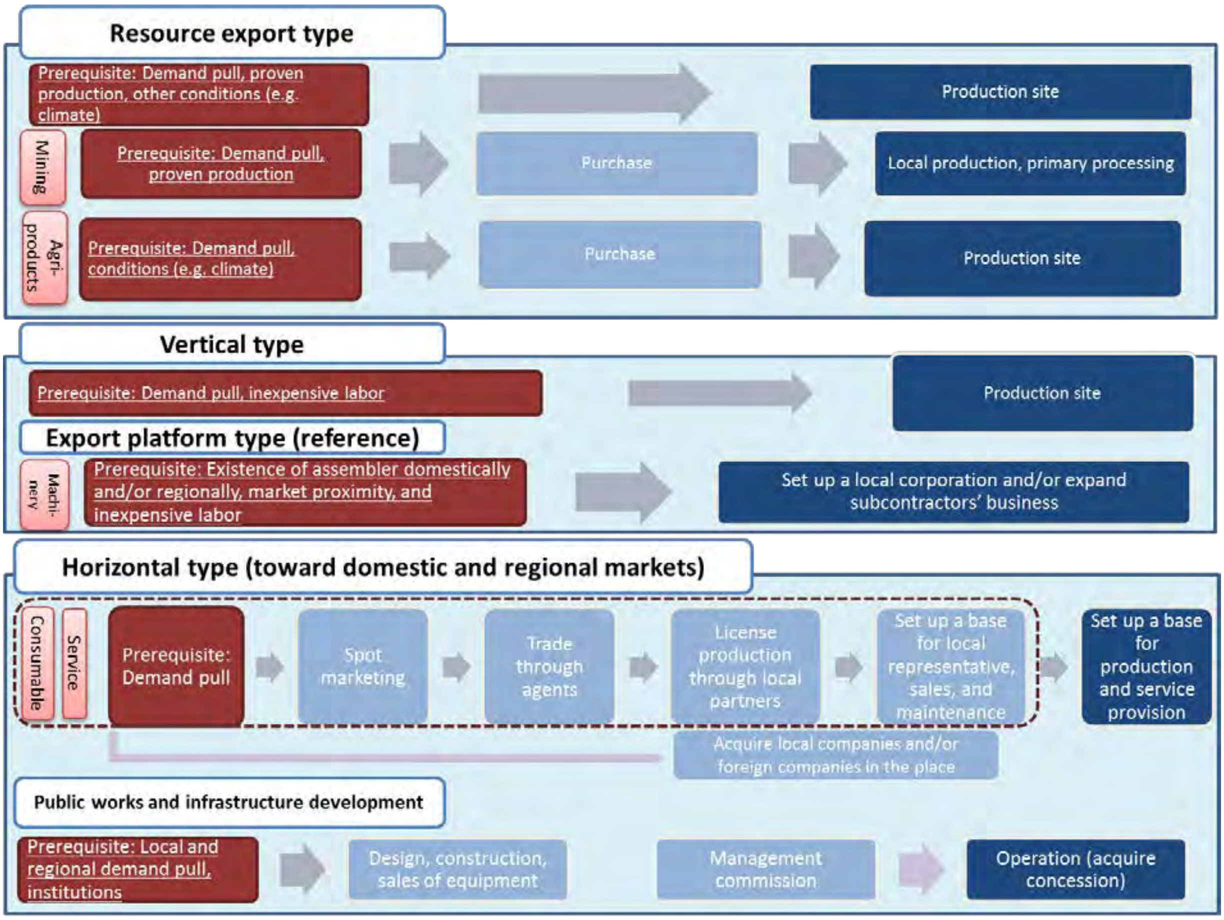
Foreign investments can be categorized into two major types: horizontal and vertical. Recently, the horizontal type has been expanded with the export platform type[6]. The goal of the vertical type of investment is to produce labour-intensive products in a country where the labour cost is relatively low in order to reduce the production cost. The goal of the export platform type of investment is to produce final goods in a country which is close to the market in order to export the goods to the market with low transportation cost. The goal of the horizontal type of investment is to produce final goods in the same country in order to reduce transportation cost. It has been often observed in developed countries as a measure of penetration into a local market.

The figure below shows the types of FDIs based on the above-mentioned categorization for launching investment projects that were revealed by investment intention surveys and interviews conducted both in the field and in Japan. In addition to the above-mentioned direct investment types, a resource export type, which

[6] International Trade and Trade Policy Research (Research Institute of Economy, Trade and Industry (RIETI), 2011), Japanese Economy 2012-2013 (Cabinet Office of Japan: CAO, 2012), Companies' Expansion to Abroad and Earning Power (Bank of Japan, 2014) etc.

relies on stocks of raw materials such as natural resources, has been added. In this type, primary products are harvested, produced and exported without significant added value.

In the horizontal type, a public project/infrastructure development sub-type was established. In this sub-type, customers may be from the private sector and many get involved in public projects implemented under the PPP scheme, not only by building facilities and providing engineering services or materials and equipment, but also by procuring financial resources or investing to operate the business. Examples can be found in a wide range of fields such as power, road, and port infrastructure development, public transportation, hospitals and health care.



Source: JICA Project Team.

Figure 3-3 Conditions and Processes of FDI Projects by Business Types

As seen in the figure above, procedures for all FDI types include several processes and prerequisites. Both Resource Export and Horizontal Type require prior import/export experience, where one can gain knowledge of risk control and cost reduction (such as location strategies for production/service delivery bases) strategies in the investment destination. Also, there are other business types including provide equity to local companies, which are strictly not investments

(1) Resource Export Type

In addition to the above-mentioned vertical, horizontal and export platform types, there is a special type based on resource endowments. This report categorizes it as resource export type. This type of FDI targets production and exploitation of primary commodities and mineral resources where primary processing may also be undertaken. Such FDI are often seen where the resource endowments, agro, fisheries and forestry production or the climatic conditions suitable for such production are found. While investment for mineral extraction may be influenced by the trend of international commodity prices, agriculture investment is also influenced by the time required before starting to incurring profits: Agriculture investment sometimes requires more time before generating some profits. Therefore, in order to minimize such risks, it may prefer the locations with the track records of production with accumulated knowledge on production and markets as well as the access to agro-inputs.

However, many export-oriented agriculture, forestry, and fisheries industries have established value chains from production to marketing. Therefore, it is not easy to participate in the chain from the outside. Primary products which are major export products from Africa tend to be governed by a small number of buyers in the process of reaching the final market. Investment potentials may be found in these industries in such field which takes the advantage of existing industries by, for example, providing services and equipment/inputs to such industries rather than the major activities such as production and marketing.

Another type of investment categorized as resource export type found in East African countries is production, processing and export of flower and perishable goods such as vegetables, fruits and fish. Such investment types require specific climatic and other natural conditions and well developed supply chain from farm gates to final markets in developed countries. According to the interviews in Ethiopia, updated market information and well-established production facilities are indispensable. In this way, investors have secured market outlets. Access to land and water as well as cheap labour are also important factors.

(2) Vertical Type and Export Platform Type

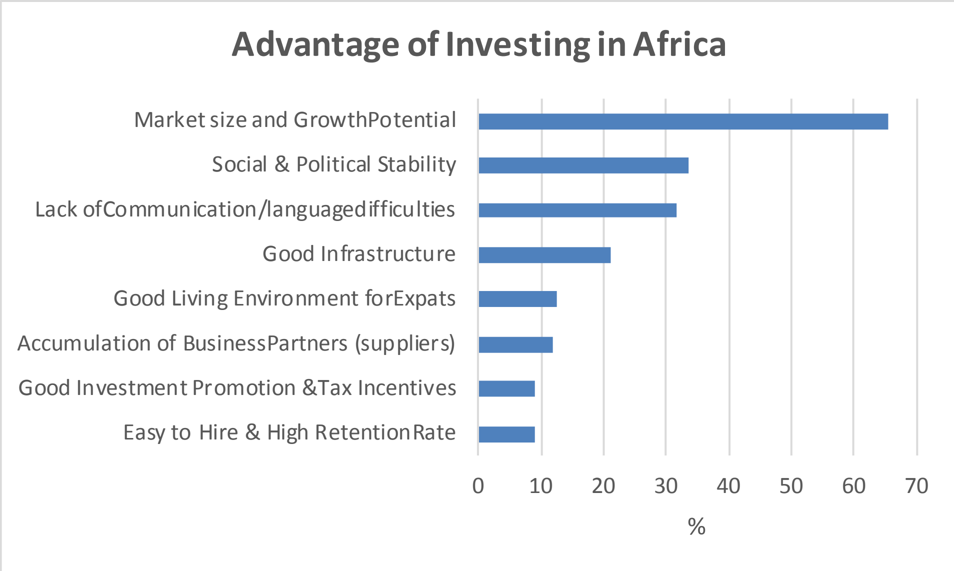
Vertical type is often seen in industries such as garment and shoe making. In Asia, this type targets countries with cheap and abundant labour. In Africa, some countries attract investors who look for duty free access to developed countries through preferential treatment such as US AGOA (African Growth Opportunity Act). This type of industry sometimes requires large import volume of raw materials. Hence, reduction of lead time of import and cost of transport are also critical factor for competitiveness. Some countries with rather high wage level may also need to increase labour productivity and skills, and reduce other administrative and production costs in order to offset the cost of labour.

Export platform type was not found in the countries studied under the Project as maybe this type of investment prefers a location in proximity to major industrial agglomerations in order to form a sourcing and production network as seen in East Asian countries.

Both types may be viable in the service industries. For example, business process outsourcing (BPO) to countries with cheap labour can be an option. An example of this is the call centers in Africa.

(3) Horizontal Type

Recently observed economic development in Africa has started to attract this type of investment which targets domestic and regional markets. Active investments are seen in the service industries, fast-moving commodities and food processing. The JETRO (2016) FY2016 Survey on Business Conditions of Japanese-Affiliated Firms in Africa also found that the most significant advantages for companies that have already entered Africa were its market scale and the potential to grow.



Source: JICA Project Team, based on JETRO (2016) FY2016 Survey on Business Conditions of Japanese-Affiliated Firms in Africa

Figure 3-4 Businesses' Awareness of Investment Climate Risks in Africa

In Figure 3-1, the steps in the dotted line are those which occur prior to FDI. This type may start from trading and later establish production and service bases to reduce trade costs (e.g., transportation costs and import duties). Such investment also expects to obtain the information on consumer preference and market in order to introduce products and services meeting consumer demand.

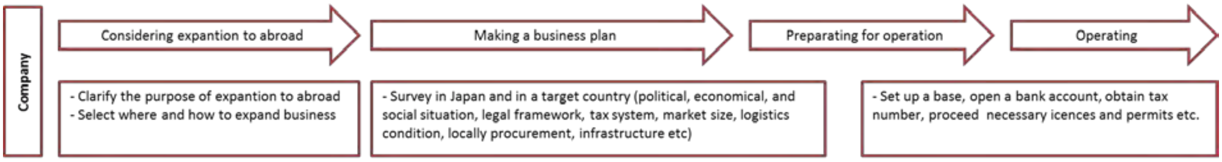
In case of sectors such as banking and telecommunication, investors may launch without prior experience. Some investments in consumer goods and construction materials may start from purchasing privatized former state-owned companies and their market channels.

Recently, Africa has also started seeing investments on public projects/infrastructure development, the characteristics of which are different from general horizontal type investments. Outside of real estate development for individuals, there are cases where the PPP scheme can be used to develop social infrastructure and facilities, provide materials and equipment, commission management as well as procure financial resources and operate businesses. Many of the target countries have a system for the entry of independent power producers (IPPs). In countries with limited private economic activity, procurements by the government often satisfy a large portion of the demand. Some investments have been made to satisfy these demands.

3.3 Investment Climates for FDI Promotion in Africa

3.3.1 Background and Analytical Method

As described above, an investment will be decided based on not only business opportunities, competitiveness but also potential profits by reducing costs and risks. Here, elements that can be obstacles against investment promotion are summarized. The Project identifies the following flow to align the process of strengthening an IPA's functions with that of investors considering of expanding abroad.



Source: JICA Project Team

Figure 3-5 Activity Flow for a Company for Foreign Direct Investment

Potential investors need candidate countries to satisfy conditions essential to achieve their objectives for expanding their business abroad when determining where to invest. They look into the certain conditions as the determinants at the initial phase, as well as legislations on local markets and business operations and cost estimates at the planning phase. Reinvestment and additional investment may be further done based on the actual experiences of operation and analysis of the market trend.

The problems and obstacles which may be encountered by potential investors prior to greenfield investment were identified in the following part. Many of the companies from Japan, India, and South Africa the team interviewed for the Project raised market development in Africa as their motivation of starting business in Africa. On the other hand, the surveys revealed the following reasons not to invest in the target countries:

Table 3-3 Reasons Not to Invest in the Target Countries

Reason not to invest in the target countries	Description
Insufficiency or unavailability of local information	· Limited information when considering investments
Lack of requirements needed to create a business base, such as resource stocks	· Insufficiency of resources like cheap power or raw materials
Insufficiency of attractiveness as a market	· Insufficiency of attractiveness as a market in light of the population or the scale of the economies · Gap between the quality of local demands and that of the investor's products and services. Harsh competition
Insufficiency of business partners	· No business partners in the countries
High risk	· Political and public order risks · Difficulties in developing a supply chain
Business environment	· Limitation on the overseas transfer of profits
Business cost	· High electricity, logistic, and labour costs

Source: JICA Project Team

In the Ghana and Zambia Investment Seminar held as a part of the Project in June 2017, the Project Team conducted a questionnaire. The table below shows the responses (multiple responses) to the question which asked their concerns for expanding these countries for the 14 participants who answered "no interest in expanding to these countries" or "would like to consider in future" to a question asking their willingness to expand businesses to these countries. Although it may not reflect the opinions of all investors who have not entered Africa, it can be used as a reference that the majority of the respondents selected social/political stability as their concern. In addition, many answered issues regarding institutional and administrative procedures, such as conditions for operating businesses, administrative procedures, tax exemption and customs.

Table 3-4 Concerns of Companies Who Have Not Entered Africa

Concerns	Number of Respondent
Social & political stability	8
Conditions for staring business	6
Transparency in processing of administrative requirements	6
Cumbersome customs clearance process	6
Investment incentives	6
Logistics	5
Securing and training of local human resources	5
Labor management	4
Over all living conditions	4
Difficulties in exploring local markets	3
Infrastructure development and utility costs	3
Difficulties in export	3
Industrial sites and operation environment	2
Securing raw materials	2
Regulations on specific products	1
Other (Existence of Japanese investors, land title)	2

Problems of institutional and administrative requirements

Source: JICA Project Team based on the result of the survey implemented at the Ghana and Zambia Investment Seminar

When considering investments, conditions regarding resource endowments, markets, and costs, among others, may vary depending on each company's industry and business type. The table below classifies conditions for business expansion by the types of FDI mentioned in the preceding paragraph.

Table 3-5 FDI' s Types and Conditions

	Resource export type		Vertical	Horizontal
		Floriculture, fresh vegetables and other perishables		
Conditions	· Resource endowments · natural conditions · Prior experience in productions and export	· Climatic and other natural conditions · Market access · Access to land · Cheap labour	· Cheap (and/or productive) labour · Preferential treatments provided by export markets · Other factors to reduce production costs	· Sizable market · Prior experience of trading and business interactions · Other factors to reduce trade costs

Source: JICA Project Team

Since it generalises various types of investment, it may not capture the details per sectors and products. However, investment promotion should consider issues such as resource endowments, market availability, cost factors, and existing economic activities and trade. It is also important to consider the prior interaction between the country and potential investors. Based on the types and prerequisites explained in the section 3.2.3, the following table summarises the observed form of initial types of entering the business in Africa, current investment climate and problems in Africa.

Primary commodities tend to have rigid value chains or to be influenced by the international price fluctuation. In some cases, investors enter into the business by merger and acquisition in order to secure supply chains or market channels. In case of the countries with some existing distribution networks and/or manufacturing and service industries such as Kenya and Cameroon, the potential investors of the horizontal type can first start trading before direct investment. In such cases, the issue for expanding business is the maturity of business sectors with potential trustworthy business partners.

Ethiopia has entry barriers against foreign investors in the resource export and horizontal types. Despite its availability of abundant and cheap labour as its strength, foreign currency quota limitation is a major difficulty for business in Ethiopia. In Kenya, it is difficult to secure cheap labour and cost competitiveness (e.g. electricity tariff) is weak. In order to solve the issues, Kenya utilises some systems (e.g. preferential customs treatments and EPZs) to reduce the costs for the vertical type, but limited measures have been taken yet to solve the issues for the horizontal type, for which such systems do not work. DRC already has proven export of mineral resources and wood, but there are some issues for agricultural products. Production and logistics costs, taxation and tax procedures, cost of trade procedures hinders promotion of both vertical and horizontal types.

Table 3-6 Types of Foreign Direct Investments and Issues (Resource Export Type)

		Resource Export Type	
			(Horticulture, vegetable)
Prerequisites		・ Natural conditions and resource endowments (including such conditions as climate, soil types) ・ Proven production and exportation, investors' experience of trading and knowledge of market and business environment	・ Local source (including climate, soil types) ・ Market access (logistics) ・ Access to land etc. ・ Cheap labour
Forms of starting business or entering in to the market		＜Mineral resources industries＞ ・ Trading ・ Direct investment (extraction, primary processing) ・ Direct investment (related services, heavy machineries) <Agro, fisheries, and forestry> ・ （Trading） ・ Acquisition of production functions and/or distribution networks	・ Trade ・ Contract production ・ Direct investment (production)
Issues	Industrial structure, access to markets	・ It is difficult to enter into the industry due to the rigidly established value chain. ・ The products under this category tends to be exposed to international market fluctuation.	・ Meet the quality requirement in export destination countries
	Production and logistics cost	・ Insufficient domestic and international logistics infrastructure	・ Insufficient domestic and international logistics infrastructure ・ Wage level is high in some countries. Increase in labour costs due to labour regulations in some countries
	Business environment	【Tax and admin procedures】 ・ Special permits/ licenses for some sectors 【Regulations】 ・ Performance requirement (Local contents) 【Oversea remittance】 ・ Restrictions and difficulties in overseas remittance and acquiring foreign currency	【Regulations】 ・ Trying to foster local companies and not favorable for foreign companies
Examples of measures to mitigate problems		・ Information dissemination regarding resource endowments and the production areas ・ Promoting development by setting fiscal incentives for prioritized sectors ・ Promoting export ・ Logistic infrastructure development ・ Support for land acquisition (agriculture)	・ Facilitate the access to land by setting up special zones ・ Establish systems to reimburse customs on equipment ・ Develop infrastructure (e.g. logistics)

		Resource Export Type			
				(Horticulture, vegetable)	
Status		【Strength】	【Issues】	【Strength】	【Issues】
	Ethiopia	・ Potentials in agriculture ・ Endowments of natural resources and bio diversity (e.g., potentials for geothermal power generation, tourism)	・ Entry barriers for foreign investors to trade (cash crops)	・ Potentials in agriculture ・ Development of air transportation industry	・ Insufficient capacity at airports (plan to be expanded)。 ・ Investors have to organize logistics on their own (high initial investment) ・ Difficult to access to land when expansion
	DRC	・ Potentials in agriculture ・ Endowments of natural resources and bio diversity (rare metals/ earth, hydrocarbon, gold, diamond etc), environment and bio diversity (e.g., potentials for hydro power generation, CDM/REDD, tourism) ・	・ Necessary to obtain special permits/licenses in some sectors ・ Reduction of production and export of cash crops ・ Insufficient information to do agriculture (e.g. climate)	-	-
	Kenya	・ Bio diversity and natural resources (e.g., geothermal power generation, tourism) ・ Agricultural potentials ・ Mineral resource endowments (e.g., titanium, niobium, and crude oil)	・ Political stability and security issue especially for tourism development ・ Irrigation is required for agriculture	・ Development of air transportation network connecting with US and European markets, efficient supply chain ・ Relatively established horticulture cluster with R&D and other supporting functions ・	・ High wage level ・ Shortage of water
	Cameroon	・ Agricultural potentials ・ Natural resource endowments (hydrocarbon,	・ Difficulty in new entry due to fixed value chains of export products ・ Government	・ Development of air transportation network connecting with US and	・ High wage level ・ Shortage of water

	Resource Export Type		(Horticulture, vegetable)	
	iron ore ・ Bio diversity and natural resources (e.g., geothermal power generation, tourism)	interest and capital participation, inefficient management	European markets, efficient supply chain ・ Relatively established horticulture cluster with R&D and other supporting functions ・	
Zambia	・ Agricultural potentials ・ Natural resources (copper) ・ Tourism potentials	・ Prone to fluctuate in accordance with international prices ・ High logistic cost because of land locked location	-	-
Ghana	・ Natural resources (oil, gas, gold etc) ・ Agricultural potentials ・ Tourism potentials	・ Agriculture: Improvement in productivity, securing land ・ Tourism: The key is in world heritage sites. Issues include infrastructure and human resource development.	-	-
Rwanda	・ Tourism potential ・ Agricultural potentials	・ Largely dependent on gorilla tours ・ Although it aims to promote conference tourism (MICE), overall improvement in marketing, facility development, and associated services is needed. ・ Poor agricultural productivity	・ Agricultural potentials	・ Hard to import seeds and seedlings due to the design of legislation ・ Securing a market and development of logistics networks (strengthening of the air-borne export capacity is necessary) ・ Many issues including poor R&D on agriculture and agricultural productivity

Table 3-7 Types of Foreign Direct Investments and Issues (Vertical Type)

<table>
<tr><td colspan="2">Prerequisites</td><td colspan="2">・ Cheap labour
・ Status of preferential tariffs etc.
・ Factors to reduce other production costs (e.g. electricity)</td></tr>
<tr><td colspan="2">Forms of starting business or entering in to the market</td><td colspan="2"><Manufacturing of textile and garment, shoe making, and leather products>
・ Contract production
・ Direct investment (production)</td></tr>
<tr><td rowspan="3">Issues</td><td>Industrial structure, access to markets</td><td colspan="2">-</td></tr>
<tr><td>Production and logistics cost</td><td colspan="2">・ Wage level is high in some countries. Increase in labour costs due to labour regulations in some countries
・ Electricity supply</td></tr>
<tr><td>Business environment</td><td colspan="2">【Tax and admin procedures】
・ Increase in cost due to tax burden
・ Cost of trade procedures and customs
【Regulations】
・ Higher cost due to the strict and pro-labour regulation
・ Performance requirement
【Overseas remittance】
・ Restrictions and difficulties in overseas remittance and acquiring foreign currency</td></tr>
<tr><td colspan="2">Examples of measures to mitigate problems</td><td colspan="2">・ Conclude preferential tariff treatments, free trade agreement s, and/or economic partnership agreements with major trade countries
・ Establish free zones, export promotion zones
・ Establish a system of customs reimbursement
・ Develop infrastructure including electricity and logistics
・ Develop domestic industries for supplying cost-effective raw materials</td></tr>
<tr><td colspan="2" rowspan="1">Status</td><td>【Strength】</td><td>【Issues】</td></tr>
<tr><td rowspan="4"></td><td>Ethiopia</td><td>・ Cheap and abundant labour force</td><td>・ Difficult to import raw materials due to foreign quota limitation
・ High cost due to insufficient domestic and international logistics infrastructure
・ Heavy tax burden (fiscal incentives can reduce the burden at the initial investment)
・ Unstable electricity supply</td></tr>
<tr><td>DRC</td><td>・ Cheap and abundant labour force</td><td>・ Abundant labour force, but not necessarily cheap
・ Unstable electricity supply
・ High cost due to insufficient domestic and international logistics infrastructure
・ Heavy tax burden
・ Cumbersome trade-related procedures and heavy custom duty and other levies</td></tr>
<tr><td>Kenya</td><td>・ Duty free access to US market under AGOA for garment industry
・ English speaking labour force with comparably high skills and productivity in the region
・ Export Processing Zone (EPZ) scheme with reduced customs duty and other tax burdens</td><td>・ High wage level
・ Unstable electricity supply
・ Heavy tax burden
・ Cumbersome trade-related procedures and heavy custom duty and other levies (Costs of tax and trade procedures can be reduced by establishing business in EPZs)</td></tr>
<tr><td>Cameroon</td><td>・ Duty free access to US market under AGOA for garment industry
・ Free Zone scheme with reduced customs duty and other tax burdens</td><td>・ Difficulty in securing raw materials both from domestic supply and from international market. The latter due to the high cost of transportation and the time required.</td></tr>
</table>

	Zambia	・ Duty free access to US market under AGOA for garment industry	・ Unstable electricity supply ・ High logistic cost because of land locked location
	Ghana	・ Duty free access to US market under AGOA for garment industry ・ Relatively cheap and abundant labour force ・ Free Zone scheme with reduced customs duty and other tax burdens	-
	Rwanda	・ Duty free access to US market under AGOA for garment industry ・ Relatively cheap labour force ・ SEZ scheme with duty exemption	・ High logistics cost because of land locked location

Table 3-8 Types of Foreign Direct Investments and Issues (Horizontal Type)

Prerequisites		・ Market size ・ Investors' experience of trading and knowledge of market and business environment ・ Factors to reduce other trading costs (e.g. logistics)
Forms of starting business or entering in to the market		<Manufacturing and wholesale/retail of food, beverages, pharmaceutical products, and construction materials> ・ (Trade including trading through local agents) ・ JV, merger and acquisition of local companies, ・ Direct investment (production, distribution) <Infrastructure development> ・ Engineering, procurement, construction (EPC) ・ Concession ・ Direct investment (e.g., independent power producers) <Finance> ・ Merger and acquisition of local companies, ・ Direct investment <Retail> ・ JV with local companies, ・ Direct investment
Issues	**Industrial structure, access to markets**	・ Insufficiency of access to regional and domestic markets due to insufficient logistics infrastructure
	Production and logistics cost	・ Insufficient domestic and international logistics infrastructure ・ Wage level is high in some countries. Increase in labour costs due to labour regulations in some countries ・ Electricity supply
	Business environment	【Tax and admin procedures】 ・ Increase in cost due to tax burden ・ Cost of trade procedures and customs 【Regulations】 ・ Some countries maintain some industries such as communication, finance, and retail in their negative list ・ Difficulties due to the performance requirement 【Overseas remittance】 ・ Restrictions and difficulties in overseas remittance and acquiring foreign currency
Examples of measures to mitigate problems		・ Increase attraction as a market by promoting regional economic communities ・ Introduce fiscal incentives with conditions of technical transfer to the country ・ Develop infrastructure including electricity and logistics ・ Develop domestic industries for supplying cost-effective raw materials

Status		【Strength】	【Issues】
	Ethiopia	・ Growing domestic markets	・ High cost due to insufficient domestic and international infrastructure ・ Difficult to import raw materials due to foreign quota limitation ・ Unstable electricity supply ・ Barriers for foreign investors to enter retail sector
	DRC	・ Growing domestic markets	・ High cost due to insufficient domestic and international logistics infrastructure ・ Heavy tax burden ・ Cumbersome trade-related procedures and heavy customs duty and other levies
	Kenya	・ Growing local and regional market with transportation connection with East and Southern African countries.	・ Necessary to create a larger market by integrating regional economic community as the Kenyan market alone is not large. However, EAC, one of the well-developed RECs in Africa, still need time for deeper integration. ・ High wage level ・ Unstable electricity supply ・ High cost due to insufficient domestic and international logistics infrastructure ・ Heavy tax burden ・ Cumbersome trade-related procedures and heavy customs duty and other levies
	Cameroon	・ Growing local market ・ Potential market in the regional economy including Nigeria in future ・ Agricultural potentials, relatively established manufacturing sector and marketing channels for various goods	・ Small market with small population. Limited marketing linkage among the regional economic community. ・ Cost of energy ・ Heavy tax burden ・ Cumbersome trade-related procedures and heavy customs duty and other levies
	Zambia	・ Growing regional markets ・ Huge market potential in DRC	・ Insufficient domestic and international logistics infrastructure ・ Unstable electricity supply
	Ghana	・ Growing local market ・ Growing regional markets ・	・ Necessary to create a larger market by integrating regional economic community as the Ghanaian market alone is not large. However, ECOWAS still need time for deeper integration. ・ Unstable power supply ・ High cost due to insufficient domestic and international logistics infrastructure
	Rwanda	・ Growing regional markets ・ Huge market potential in DRC	・ Necessary to create a larger market by integrating regional economic community as the Rwandan market alone is not large. However, EAC, one of the well-developed RECs in Africa, still need time for deeper integration. ・ Insufficiency in power and water supply infrastructure ・ High cost due to insufficient domestic and international logistics infrastructure ・ Small production capacity for domestic primary commodities and manufactured goods. Difficulty in securing raw material domestically.

Source: JICA Project Team

The JETRO (2016) FY2016 Questionnaire on the Overseas Business Activities of Japanese Companies (multiple answers possible) has revealed that issues in doing businesses overseas include human resources (55.3%), local business partners (52.1%), information on local institutional and legal system (48.9%), information on local markets (48.6%), and expansion of local sales channels (45.2%). In light of the results of this survey and materials obtained in the course of this Project, the following factors can be considered to be influential not only for Japanese, but also foreign companies in promoting investments in Africa in addition to the given conditions for determining whether to expand to Africa, such as resource endowments.

- Possibility of reduction of costs related to production, logistics and business administration
- The current condition of local politics, social situation, systems, markets and availability of associated information
- Existing accumulations of industries with local human resources and partner companies, as well as related economic activities

The next section analyses the current situation on the factors which incur various costs for production, logistics and business in general.

3.3.2 Comprehensive Evaluation of the Business Environment in Africa

The cost can be incurred through those arose due to the problems of infrastructure, labour and other input of production, and others incurred through the procedures for regulatory and administrative requirements. First, the business environment comprising various factors are overviewed. Some companies named the World Bank Group's Doing Business as the data they referred to in understanding the situation of the business environment of countries they have not entered. Doing Business has prepared the Distance to Frontier (DTF) index that indicate distances from the country with the highest score at each item set for major fields of the business environment evaluation. The larger the index (0–100), the smaller the distance. The following is a comparison of the DTF index of Mauritius, which ranked the highest in Africa in 2018, added as a reference, and those of the target countries.

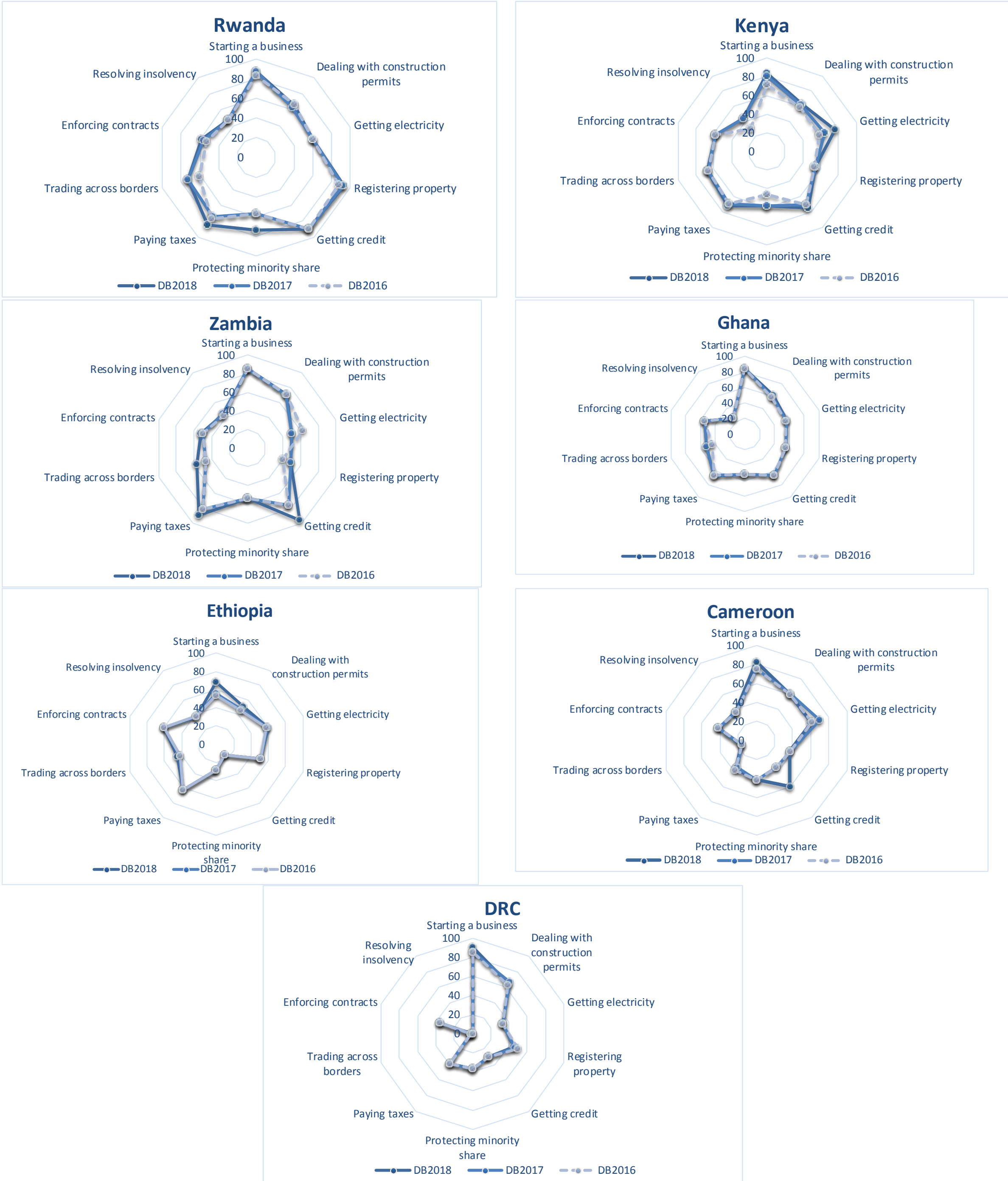
Table 3-9 Distance to Frontier Index and Ranking of Doing Business

	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority share	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency	Overall DTF 2018	Overall Rank 2018
Mauritius	92.00	82.45	82.03	77.89	65.00	66.67	90.85	79.90	69.58	69.06	77.54	25
Rwanda	87.66	65.56	60.69	93.26	90.00	73.33	84.60	72.44	58.62	47.79	73.40	41
Kenya	83.20	63.16	76.68	54.49	75.00	58.33	71.67	67.63	58.27	43.11	65.15	80
Zambia	84.89	71.04	49.92	48.69	95.00	53.33	88.71	56.88	51.74	44.85	64.50	85
Ghana	84.02	61.90	56.81	55.50	65.00	51.67	66.47	52.32	54.00	24.77	57.24	120
Ethiopia	68.43	50.55	59.29	51.32	15.00	28.33	62.14	45.34	59.99	37.31	47.77	161
Cameroon	82.39	59.74	60.35	37.33	60.00	41.67	36.34	15.99	41.76	36.73	47.23	163
DRC	89.78	63.91	33.59	45.85	30.00	36.67	39.40	1.26	36.06	0.00	37.65	182

Source: JICA Project Team based on World Bank Group, Doing Business 2018

The following compares the DTF indexes of the target countries for each indicator by Doing Business from Doing Business 2016 which had published at the time of the Project started to Doing Business 2018[7]. All 7 countries experienced improved score. Rwanda and Kenya exhibited the larger improvement.

[7] It is noted that the World Bank Group has been making major to minor amendments of calculation of indices every year. Therefore, it is not possible to make comparison of ranking and DTF with annually published data. The data used in this analysis was the historical data re-calculated by the World Bank Group using the method for 2018 version.

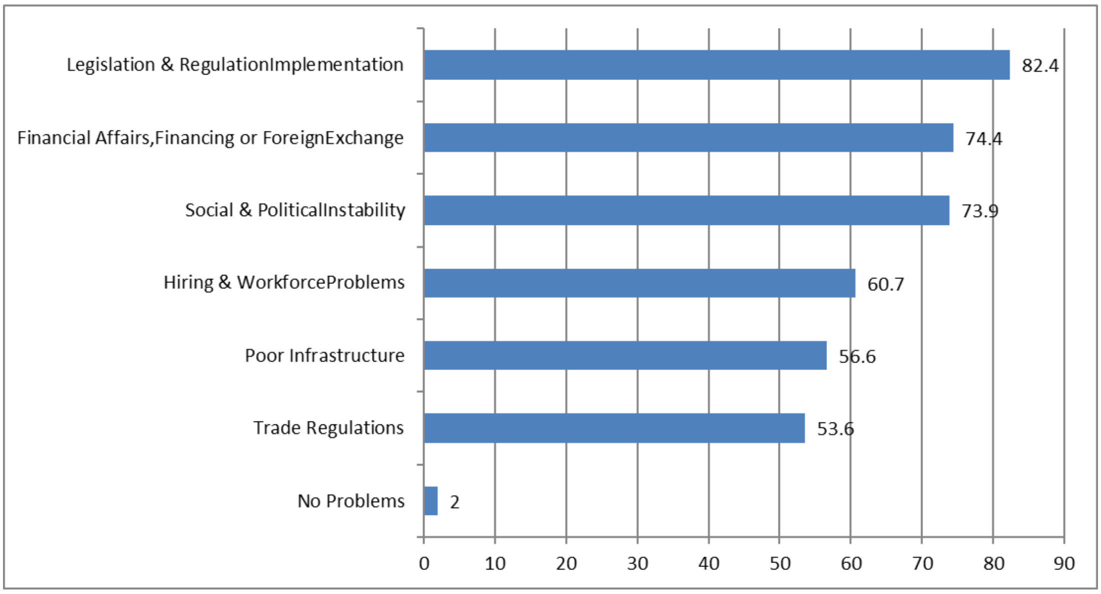


Source: JICA Project Team based on World Bank Group, Doing Business 2016, 2017, and 2018

Figure 3-1　Changes of DTF Index of Doing Business 2016 to 2018

The ranking of each target country among all surveyed countries (190 in 2018) varies from the 41st (Rwanda) to 182th (DRC). Although Rwanda earned more than 90% score out of the top countries for some items, countries below 100th place earned around 60% or less for all items. Overall, the scores for starting a business are relatively high, and those for registration of property, protecting minority investors, trading, and resolving insolvency are either low or not measurable due to the unavailability of the legal system.

While World Bank Group's Doing Business is an evaluation of business environments mainly by domestic companies, the JETRO (2016) FY2016 Survey on Business Conditions of Japanese-Affiliated Firms in Africa is focused on the evaluation of foreign companies. The survey revealed that Japanese-affiliated companies in Africa are concerned about the following risks.



Source: JICA Project Team based on JETRO (2016) FY2015 Survey on Business Conditions of Japanese-Affiliated Firms in Africa

Figure 3-2 The Risks Perceived by Investors in Africa

Development and application of regulations and legislation is recognized as the largest risk, pointed out by 80% of the respondents. The second largest risk is finance and foreign exchange-related issues, which may include the insufficiency of foreign currencies due to the stagnated price of resources and exchange risk. Unstable political/social situation ranked next by a slim margin. Many items recognised as risks by Japanese companies in Africa are thus issues related to governance.

The Project defines the life cycle of an investment project as beginning with business establishment and ending with withdrawing of operations, with various procedures at each process. Smooth administrative procedures require investment climates based on the rule of law (see figure below). The report outlines issues specifically identified in the Project's surveys and interviews with the foreign and domestic investors in the target countries. In order to have broader understanding of the investment climate in Africa, the survey on trade and investment barriers around the world compiled by the Japan Business Council for Trade and Investment Facilitation (JBCTIF; Secretariat: Japan Machinery Center for Trade and Investment) was also reviewed.

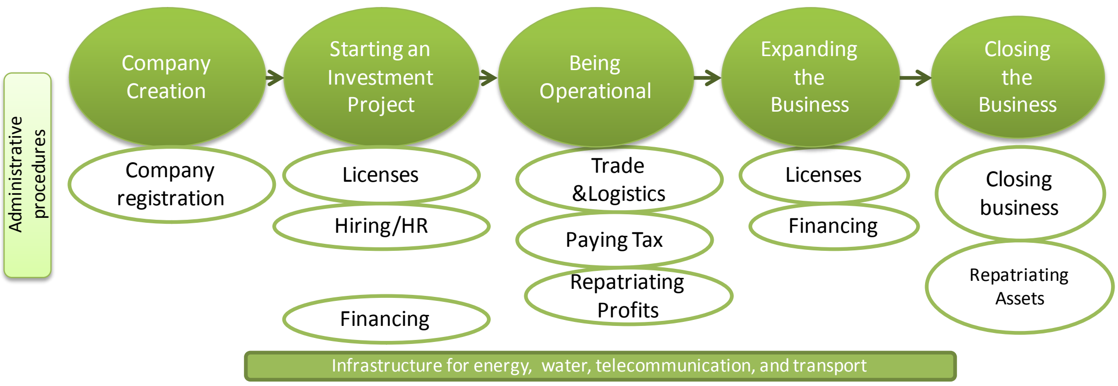


Figure 3-3 Life Cycle of Investment and Investment Environment

According to the JBCTIF survey in the 2015, 2016 and 2017, there were a large number of issues with regulations related to trade, customs and customs clearance, taxation, and work permits for foreigners. The table below summarises issues in doing business in Africa based on the information obtained through the Project and the 2017 preliminary report of the above-mentioned survey[8].

In addition, the survey on trade and investment barriers around the world compiled by the Japan Business Council for Trade and Investment Facilitation (JBCTIF; Secretariat: Japan Machinery Center for Trade and Investment) showed that in both the 2015 and 2016 surveys, there were a large number of issues with i) procedures and regulation related to import/export including tariffs, and customs regulations, and ii) taxation and employment. Specific issues raised as the problems in the Africa region are as shown in the table below[9].

Table 3-10 Project Findings of Significant Issues in Business Environments

Issues in Investment Promotion	Detail of Issue	Countries with Issues	Problems raised in JBCTIF
Company Incorporation	Legal system	Changes of the Company's Act and ambiguous definition (Kenya)	
Limitation for the Investment for foreign investors	Percentage share of the foreign capital is limited for those participating in the tendering process of public investment projects		South Africa
Tax Procedures	High burden of procedures with complicated tax rates and categories.	DRC, Kenya	Insufficiency of information (Egypt)
	Rules are ambiguous, complicated, and change often.	Ethiopia, DRC	Algeria, South Africa
	Low technical capacity of officials of tax authorities	Ethiopia	Nigeria, Tanzania
	Tax appeal systems are virtually non-functioning or high cost/risk.	Ethiopia, DRC, Kenya	
	Time-consuming and costly tax inspections, often involving harassment.	Ethiopia, DRC	Nigeria, Ghana (transfer price taxation, unclear taxation rules), Tanzania (taxation in general, tax on used cars), Mozambique (tax on used cars), South Africa (Tax on used cars)
	Slow refunds.	Ethiopia, Kenya	
Trade-Related Procedures	Safe guard on imports		Algeria, Morocco, South Africa
	Cumbersome international trade procedures.	DRC、Ethiopia, Kenya, Cameroon	Tanzania
	High tariff and administrative procedure fees.	Ethiopia, DRC, Kenya, Cameroon, Ghana	
	Unclear bases of calculation of customs duty and other levies		Senegal

8 JBCTIF: "2017 Questionnaire on New Opinions: Trade and Investment Problems and Demands (Middle East/Africa Edition) (2017 Preliminary report of New Opinions)

9 JBCTIF: "2016 Questionnaire on New Opinions: Trade and Investment Problems and Demands (Middle East/Africa Edition)

Issues in Investment Promotion	Detail of Issue	Countries with Issues	Problems raised in JBCTIF
Work Permits for Foreigners and Labour Issues	Cumbersome procedures and limitation or costly processes for obtaining work permits.	Ethiopia, DRC, Kenya, Ghana	Senegal, Angola, South Africa (for accompanying family), Mozambique
	Dealing with labour regulations and lawsuits.	DRC, Kenya	Angola
Foreign Exchange	Long wait-time for foreign exchange allocation, or unable to obtain needed amount.	Ethiopia	Nigeria, Angola
Logistics	Insufficient infrastructure such as roads, railways, and ports, and shortages of feeders and secondary distribution lines.	Ethiopia, DRC, Kenya, Cameroon, Ghana	
	Poor logistics services and problems in the industrial structure.	Ethiopia, DRC, Kenya	South Africa (cargo stolen during the customs clearance and inland transportation)
Electricity	Costly and/or unstable distribution.	Ethiopia, DRC, Kenya, Zambia, Ghana	Tanzania
Finance	Cost of finance is high due to high interest rates. Financial access is low.	Cameroon	Tanzania
Performance requirement especially for increased local contents	Requirement of local contents (manufacturing: mandatory local assembly, resource industries: percentage of locally procured services and equipment etc)		Algeria, Angola, South Africa
Industrial standards, standards, safety guarantees	Standards such as industrial standards, safety, or environmental standards are too stringent, procedures take time, criteria are not clear, etc.		South Africa

Source: JICA Project Team based on the interviews with companies in the Surveyed countries and Expert' activities, JBCTIF "2016 Questionnaire on New Opinions: Trade and Investment Problems and Demands (Middle East/Africa Edition).

3.3.3 Costs for Investment in Africa

Production costs and logistic costs, which affect long term costs from business launch to expansion, are analysed below.

(1) Labour Cost and Management

1) Labour Wages

The table below compares the minimum wages of targeted countries to other African and Asian countries (some are prevailing non-expert worker level wages).

Table 3-11 Comparison of Labour Wages in African and Asian Cities

Region	Country	City	Per Capita GDP (USD, 2015)	Labour Costs	
				Unskilled labour wage	Minimum Wage
North Africa	Morocco	(Casablanca)	2,832.4	263～880	263
	Egypt	(Cairo)	3,514.5	231～235	157
East Africa	Ethiopia	(Addis Ababa)	706.8	48～96	*
	Kenya	(Nairobi)	1,455.4	209～885	168
	Rwanda	(Kigali)	702.8	60～	*
South Africa	South Africa	(Johannesburg)	5,273.6	975	230＋Inflation
	Zambia	(Lusaka)	1,178.4	—	333

Region	Country	City	Per Capita GDP (USD, 2015)	Labour Costs	
				Unskilled labour wage	Minimum Wage
Central Africa	DRC	(Kinshasa)	444.5	150～250	―
	Cameroon	(Yaoundé)	1,032.6	94～136	62
West Africa	Côte d'Ivoire	(Abidjan)	1,526.2	161～410	100
	Nigeria	(Lagos)	2,178.0	92～	92
	Ghana	(Accra)	1,513.5	165	75
Asia	Vietnam	(Hanoi)	1,358.8	99	80.5
	Myanmar	(Yangon)	1,275.0	127	65
	Bangladesh	(Dhaka)	2,185.7	180	160

Source: Wages are for those for "workers" based on the results of interviews in the Survey for Ethiopia (December 2015), DRC (February 2016), and Cameroon (September 2016) , Zambia (September 2016), Ghana (2015). The legal minimum wages are from "Comparison of Investment Costs" on the JETRO website (surveyed in the period between December 2016 to January 2017), newspaper articles Cameroon[10], GIPC publication for Ghana, and ZDA publication for Zambia. Both are USD per month
Remarks: Data is not available in "-". Myanmar multiplies daily unit price times 23 days to calculate monthly wage."*" Ethiopia does not have minimum wage. Rwanda have not been updated the minimum wage for long time.

Countries with high per capita GDP such as Morocco, Egypt, and South Africa have relatively high labour wages. The ratio of labour wages to per capita GDP in African countries are in some cases comparatively higher than Asian countries. For example, in Vietnam, per capita GDP exceeds 2,000 USD while minimum wage is 160 USD. On the other hand, Kenya, and DRC, which has lower per capita GDP, has a higher wage ratio. However, Ethiopia, Nigeria, and Cameroon's minimum wages are around 100 USD and not considered high overall. Per capita GDP of Bangladesh and Myanmar is lower than Kenya, Côte d'Ivoire and Ghana, but the wage of unskilled labour is in the same level with Cameroon whose per capita GDP is around 1,000 USD. Their minimum wage is lower than Zambia with the lower per capita GDP.

2) Labour Management and Human Resources

DRC's labour system emphasises the protection of workers' rights. Accordingly, it was pointed out that employers need to go through number of careful steps before firing an employee.

It should be considered that not only wages, but also the productivity and skill level of workers impacts on the overall labour cost. It is possible to secure unskilled workers, but difficult to find skilled personnel and managerial personnel in many of the target countries (e.g., Ethiopia, Rwanda, DRC, and Ghana). On the other hand, in other countries, limited employment opportunities for those with higher education force them to stay in the unskilled labour with lower wage and other measures (e.g., Cameroon).

Some countries have the policy of limiting the employment of foreigner in order to promote the employment of their own citizens. Some countries may impose the local contents requirement for the mining and manufacturing industries to push hiring local workers (e.g., DRC).

3) Human Resource Development

Many countries carry out vocational training to improve capacities and skills of workers. However, these trainings are often evaluated as not meeting investor needs. Addressing such situation, Rwanda sets numerical targets for human resource development in focal areas and provides students such supports as scholarships to obtain degrees. When promoting a company to invest in Kigali Special Economic Zone, the governmental agency provides training required by the company as a part of the incentives.

[10] Business in Cameroon, "Cameroon to increase minimum wage from 28,000 to 36,270 FCFA" (http://www.businessincameroon.com/public-management/2207-4959-cameroon-to-increase-minimum-wage-from-de-28-000-to-36-270-fcfa)

DRC and Kenya have a system to collect levies from both employers and employees for training. The fund can be utilised for skill trainings for employees. The company receiving vocational training by the national vocational training school using the fund in DRC appreciates the service. However, the effectiveness of these funds and training services on human resource development needs to be thoroughly examined in light of the relatively high ratio to the salary (The total cost shared by the employer and the employee is 12.5% of the salary).

In the mid- to long-term, the productivity increase is indispensable regarding the high wage relative to the degree of economic development. At the same time, the labour policy should be also reviewed to adjust the labour cost and actual productivity.

(2) Electricity

1) Cost and Quality of Electricity

Power tariff in Morocco, Kenya, Côte d'Ivoire, Nigeria and Ghana are relatively high, with more than 10 cents per kWh. In addition to this charge, other charges such as monthly basic charges and taxes may be applied to depending on the country. The tariff in Myanmar and Bangladesh are at similar levels (see table below).

Table 3-12 Comparison of Power Tariffs in African and Asian Cities

Region	Country	City	Electricity
			Large Business Users (per 1kWh)*
North Africa	Morocco	(Casablanca)	0.16-0.19
	Egypt	(Cairo)	0.03-0.05
East Africa	Ethiopia	(Addis Ababa)	0.015
	Kenya	(Nairobi)	0.07+ unit price per 1A
	Rwanda	(Kigali)	0.11
Southern Africa	South Africa	(Johannesburg)	0.04-0.05
	Zambia	(Lusaka)	0.025-0.068
Central Africa	DRC	(Kinshasa)	0.06
West Africa	Côte d'Ivoire	(Abidjan)	0.09-0.24
	Nigeria	(Lagos)	0.18
	Ghana	(Accra)	0.13
Asia	Bangladesh	(Dhaka)	0.10-0.13
	Vietnam	(Hanoi)	0.07
	Myanmar	(Yangon)	0.06-0.11

Source: Based on JETRO website "Comparison of Investment Related Costs" (surveyed in the period between December 2015 to January 2016) project data from interviews, and IPA documents.
Remarks: Underlined sections are tariffs higher than 10 cents per 1kWh. Basic charges and taxes such as VATs may be charged in some countries.

A key factor in power supply is the reliability. While the tariff may be low, according to the survey findings, power supply is unstable (e.g., Ethiopia and DRC). The frequency of blackouts, losses from these blackouts, and the ratio of companies owning generators are far above the average in Nigeria although the data compared may be based on the survey in different years and not all the data is from recent years. DRC's power outage frequency is at the same level as Myanmar, which is known to have major power supply issues. The economic impact of outages also cannot be dismissed. At first glance, Ethiopia's situation seems to be similar to or even slightly better than other African countries, but when compared to Vietnam, it has more outages and longer outage periods. The absence of recent data from Cameroon limits analysis, but according to the interviews, some companies pointed out the quality and price of electrical power as issues.

Table 3-13 Power Outages in Asian and African Countries

Region	Country	No. of Outages Per Month	Length of Time Per Outage (Hour)	Economic Impact of Outages (Percentage of Annual Sales, %)	Percentage of Businesses Using Generators by itself or by sharing (%)
East Africa	Ethiopia (2011)	5.6	7.8	2.6	40.6
	Kenya (2013)	6.3	5.6	5.6	57.4
	Rwanda (2011)	4.0	4.3	2.6	48.8
Southern Africa	Zambia (2013)	5.2	2.8	7.5	27.3
Central Africa	DRC (2013)	12.3	5.6	6.2	59.5
	Cameroon (2009)	9.8	2.8	4.3	34.8
West Africa	Ghana (2013)	8.4	7.8	15.8	52.1
	Nigeria (2013)	32.8	8.0	10.8	70.7
Asia	Myanmar (2014)	12.5	10.3	2.1	75.7
	Vietnam (2009)	1.0	3.3	1.1	34.8

Source: JICA Project team, based on World Bank Enterprise Survey
Remarks: Survey year is shown in parentheses after country name.

2) Measures to Improve Access to and the Quality of Electricity

Power sector infrastructure has been developed with financial assistance from donors, international organisations as well as private investment. Notably, institutional arrangement for power generation by Independent Power Producers (IPPs) has been developed in many countries to encourage the entry of private sector. In almost every target countries, PPP projects have been conducted in the power sector. However, there are many issues regarding procurement and contracts negotiation. Further development of legal system and capacity of officers in charge may be necessary.

Major power generation projects utilising renewable energy and other new resources are found in the target countries. Some of them are hydro power generation in DRC and Cameroon, geothermal power generation in Ethiopia and Kenya, wind power generation in Kenya, and methane gas and biogas power generation in Rwanda. The private sector is taking the lead in utilizing renewable energy. There are also efforts to improve generation, transmission and distribution capacity. East African countries have started the East African Power Pool to develop international grids and international transmission networks connecting large-scale generation facilities. The power generated by the under construction large-scale hydro generation plant in Ethiopia is planned to be traded internationally.

(3) Logistics

1) Logistics Cost

The comparison of international transport costs is shown in the table below. It lists the cost of transporting a 40 feet (ft) container from the Port of Yokohama, Japan, to the cities' nearest ports. Additional inland transportation charges must be considered in cases where the main ports are far from cities. In case the distance between the nearest international ports to the country's capital or economically major cities are more than 300km away from the capital cities or the country's economic centres, it is marked with "○".

Table 3-14 Trade Logistics Costs in African and Asian Countries

Region	Country	Capital or Economic Centre Cities	Logistics	
			International Sea Freight	Distance from the Capital or Economic Centre Cities to the Nearest Port is Greater than 300 km
North Africa	Morocco	(Casablanca)	4,185	
	Egypt	(Cairo)	865	
East Africa	Ethiopia	(Addis Ababa)	3,700	○
	Kenya	(Nairobi)	4,478	○
	Rwanda	(Kigali)	4,788	
Southern Africa	South Africa	(Johannesburg)	2,200	○
	Zambia	(Lusaka)	2,200	○
Central Africa	DRC	(Kinshasa)	8,000 - 8,500	○
	Cameroon	(Douala)	4,200	
West Africa	Côte d'Ivoire	(Abidjan)	4,396	
	Nigeria	(Lagos)	2,400	
	Ghana	(Accra)	N.A	
Asia	Vietnam	(Hanoi)	1,250	
	Myanmar	(Yangon)	2,000	
	Bangladesh	(Dhaka)	1,120	○

Source: Based on JETRO website's "Comparison of Investment Related Costs," (surveyed period from December 2015 to January 2016), project data from interviews, and IPA documents.
Remarks: The cost of transporting a 40ft container from Yokohama Port to the city's nearest port. Ethiopia: the sea freight from Yokohama to Djibouti. Kenya: From Yokohama to Nairobi including the inland transportation cost. DRC: From China (such as Shanghai) or Mumbai to Matadi. Zambia: From Yokohama to Durban (South Africa).

Since the table shows the freight for import from Yokohama, the rates tend to be higher for African countries than for Asian countries. For example, an export shipment from Nairobi to Yokohama costs 2,334 USD. The freight from any West African country to Europe is much lower. A freight from Côte d'Ivoire (Abidjan) costs 1,995 USD if the destination is Yokohama and 1,450 USD if it is Antwerp (Belgium).[11]

In some cases, the location of the economic centres are far from the nearest ports. In some cases, inland transportation costs exceed sea freight.

Table 3-15 Costs for Inland Transportation

Country	Route	Inland Transportation Distance	Inland Transportation Cost (per 40ft container, USD)
Ethiopia	Djibouti - Addis Ababa	790	1,600 - 3300
Kenya	Mombasa-Nairobi	530	1,000
DRC	Matadi - Kinshasa	330	2,000 - 3,250
Rwanda	Dar es Salaam-Kigali	1,400	4,000-5,000
Zambia	Durban-Lusaka	2,300	8,800

Source: JICA Project Team based on interviews for Ethiopia and DRC, Kenya: Shippers Council of East Africa (2015) East Africa Logistics Performance Survey, Zambia: ZDA (2015) Cost of Doing Business

11 JETRO website, "Investment Cost Comparison" (last accessed October 2017)

Comparable data of time required for international transportation was not able to collected, but some indicative data is shown in the table below. Due to geographical locations, the transport time from DRC to Europe is relatively short (15 to 45 days from Belgium to Matadi).

Table 3-16 Time for International Transportation in Ethiopia, DRC, and Kenya

Country	Sea Transportation		Inland Transportation	
	Embarkation – Nearest Port	Days	Route	Days
Ethiopia	Djibouti - Addis Ababa	15 – 21	Djibouti - Addis Ababa	10 – 60
DRC	Asia-Matadi	30 - 70	Matadi - Kinshasa	7 – 10
	-	-	Durban - Lubumbashi	8
Kenya	Asia-Mombasa-Nairobi (total)			15

Source: JICA Project Team based on interviews for Ethiopia and DRC, Kenya: Shippers Council of East Africa (2014) East Africa Logistics Performance Survey

While it was not fully clarified in the Project, the domestic transportation is also problematic as well. In the area of logistics, the development of infrastructure such as railroads, road systems, and ports is necessary. Railroad construction projects are currently underway in Ethiopia and Kenya. DRC received financial assistance to rehabilitate the railway system.

Inefficient operation of railroads and ports are also issues in many countries. In Ethiopia, shipping, forwarding, and dry port operations is exclusively done by a state-owned company. DRC has executed a privatisation of state-owned enterprises. However, those companies were left with inadequate financial strengths and capabilities. Therefore, they are struggling with securing private financing and strengthening institutional capacities. Rwanda has limited number of local trucking companies. It relies mainly on Tanzanian and Kenyan services for international logistics. Officials are aware of the need to foster local truck transportation services in order to facilitate quality control.

2) Efforts on Logistical Issues

Government efforts on the cost and quality of logistics are in the form infrastructure development for ports, roads, railways and logistics facilities, coupled with improvements to the nation’s capabilities to run and control these infrastructures. If using a PPP format, these projects become potential investment opportunities. This means that a private-sector entity would engage in a comprehensive program to develop, run and control the physical infrastructure or act as a contractor for such services. When developing the infrastructure via a public works initiative, the government should preferably do so in light of its own various policy objectives, such as industry promotion.

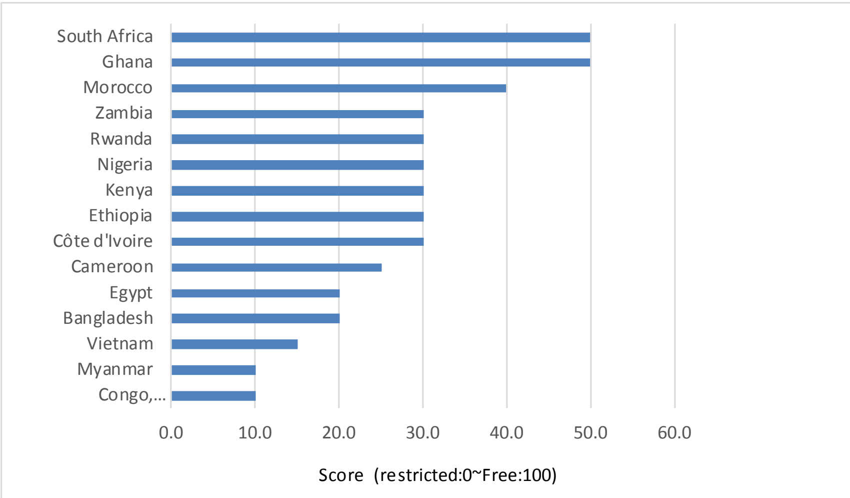
Some countries are reluctant about spending their national budget in the face of fiscal stress caused by sluggish commodity prices in recent years (e.g. Ghana). In this respect, local officials hope to see private-sector money plays a bigger role. However, in order to undertake Public Private Partnership (PPP) project, policy makers must: i) enhance the country’s legal system for the particular field as well as its public-sector procurement structure; and ii) build the capacity of government officials’ skills and knowledge such as in legal and financial affairs. Equipped only with only under-developed logistics and transportation sectors, each of these countries needs to foster its logistics industry members and reinforce their capabilities with the aim of lowering the nation’s transportation costs and meeting user needs flexibly.

Among the African countries, the inland transportation cost varies from one nation to another according to the location of a country and its trading partner. When importing from Asia, the freight costs to African countries are markedly higher than Asian countries. However, the costs between Europe may be much lower.

3.3.4 Governance Situation

The current situation of institutions and administrative procedures are highly influenced by governance situation. As previously indicated, issues with governance and the rule of law is a recognised risk factor for investment projects in Africa. The targeted countries are compared below using data from the Heritage Foundation's Index of Economic Freedom. Economic Freedom is measured based on quantitative and qualitative factors with the numerical indices on a scale of 0 to 100.

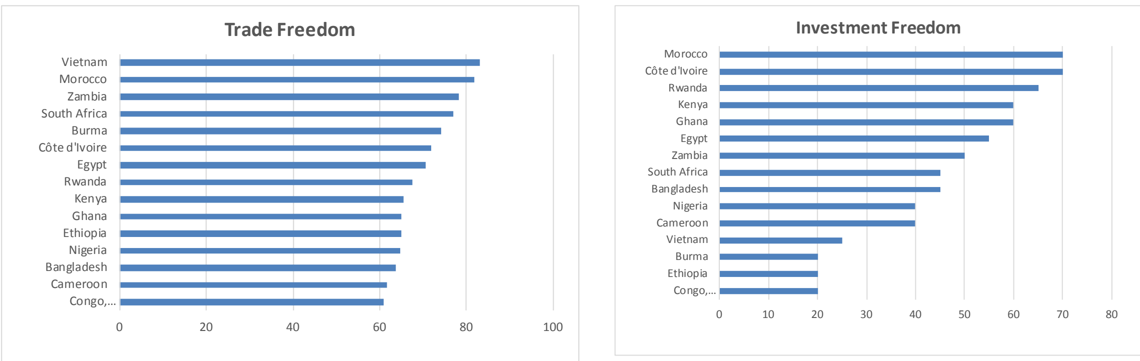
The figure below shows the private property right index. It measures the degree to which a country's legal system protect private property rights and the degree to which its government enforces those laws. While Asian comparators' scores are rather poor, African countries including the targeted countries fared relatively high with the exception of DRC.



Source: JICA Project Team based on Heritage Foundation Index of Economic Freedom 2016

Figure 3-4 Evaluation of Private Property Rights in Africa and Asia

The figures below are the scores for freedom of trade and investment, respectively. Zambia, South Africa, and Côte d'Ivoire marked a high rating of trade freedom with over 70 out of 100. For investment freedom, Côte d'Ivoire scored over 70, and Rwanda, Kenya, and Ghana each scored higher than 60. In trade freedom, no significant gap can be seen between African and Asian countries with the exception of Vietnam (83%). Investment freedom ratings were comparatively high in Africa, with the exception of Ethiopia and DRC.



Source: JICA Project Team based on Heritage Foundation Index of Economic Freedom 2016

Figure 3-5 Evaluation of Freedom of Economic Activities in Africa and Asia

There are some rooms of improvement for many African countries when it comes to the rule of law. However, the sores of African countries are actually higher than Asian comparators. As for economic freedom, DRC, with noted issues in governance, is consistently ranked low while Cameroon and Ethiopia also fared relatively poorly. However, other African countries are not necessarily with low scores.

3.3.5 Issues in Administrative Procedures

(1) Company Incorporation and Starting Business

1) Trend of Procedures for Company Incorporation

Company incorporation is a field covered by the international comparisons and ranking by the World Bank's Doing Business. Many countries take initiatives to improve the business environment, sometimes with support from International Finance Corporation(IFC)/World Bank and other development partners. Initiatives such as lowered minimum capitalisation amounts or the simplification of procedures through measures such as establishing an One-Stop Service (OSS) system are observed in many countries.

While establishing a company has thus become easier in terms of procedures, there are still cases where legal aspects cause issues. In a project in Ethiopia, an investor encounters difficulties due to being asked to submit explanatory documents not stipulated in the regulations when establishing a small- to medium-sized enterprise and renewing their annual business license. Some African countries seeks to facilitate the process by benchmarking the registration processing time against a plan. Some may specify the target number of days for processing in their service charter. However, there are cases where the process cannot be completed by the deadline (e.g. Cameroon).

2) State of Legal System Development for Establishing Companies

Clear rules and regulations on business procedures increases transparency and predictability of doing business. Such rules and regulations include those for establishing a company, creates increased transparency and predictability. This allows the operator to reduce time requirement, costs and the risk for processing regulatory and administrative requirement.

In a unique effort to establish the legal systems for doing business, French-speaking Central and West African countries an uniform set of laws on companies and commerce that were created by a common business law coordination agency called the Organization for the Harmonization of Corporate Law in Africa (Organisation pour l'Harmonisation en Afrique du Droit des Affaires: OHADA). DRC and Cameroon among the project's target nations are the member o OHADA. DRC improved the reliability of its legal system through joining OHADA. The country conducted a overhaul of laws established in the 1970s and adopted OHADA laws. As for its actual operations, however, DRC is faced with the challenge of limited capacity of its legal experts. It is also required to develop detailed operational regulations following OHADA laws.

In some African countries, there is no definition available for a "representative office" and a "branch" of a foreign company in their legal terms. A company investing abroad is bound to go through a process of setting up a representative office and liaison office before gradually developing a full-scale operational base, instead of direct investments from the onset. The actual office operation is subject to laws such as those on companies and commerce, making it necessary for the operator to conform to each of these laws. In Ghana, for example, although its companies act and income tax act do not stipulate the definition of representative office, it is defined in the Ghana Investment Promotion Centre Act (the "GIPC Act"), a law on investment promotion. In DRC and Cameroon, the Central and West Africa unified business laws and the company act under OHADA is applied. However, there are no regulations on establishing representative offices. It is possible to establish them, but there is a risk caused by unclear status of the representative offices when the company has to deal with such issues as taxation.

In Kenya, a new the Companies Act came into force in November 2015. The new act had an additional restriction which requires a branch of a foreign company to have at least 30% of stockholders to be Kenyan citizens. It was recognised as difficult by the business community in Kenya. The government also expressed the same view. Consequently, the decision was made to remove the condition. During this period, there was confusion in the Office of Registrar General, with registration of new branch openings being halted.

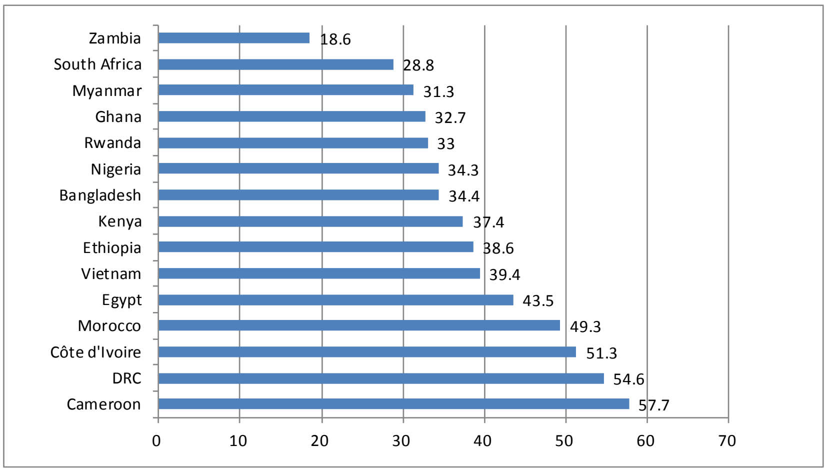
3) Efforts on Issues for Establishing Companies

Although the World Bank's Doing Business helps many African countries to take actions for simplifying various procedures for establishing companies, it is still necessary to define different types of companies and to ensure their consistency among the laws related to issues such as company, commerce and tax. It should be also noted that the necessity of consultation and information dissemination upon the amendment of the laws and regulations.

(2) Issues in Taxation

1) Tax rates

The World Bank's Doing Business compares the ratio of total tax rates (corporate income tax, employer portion of social security tax, property tax, etc.) to profits across economies (see figure below).



Source: JICA Project Team based on World Bank Group Doing Business 2017

Figure 3-6 Comparison of Ratio of Tax to Profit in Africa and Asia

The figure above shows that the DRC, Côte d'Ivoire, and Cameroon impose taxes over 50% of corporate profits. Zambia and South Africa's ratios are lower than those of Asian countries, with less than 30% whereas many others impose higher than 30%. However, it should be noted that these ratios do not include such taxes as value added tax (VAT).

The burden of tax procedures is especially evident in DRC. Numerous authorities claim taxation power, and private companies are imposed numerous taxes and levies which are said to exists 200 to 300 types. Interviews revealed that any changes on taxation such as the establishment of new taxes and changes in tax rates are not well informed to the private sector business operators. Businesses must hire tax specialists to keep track the changes and to deal with the tax issues. Although the situation may not be as severe as in DRC, decentralization allows each county to collect taxes, creation of new taxes at the local government level in Kenya. The new taxes and levies are now a significant business problem in Kenya. Another example of unpredictable introduction of changes may be observed in Kenya. The changes announced at the time of the Budget Speech for Fiscal Year of 2016/2017 on the excise tax on some commodities such as automobiles, and cosmetics. In this case, this change was implemented from the following day of the announcement. There was criticism that the actual state of the domestic market and industry was not sufficiently considered when the changes were introduced. Proper consultation and even the time period for industries to adjust to the changes were not undertaken. Eventually, the government was forced to reconsider for making further amendment.

2) Procedures for Paying Tax

Many issues have been pointed out in the area of tax payment, including problems of valuation and time-consuming tax inspections. Such problems not only exist in targeted countries but were also reported in some African countries (see Table 3-10).

The main issues were unclear rules, poor disclosure of information, and cumbersome procedures for payment. DRC and Cameroon are now providing one-stop services for basic national taxes (income taxes, VAT), employment taxes (payroll taxes withheld from employees' salaries), customs duties, and fees for processing administrative requirements. However, interviews in DRC revealed that businesses still spend an enormous amount of time and expense for other numerous tax procedures, such as frequent inspections, demands to correct assessed values, and payment of penalty taxes for violations.

Issues in Ethiopia include poor over-the-counter tax services, unclear procedures concerning valuation and tax inspections, bureaucratic run-arounds, and divergence of views between businesses and tax personnel. In Rwanda, local experts have raised issue of the knowledge and skill levels of the country's tax officials.

The underlying factors of such problems are the insufficiency of rules, or limited transparency in existing tax regulations, and capacity issues on both the authority and business sides. According to the JBCTIF, as reported in Table 3-10, the quality of private taxation consultants in some countries is not satisfiable. Therefore, there are cases introduced that the business encountered problems in dealing with tax issues[12]. While Ethiopia supports the development of human resources in the revenue service with assistance from the World Bank and IFC, with the service's high turnover rate, positive effects may be limited. In Rwanda, the certified public accountant association is engaged in awareness raising activities. Addressing this issue will require local experts to not only streamline the system but also develop professionals who are well-versed in the accounting and finance of both government and private-sector entities while subjecting such professionals to further training in practical situations. To this end, the skills of professionals across the sector has to be reinforced even it may take a long time.

3) Efforts on Tax System and Procedure Issues

Issues cited for tax procedures and laws in African countries include the problems of tax rates and the complexity and ambiguity of laws, coupled with procedural complicatedness. Lying behind this situation are challenges such as: (i) pressure for tax collection as a means of securing revenues for each government; (ii) aggressive tax collection practices due to a narrow scope of taxation targets, which is attributable to the fact

[12] JBCTIF (2016)

that "informal" sectors are proportionately smaller than "formal" sectors in African countries; (iii) a system that leaves room for arbitrariness on the part of tax office officials; (iv) their skill levels; and (v) insufficient skills of private-sector entities. Measures to deal with these challenges consist of efforts to reform the tax system on a long-term basis through gradually widening the scope of entities subject to taxation while lowering corporate tax rates and clarifying tax-related legal system and operational regulations.

As for the clarification of rules, the proposed development of each country's accounting system itself is among the challenges cited. While companies in DRC are supposed to refer to the OHADA laws as discussed earlier, multi-national companies (such as mining firms) have a separate accounting standard that follows their home country's requirement. Companies in some sectors are obligated to migrate to international accounting standards instead of obeying the OHADA rules. A comparable situation can be found in Cameroon, another OHADA member state.

In addition to clarifying the country's legal system, moving to simplify and streamline procedures will represent a key step toward lowering costs and risks, such as those related to corruption. Cameroon have shifted to the one-stop tax payment. In Kenya, tax reporting and payment system has been migrated to electronic tax reporting. While such improvements in scheme and operational control system will serve their purposes, it would be essential to simultaneously foster professionals specialised in tax affairs and accounting in order to properly operate the systems.

(3) Issues in Trade-Related Procedures

Issues in trade-related procedures create a heavy burden on investors in conjunction with issues in international logistics infrastructure (discussed subsequently). Especially prominent are issues related export and import procedures and customs clearance procedures.

1) Burden of Export and Import Tax Procedures

Tariffs are one of the costs for international trade. The average rates of most favoured nations (MFN) tariffs and Regional Economic Communities (REC) or Free Trade Agreements (FTA) tariffs are compared below. The table shows that the average MFN tariff rates of sample countries are not particularly high.

While Vietnam's rates are relatively low, ASEAN Free Trade Area's rates are even lower at 1.9%. As Vietnam and Egypt are members of several other bilateral and multilateral FTAs and Economic Partnership Agreements (EPA), tariffs between major trade partners are kept remarkably low. Meanwhile, average rates within the REC in Kenya and Zambia are also strikingly low.

Table 3-17 Average Tariff Rates of African and Asian Countries

	Country	MFN Tariff Rates (%)	RECs and FTAs
North Africa	Egypt	16.8	FTA with EU, COMESA
East Africa	Ethiopia	17.4	COMESA
	Kenya	12.6	EAC, COMESA
	Rwanda	12.8	EAC, COMESA
Southern Africa	Zambia	13.9	SADC, COMESA
Central Africa	DRC	10.9	ECCAS, COMESA
	Cameroon	18.2	CEMAC, ECCAS, FTA with EU
West Africa	Ghana	12.9	ECOWAS, FTA with EU
Asia	Bangladesh	13.9	SAFTA, APTA
	Vietnam	9.5	ASEAN, FTA with Japan, Korea, and Chile

Source: JICA Project Team based on data of WTO.
Remark: The MNF applied simple average. SAFTA: Southern Asian Free Trade Area、APTA: Asia Pacific Free Trade Agreement.

Other significant taxes besides tariff costs are port charges and VATs. Some countries may impose separate taxes on imported goods. For example, Kenya charges the Railway Development Levy on the import to support funds for the construction of standard gauge railway. DRC collects Funds for the Promotion of Industry (FPI) charges and local taxes. While the adequacy of specific taxes (or rates) is a complicated discussion, it is essential to make sure the accountabilities of the expenditure using the collected revenue.

2) Current Situation of Trade-Related Procedures

All targeted countries and expert-dispatched countries have introduced electronic customs clearance systems. Many countries have also adopted single window systems to streamline trade-related procedures. However, single window systems require computerisation and integration of multiple relevant agencies' procedures. For this reason, most countries are struggling to establish and operate such systems in practice[13].

Issues concerning import procedures were especially significant. The problems pointed out in targeted countries are shown below.

Table 3-18 Issues in Administrative Processes for Import of Goods

Issues in Investment Promotion	Detail of Issue	Countries with Issues
Import Procedures	Cumbersome in general. Various procedures, documents, and taxes involved including pre-shipment inspections (see below).	Ethiopia, DRC, Kenya, Cameroon
Pre-shipment Inspection	Time consuming and costly.	DRC
	No customs valuation with pre-shipment inspection, leading to HS Code manipulation. Inspection standards are high and difficult to clear.	Kenya

[13] The countries with operating single window systems are Kenya, Ghana, Cameroon, and Rwanda. Ethiopia and DRC are in the preparation phase. Interviews with logistics and customs clearance contractors revealed that while Kenya has established KenTrade, integration has not progress further as planned. In addition, work is proceeding on establishing an electronic single window system in Cameroon. So far, the single window in Cameroon simply means that the separate desks of authorities related to import/export procedures are set up in one building. Therefore, users have to visit all necessary windows individually. Therefore, it has been pointed out that this does not lead to practical system integration or the simplification of procedures.

Issues in Investment Promotion	Detail of Issue	Countries with Issues
Processing Capacity of Customs Clearance	Cargo congestion due to low processing capacity of the customs houses.	Ethiopia
	High rate of categorised as "high-risk", resulting in stricter inspections.	Ethiopia, DRC
Inspection of Customs Value	The reference value for valuation held by customs is set higher and businesses are required to correct the declared value upon customs clearance. The explanation process results in more time and costs. High taxes are common, due to difficulty in reversing customs value.	DRC, Ethiopia, Cameroon
Electronic Customs Clearance Systems	Slow processing due to frequent crashing of electronic customs clearance systems. (However there were also mentions of improvement in this area)	Kenya
Foreign Exchange	Foreign exchange allocation is strictly regulated and processes such as opening L/Cs are time consuming. The wait time for foreign exchange strongly influences the lead time for import.	Ethiopia

Source: JICA Project Team based on data from surveys and interviews.

Pre-shipment inspections conducted at the point of embarkation are time consuming and costly. On the other hand, in DRC, where inspections are carried out by certified foreign companies, there seems to be some advantages in having fewer complaints at the customs clearance on such issues as valuation and HS code selection. However, Kenya is said to employ stricter criteria, making it more difficult to clear inspections. In Cameroon, an issue was raised about the fact that business operators are required to submit additional documents when importing any product model for the first time, making it a time-consuming process. For issues concerning customs values, many businesses claimed that even with computerisation, which enables automatic checking of customs values, they are required to pay higher taxes or take time aside to consult with authorities.

The burden is somewhat reduced in the area of export. However, in Ethiopia and DRC, prior quality inspection and exporter registration are required for coffee, which is an important cash crop.

3) Efforts on Trade Issues

As for trade procedure-related challenges, an issue was raised in the Project's target countries about the cumbersome practice of pre-shipment inspections[14]. Overly demanding inspection requirements aimed to protect consumers in the domestic market is causing potential obstacles to trade. Meanwhile, with regards to a free trade area (FTA) and tariff alliance in REC, local standards for quality certification and the approval procedures must be coordinated to be uniform before unifying control over products flowing in to or being distributed throughout the area. It is necessary to deliberate schemes in consideration of: (i) industry promotion and consumer protection in each country; (ii) coordination and standardisation in RECs; and (iii) conformity with the international rules such as those of WTO.

Various trade-related procedures including information dissemination, documentation, and payment are now streamlined and integrated in a single window.

As for African countries' trade procedures, we have seen various issues raised about their tariff-related operations. Many countries in the region are seeking to streamline such operations by using an automated

[14] No pre-shipment inspection is required in some African countries (e.g. Rwanda).

risk management scheme and a post-event valuation system. Meanwhile, the cause of the problems related to tariff valuations may be found in other issues such as the tax collection pressure on local tax officials and the knowledge and experiences of the tax official. Not only the legal system development but also the organisational and human resource capacity building of the governments' revenue collection functions is also necessary.

African countries have been allowing simplified tax and customs clearance procedures and exemption for the certain targeted industrial sectors. It is the part of their effort for the promotion the sectors. The targeted business operators are those in export processing zones and free zones. Ethiopia introduced the customs bonded arrangements and voucher schemes as a means of promoting export. However, local entities are not using these schemes frequently due to the complicated tasks involved and the cumbersome procedures. Thus, local authorities should preferably review and improve procedures for the better utilisation of the schemes.

(4) Acquisition and Registration of Land

1) Information Management of Land Ownership and Registration

Many of the Project's target countries do not allow foreigners to have land title. Foreign investors secure the land by entering into a long-term lease contract. Some of the target countries have a complicated land system with multiple types of ownership as communal and traditional land in addition to a government-owned land and private lands. The surveys and interviews in the Project revealed that the land transactions are regarded as difficult in many target countries.

Some African countries (e.g. Cameroon) manage the registered land related information by paper-based system. This situation causes further problems of difficulties in information management causing inaccuracy and inconsistency. Some countries (e.g. Rwanda and Kenya) introduced an electronic data management system for land registration for issuing valid certificates of registration and expediting the process.

2) Issues for Prompt Securement of Operational Site

IPAs of some African countries have the service to provide investors information on the available land. However, due to some problems such as the necessity of cooperation with various government entities, the services are not fully utilised. Land in Ethiopia is under the control of provincial governments. Therefore, assistance by EIC, the national IPA, does not go beyond issuing a letter of introduction to the Agricultural Investment Authority, another national body with a land bank for farm lands. In Ghana, GIPC, an IPA, has a land bank function to matchmake the land owners and those seeking land. However, GIPC is not active to provide serviced as their mandates do not cover such process as transfer of land ownership.

3) Action to Address Land Transaction Issues

For an investor who requires a large operational site, it is important to be able to secure an appropriate work space swiftly. The long- term protection of property right is important even in the case of lease hold. A legal system for land ownership are the basis to create the environment to realise such arrangement. However, while many African countries have already begun to work on for facilitating the land management system, it is a challenging task as it involves various issues as traditional land ownership.

Based on the clear rules and regulations, land management may be streamlined through the introduction of e-based land registration. It can strengthen information management capacity and streamline procedures. In case of difficulty in identifying the private land, the government land can be developed with the public or private initiatives to ease the access to quality industrial land.

(5) Foreign Exchange and Remittance

As for challenges to foreign exchange and remittance in this Project's target countries, a notable issue was raised in Ethiopia. Ethiopia restricts foreign currency-based capital transactions. Even the current transaction is restricted where only limited foreign currency are allocated against the application depending on the amount of foreign currency held by the applicants. Moreover, some transaction may take longer time depending on the banks' foreign currency position Some banks require the applicant deposits, designated process for banks' internal review for opening a letter of credit (L/C) for importation. The amount of foreign currency which can be held is also restricted. Even the exporters with the foreign currency income only allowed to hold 10% of the income in foreign currency after a month: 90% of its foreign currency income has to be converted to the local currency. Ethiopia also imposes cumbersome procedures for foreign remittance.

DRC has no restrictions concerning foreign currency holdings other than an obligation to hold at least 40% of its mining sector revenues. Some countries (e.g. Zambia) were feared to impose new restrictions on foreign currency acquisition in response to sluggish resource prices and international commodities. In other countries, however, no issues were particularly pointed out during the term of this Project.

(6) Immigration Control and Issuance of Work Permits

1) Status of Immigration Control and Issuance of Work Permit

For a foreign company, it is important to obtain work permits for their foreign staff members without difficulties. Some African countries were found to give preferential treatment on provision of work permits to foreign companies based on the fulfilment of the certain conditions and the conditions may be, for example, the amount of the paid-up capital. It is a part of the policy measures for foreign investment promotion (e.g. Kenya, Rwanda, Ghana, Zambia). As employment creation is a critical policy issue, some companies imposes burdens for issuance of work permits. Some oblige the applicants of foreign workers' permits to submit the explanation on the non-availability of workers with the specific skills in the country. Some may require the submission of the plan of changing the foreign workers to domestic workers.

DRC imposes a high tax on the income of foreign expatriates and workers dispatched from company headquarters based abroad. This kind of arrangement put double burdens of the tax as well as the difficulty in sourcing the technical personnel. In fact, it is difficult to secure technical and managerial personnel in DRC.

In Ethiopia, the problems on inconsistency of necessary documents instructed by the immigration officers and time required for processing are pointed out. The screening of the application also become problematic without the consensus of understanding on the rules and regulations.

2) Efforts of Mitigating Problems Related to Immigration Control and Issuance of Work Permit

Issues related to immigration control and work permits are not only related to the problems of procedures, but liked with employment and industrial policies of each country. On the other hand, some investors raise the problems of inconsistency in the procedures due to the officials' discretion and arbitrariness. While the social and industrial development policies should be observed, policy measures should be considered to ensure the foreign investors' access to the technical and skilled human resources which is not accessible in the domestic labour markets. It is important from the aspect of securing the efficiency of investors' business and possible technical improvement brought with the foreign investment. The non-fiscal incentives of granting certain number of work permits may be one option. The issue of administrative procedures may require the clarification of rules and information dissemination, streamlining of the process and introduction of e-based process.

3.3.6 Summary of the Evaluation of Investment Climate for Foreign Investors

According to the review of the situation mainly in the Project target countries, the efforts on improvementof investment climate have been made as a result of efforts to improve the business environment in line with the World Bank Group's Doing Business indices. However, it should be also noted that the many critical problems are identified in the areas which are not captured by the World Bang Group's Doing Business. These problems include the issues impacting especially on the foreign investors such as tax, trade-related process, and getting work permits. Some can be the problems affecting the private sector operation as a whole. Among these problems, power, logistics and other infrastructure issues can be raised as a root cause of high production and operation costs. The problems are not only caused by the insufficiency of infrastructure development, but by the quality of operation and management.

While the labour cost is a critical determinant of the location of labour-intensive industries, some countries' wage level is not necessary high, but rather in the same level with those of Asian countries. Despite the problems of quality of human resources and other cost factors as logistics costs, some areas are engaged in the labour-intensive industries as garment utilising customs preferential treatment as AGOA which cancel some costs.

3.4 Current Situation and Evaluation of Investment Promotion Policies

3.4.1 Overview of Investment Promotion Policy Evaluation

The investment promotion policies is analysed from three aspects: (i) basic institutional framework for formulating environment to accept foreign investment and to reduce the risks incurred by the investment, (ii) incentives for investors which also ack to cancel negative impact of investment environment issues, and (iii) process to formulate investment promotion policies. The analysis also considers the issues raised in the OECD's PFI as aspects to be captured in investment policies and investment promotion policies. Particularly, (i) reviews the approaches to improve transparency of the regulatory and administrative process, investor protection, and the degree of discrimination of foreign investor. Incentives and benefits are reviewed in (ii). Furthermore, a policy development process is reviewed in (iii) considering the coherence and consistency of investment promotion and related policies, and participation of private sectors.

3.4.2 Outline of the Industries Considered to be Priority Areas

The table below outlines the industries considered to be priority areas in investment promotion. The industries were raised in the each country's investment promotion policies as industries granted incentives or as investment opportunities introduced in the websites of investment promotion agencies (IPAs).

Table 3-19 Priority Areas of Investment Promotion in Africa and Asia

	Agriculture	Mining	Manufacturing	Construction	ICT	Tourism	Energy	Infrastructure	Finance	Real Estate	Environment	Forest	Health	Hydro-carbon	Transportation
Morocco	○		○		○	○					○				○
Egypt	○	○	○	○	○	○	○			○			○		○
Ethiopia	○		○	○	○	○	○	○							
Kenya	○		○	○	○	○	○	○	○		○				
Rwanda	○	○	○		○	○	○	○	○	○					
DRC	○	○	○	○	○	○	○	○		○		○			○
Cameroon	○	○	○			○			○			○		○	
Côte d'Ivoire	○	○	○	○			○							○	
Ghana	○	○	○			○	○					○	○	○	
Nigeria	○	○	○		○	○	○		○					○	○
Zambia	○	○	○			○	○	○							
South Africa	○		○		○	○		○			○			○	
Bangladesh	○		○		○		○						○		
Myanmar	○	○	○	○		○	○	○		○		○		○	

Source: JICA Project Team based on websites of IPAs

All of the listed countries named agriculture and manufacturing as priority areas, while tourism and energy were prioritized by many as well. Meanwhile, few countries mention finance, real estate, health, transportation, and service (such as retail) industries as priorities. The survey revealed that some countries have barriers in entering the Ethiopian distribution industry (transportation, wholesale/retail). Areas prioritized for foreign investments are in many cases areas with higher expectations for capital inputs and technology transfers.

3.4.3 Evaluation of Legal Systems and Policies for Investment Promotion

The table in the following page summarises the overview of investment laws of surveyed countries and countries where experts were dispatched among the targeted countries. The outline of legal systems for investment promotion, non-discrimination, investor protection and related items, and incentives for investment promotion of each country are summarised in the table.

(1) Non-Discrimination

There are two groups of countries within the targeted countries in terms of non-discrimination of foreign investors: (i) countries that oblige registration and approval of investment for foreign investments (Ethiopia and Ghana), and (ii) countries where only the investors willing to access to the incentives apply for the approval (Kenya, Zambia, DRC, Cameroon, and Rwanda). For the latter group, a minimum paid-up capital may be set for registration and approval for receiving incentives. In such cases, the minimum paid-up capital amount tends to be higher for projects run only by foreign investors than joint ventures with domestic businesses or domestic investors projects. Some sectors are restricted for foreign investors. Often, communication and transportation restricts the entry of foreigners. Some sectors as mall-scale retail may be on the negative list for foreign investors in order to protect domestic micro, small and medium-sized enterprises.

Ethiopia have both positive and negative lists for the foreign investors. Some areas are only allowed for state-owned enterprises. As seen in the case of Zambia, some countries does not have an extensive negative list, but actually the foreign investors may be treated differently from the domestic players with the additional requirements for licensing specific to some industries.

(2) Investor Protection

There are many risks involved in investing in Africa. While individual issues of infrastructure and administrative procedures must be dealt with, legal system of investor protection can help to address issues such property rights, national expropriation, and conflict settlement.

As a part of investor protection, all target countries participate in the international framework of investor protection at the time of conflict with the States. The countries are the member of New York Convention, for a framework for arbitration of international commercial conflicts, the International Centre for Investment Disputes (ICSID) based on treaties related to investment conflict resolution between states and investors, and the Multilateral Investment Guarantee Agency (MIGA) that provides investment guarantees.

In addition, investor protection is reinforced by bilateral investment treaties (BITs). Many European countries such as Germany, France, Switzerland, and the Netherlands have BITs signed with African countries. In many cases, investor protection is promoted by individual BITs. In the targeted countries, Ethiopia stands out for having many BITs signed or ratified with other countries. Japan has concluded investment treaties with Kenya, Mozambique, and Egypt. Furthermore, consultations, including preliminary negotiations, have been initiated with Ethiopia, Zambia, and Ghana[15].

Investment laws and investment promotion laws may protect investor property rights by prohibiting national expropriation of assets by the state. There is insufficient data concerning intellectual property rights. Although the countries are members of the World Intellectual Property Organisation (WIPO), their involvement in individual treaties varies widely among the participating countries. Therefore, issues are likely to exist in regulations within the country and in implementation systems for conflict resolution.

(3) Approaches for Improvement of Transparency for Better Business Environment

Sixteen French-speaking countries of Central and Western Africa have formed the Organisation for the Harmonisation of Business Law in Africa (Organisation pour l'harmonisation en afrique du droit des affaires: OHADA) and applied laws and regulations in areas related to business laws as domestic laws. OHADA has established a common court of justice and arbitration in Abidjan, which allows decisions to be made by the common court when arbitration based on the state's judicial decision cannot be accepted. Among the surveyed countries, DRC and Cameroon are OHADA member states. Although improvement of transparency is expected by the development of common legal systems, there are issues in enforcing them such as establishment of detailed rules for operation in each country and human development in judicial fields. Continued efforts by these countries are required to produce effects domestically.

There were some other examples to enhance transparency. For example, the process for granting incentives is clarified through establishing rules and regulations (e.g. the 2015 Investment Code of Rwanda). Creation of supplemental guidelines may be also done (e.g. the guideline for strategic investment in Ghana). However, in the target countries, the concerns on the transparency were still identified in such areas as tax payment and other administrative procedures as well as the provision of incentives.

[15] See information materials of the Ministry of Foreign Affairs for relevant countries in the website of the Ministry of Economy, Trade and Industry (http://www.meti.go.jp/policy/trade_policy/epa/index.html).

Table 3-20 Overview of Legal Systems Concerning Investment in Africa and Asia

Country	Outline of Legal Systems for Investment Promotion	Minimum Paid-Up Capital	Entry Restriction for Foreign Investors	Non-Discrimination	Investor Protection	Bilateral Investment Treaties
Ethiopia	Proclamation on Investment (No.769/2012), Proclamation to Amend Investment Proclamation (No.849/2014), Council of Minister Regulation on Investment Incentives and Investment Areas for Domestic Investors (No. 270/2012)	Foreign Investment: 200,000 USD Joint ventures with domestic capital: 50,000 USD	A mixture of negative list and positive list. Categories not on the positive list and restricted to private sectors and foreign investment are: postal service, power transmission/distribution, air passenger transport, weapons manufacturing, communications, cash crops (trade of coffee and oil seeds), wholesale/retail, banking, insurance, broadcasting/mass media, and logistics such as packaging/forwarding.	Fairness of negative/positive lists, minimum capital amount, and foreign investment is far from satisfactory, most likely resulting from selective handling based on investment amounts and priority in industry promotion policies. Business and donor interviews revealed difficult cases of investment approval processes for small and medium sized company projects. New investment launches are relatively straightforward, although additional investments and expansions are difficult at times. The time period of incentives varies by location, industry, and export ratio.	Proclamation on Investment cites compensation and methods for compensation in case of asset confiscation or nationalization. A member of ICSID and MIGA.	Algeria, Australia, China, Denmark, Egypt, Finland, France, Germany, Iran, Israel, Italy, Kuwait, Libya, Malaysia, Netherlands, Sudan, Sweden, Switzerland, Tunisia, Turkey, Yemen *Countries signed but not ratified: Belgium/Luxembourg, Equatorial Guinea, India, Nigeria, Russia, South Africa, Spain, UAE, UK.
Kenya	Investment Promotion Act (Cap. 485B, 2004) sets rules for investment approval, incentives from investment approval, and the Kenya Investment Authority. In laws such as the Foreign Investment Protection Act (Cap. 518) and Company Ordinance which define the authority of investors, the authority of IPAs and significance of investment approval has weakened, as decentralization has led to virtual investment approvals with single business permits issue by the counties. For investments in export processing, export processing zones (EPZ) are established, which provides incentives such as tax breaks. They are specified in the Export Processing Zone Act (Cap. 517, EPZ ACT), and approvals are by the EPZ Authority.	No regulations for minimum paid-in capital. When obtaining permission under the investment promotion law, minimum paid-in capital is 100,000 USD.	Foreign equity restrictions in insurance, communications, and aviation.	With the exception of investment ratio regulations in specific industries, restrictions for domestic and foreign investment are little to none.	The Foreign Investment Protection Act cites restriction of confiscation and nationalization. A member of ICSID, NY Convention, and MIGA.	France, Germany, Italy, Netherlands, Switzerland, UK *Countries signed but not ratified: Burundi, China, Finland, Iran, Kuwait, Libya, Mauritius, Slovakia, Turkey

Country	Outline of Legal Systems for Investment Promotion	Minimum Paid-Up Capital	Entry Restriction for Foreign Investors	Non-Discrimination	Investor Protection	Bilateral Investment Treaties
Rwanda	2015 Investment Code (Law No.06/2015 of 28/03/2015 Relating to Investment Promotion and Facilitation) was enacted replacing 2005 Investment Code. The new law indicates the clear priority sectors and include the clauses on investor protection, investors' right. It also clarifies the procedures for granting incentives. In terms of the establishment of RDB as IPA, the annexed document covers.	Minimum paid-up capital (52,000 USD) required only when applying for the incentives to acquire work permits	Prohibits foreign investment in the area of arms/explosives, poisonous substances, and currency.	2015 Investment Code stipulates non-discrimination of domestic and foreign investors. There is no negative list for foreigners.	2015 Investment Code restricts expropriation and nationalisation. Member of ICSID、NY Convention, and MIGA	Belgium, Luxemburg, Germany, Korea, US *Countries signed but not ratified: Mauritius, South Africa, Morocco, Turkey
DRC	Investment Act (Law N°004/2002 21 February 2002 concerning the investment code) specifies incentives, IPA establishment, investment protection, and conflict resolution. However, investment approvals for mining, banking, and communication, are defined by other individual acts.	No regulations for minimum paid-in capital. When obtaining permission under the investment promotion law, minimum paid-in capital is 200,000 USD.	Prohibits foreign investment in the area of arms/explosives and small-scale retail. DRC restricts foreigners' access to agricultural land in agricultural concessions.	Regulates foreigners' access to agricultural lands in the agricultural sector.	The Investment Act cites compensation and methods for compensation in case of confiscation or nationalization, and methods for conflict resolution. A member of ICSID, NY Convention, and MIGA.	Germany, Switzerland, France, USA *Countries signed but not ratified: Belgium/Luxembourg, Egypt, Greece, Israel, Jordan, Portugal, South Africa, Switzerland, Italy, South Korea, China, Ukraine
Zambia	Zambia Development Agency (Amendment) Act (2010、2011、2012) (ZDA Act). Some industries (such as manufacturing, communication, health, finance, and medical) require licenses for operation. The ZDA Act defines fiscal incentive schemes in special economic zones.	No regulations for minimum paid-in capital. the minimum paid-in capital is as below: Only customs exemption for equipment import: 250,000 - 500,000 USD With tax benefits: No less than 500，000 USD	Restrictions for private sector entry into arms/explosives/weapons manufacturing, poisons, currency. None for FDI.	The ZDA Act cites the basic principle of nondiscrimination. However, incentive offers are dictated by investment amounts, and extremely high license fees are charged for foreign businesses in the operational process (in the construction sector).	The ZDA Act cites protection of investors' property rights. A member of ICSID, MIGA. NY Convention, UNCITRAL, and For projects no less than 10 billion USD, individual Investment Promotion and Protection Agreements are required.	Germany, Switzerland, France, Italy, Netherlands *Countries signed but not ratified: Belgium/Luxembourg, China, Cuba, Egypt, Finland, Ghana, Mauritius, UK

Country	Outline of Legal Systems for Investment Promotion	Minimum Paid-Up Capital	Entry Restriction for Foreign Investors	Non-Discrimination	Investor Protection	Bilateral Investment Treaties
Cameroon	The Law n° 2002/004 of 19th April 2002 instituting the investment charter provides that there is no discrimination between domestic and foreign and provides protection for investors, while Law N° 2013/004 of 18 April 2013 to lay down private investment incentives and the individual laws regulating mining industries for tax breaks. Investment permits are required for mining and hydrocarbon industries as stated in the separate laws.	There are no regulations on minimum paid-in capital. There are no regulations on the minimum investment amount required to be granted fiscal incentives under the law 2014/004. In order to access to the incentives, it is required to fulfill the conditions and performance requirement.	There is no restriction for foreign capital for entering any industries except small-scale mining. In the mining sector, there are regulations on the minimal interests of the state.	The Law on the Investment Charter (Law n° 2002/004) enshrines the principle of non-discrimination between domestic and foreign capital and the fairness and transparency of laws related to businesses though OHADA.	The Law on the Investment Charter (Law n° 2002/004) guarantees investor ownership and IP ownership. Separate laws and regulations have been established regarding national expropriation. Membership in the NY Convention, ICSID, and MIGA, and legal measures as set out by OHADA are guaranteed.	China, USA, UK, Switzerland, Germany, France, Belgium, Luxembourg, Netherlands, Romania, Italy * Countries which have signed but not enforced: Canada, Egypt, South Korea, Mali, Mauritania, Guinea, Morocco, Turkey
Ghana	Ghana Investment Promotion Act、(GIPC Act). The Ghana Free Zone Board was established as free zones that provide fiscal incentives. Investments in free zones are regulated by the Free Zone Act (1995, Act 504). Investments in the mining sector are regulated by the Minerals and Mining Act (2006, Act 703). Investments in the oil/gas sector are regulated by the Petroleum Exploration and Production Law (1984 PNDCL84).	Foreign Investment: 500,000 USD Joint ventures with domestic capital: 200,000 USD	Prohibits foreigners to enter the following sectors: small-scale retail, taxis or passenger transport of no more than 20 passengers, hair salons, manufacturing of textbooks and basic stationary, drug retail, drinking water retail, public lotteries, and soccer pools.	Incentives are differentiated by industry and location. Projects with no less than 50 billion USD in investments are considered strategic investments (SI) and subject to separate incentives. However, the criteria and incentive details are undisclosed (not on websites, etc.)	The GIPC Act cites the protection of investor property rights. Conflict resolution is mentioned in the GIPC Act, Free Zone Act, labour laws, and the Minerals and Mining Act. A member of UNCITRAL, ICSID, and NY Convention.	China, Denmark, Germany, Malaysia, Netherlands, Serbia, UK, Switzerland *Countries signed but not ratified: Benin, Botswana, Bulgaria, Burkina Faso, Côte d'Ivoire, Cuba, France, Guinea, India, Italy, Mauritius, Romania, South Africa, Spain, Zambia, Zimbabwe

Source: JICA Project Team based on the Project's report for Ethiopia, DRC, Cameroon, and Rwanda, websites, etc. of IPAs.

(4) Investment Incentive Schemes

1) Fiscal incentives

Fiscal incentives in the target countries are as shown in the table below. The case of other Asian and African countries are also listed as reference.

Fiscal incentives may be granted either to the registered projects by the agencies in charge of priority sectors and IPAs or to those apply for the allowances based on the specific types of investment (e.g. capital investment). The former case is granted based on the conditions (e.g. sectors, minimum paid-up capital, ratio of export to the total sales) and performance requirements (e.g. employment creation). For the mining sector, in exchange of the interest of the states in the profits or concession fees, fiscal incentives may be granted (e.g. corporate tax reduction, duty free imports for capital goods, accelerated depreciation).

The latter case is usually approved by the tax authorities. The registration or approvals from IPA is not required. Kenya and Ghana where such incentives are provided also has more comprehensive incentive packages for export-oriented industries through export processing zones and free zones. Nigeria and Morocco has the system where R&D expenses and personal trainings are deductible in order to promote the modernisation of the industries.

Table 3-21 Fiscal incentives for Investors in Target Countries

Country	Ethiopia	Kenya	Rwanda	Zambia	DRC	Cameroon	Ghana
Fiscal incentives	・Minimum paid-in investment amount. FDI: 200,000 USD, joint ventures with domestic capital: 50,000 USD. ・1-9 years corporate income tax exemption, depending on industry (for export- oriented or import substitution. Longer exemption period is granted depending on import rate (2-4 years). ・Import duty and VAT exemption on capital goods and spare parts. ・Import duty exemption on raw materials used for export-manufacturing, and VAT exemption. ・10-15 years corporate income tax exemption for industrial zone developers, depending on location.	・VAT exemption on capital goods ・Import duty exemption on materials for manufacturing, with the purpose of re-export or duty-free domestic sales. ・With approval from the government, private investments 5 million USD and over may off-set capital goods import duties with income taxes. ・VAT and customs duty exemption on equipment used in the agriculture sector. ・Income tax credits on invested amount (Nairobi, Kisumu, Mombasa: 100% of investment amount during investment period, other areas: 150%) 【EPZs】 ・Corporate tax exemption for initial 10 years, 25% taxable for the next 10 years (in most cases) ・Withholding tax exemption for 10 years. ・Customs duty and VAT exemption on imported machinery, raw materials, and intermediate materials (automobiles also used outside of EPZs are taxable) ・Stamp duty exemption ・Investment allowance on 100% of initial investment in EPZs (Applicable for 20 years).	・Corporate tax exemption (0%) for businesses investing not less than 10 million USD, and establishing global or regional head offices with financial, IT, marketing, and R&D functions. ・Up to 7 years income tax exemption for investments not less than 50 million USD in the manufacturing, electricity, tourism, medical service sectors. 【EPZs and FTZs】 ・Indefinite corporate tax exemption (including withholding tax exemption for profit remittance), as well as import tax exemption on capital goods and raw materials for businesses within EPZs and FTZs.	Of companies investing not less than 500,000 USD, those investing in priority industries, Multi-facility Economic Zones (MFEZs) (including industrial zones/ agricultural zones) or rural areas are entitled to: ・5 years withholding tax exemption on dividends. ・5 years corporate income tax exemption. ・5 years import duty exemption on capital goods.	【Investment Act】 ・Minimum investment amount: 200,000 USD (10,000 USD for small and medium-sized enterprises) ・3-5 years corporate income tax exemption. ・Real estate tax exemption on land at project site. ・Import duty exemption on materials/equipment and spare parts (with value of 10% and under of equipment's CIF value). ・Import duty exemption on second hand heavy machinery, ships, and aircrafts. ・Export duty exemption on exporting goods. ・Import duty exemption on industrial materials used for investment project. ・Expense for human resource development, training, and environmental conservation measures are deductible. 【Others】 ・Under the Mining Code and Agriculture Law: Exemption of export and import duties on materials and equipment, and reduction of corporate taxes in the mining and agriculture sector.	【Business Preparation Period】 ・Exemption of stamp duties on documents (commercial registration papers, contracts) ・Land transfer tax exemption ・VAT exemption 【After Start of Operations】 Exemption or reduction of corporate taxes, income taxes, customs duties and stamp duties depending on investment scale and expected economic effect. ・In specific industries, businesses may be exempt from import taxes on investment projects and have incentive periods extended.	・5-7 years corporate tax exemption in priority sectors (agriculture, forestry and fisheries, real estate, waste disposal, produce processing) ・Corporate tax reduction (refund) for manufacturing and produce processing sectors in certain locations. 【Free Zones】 ・10 year corporate tax exemption, followed by reduction to 8%. ・Export/import tariff exemption. ・Withholding tax exemption on dividend remittance ・Avoidance of double taxation of income tax for foreigners working in Zones. ・Import license exemption.

Source: JICA Project Team based on laws and regulations and websites of IPAs.

Table 3-22 Fiscal incentives in Africa and Asia

Country	Côte d'Ivoire	Nigeria	South Africa	Morocco	Egypt	Bangladesh	Myanmar
Fiscal incentives	【Common for all three systems listed below】 ・Exemption of industrial and Commercial Benefits (BIC), Non Commercial Profit (BNC), and Agricultural Profit (BA) tax. (changes to 50% reduction at 2 years until end of exemption period, 25% reduction for final year) ・Exemption of business license tax, operation license tax (changes to 50% reduction at 2 years until end of exemption period, 25% reduction for final year). ・Reduction of personal income tax contributed by employer (varies depending on zones) 【Investment Declaration Regime】 ・Investment amount is no more than 500 million CFA (860,000 USD) . ・Land ownership tax and license registration tax (on capital increase) exemption (varies depending on zones) 【Investment Approval Regime】 ・50% customs duty reduction on facilities, materials, and spare parts if investment amount is no less than 500 million CFA (860,000 USD). ・Land and real estate tax exemption if investment amount is no more than 1 billion CFA (1.7 million USD). 【Special Provisions For Small And Medium-Sized Enterprises】 ・Registration tax exemption. ・Provision of land needed for investment projects. ・Rate reduction of electricity, water, etc. for primary commodities processing.	・5-year corporate income tax exemption for pioneer industries ・7-year corporate income tax exemption of investments in underdeveloped regions. ・5-year 20% corporate income tax reduction for local procurement of raw materials, in required ratios set for each industry. ・5-year 2% corporate income tax reduction on equipment expenses for personnel training. ・Tax reduction on 20% of basic infrastructure development costs, such as roads, electricity, and water supply. ・Tax exemption on up to 120% of R&D spending. ・5-year corporate income tax exemption, depending on employment numbers. ・5-year 10% reduction of corporate income tax for local value-added in the engineering industry. 【EPZ】 ・Exemption of corporate income taxes and customs duties, etc. Customs duty exemption on the import of raw materials for the export of goods. ・Customs duty refunds on the import of raw materials and intermediate goods for the export of goods.	Industrial Development Zones (IDZ): Exemption of tariffs and VAT on equipment and assets, and import duties in established Customs Controlled Areas (CCA) Other subsidy systems are offered.	・Enterprise and corporate tax exemption. ・Import duty and import VAT exemption. ・Tax reduction on reserves for equipment investment. ・36-month import duty and import VAT exemption for investments no less than 100 million Dirham (10 million USD), with agreement signed with the government. 【Free Zones】 ・Import customs duty exemption. ・5-year corporate tax exemption, then reduction to 8.75% for 20 years. ・5-year personal income tax exemption, then 80% reduction for 20 years. ・15-year enterprise tax exemption. ・VAT exemption. ・Registration fee exemption on establishment and capital increase. 【Casablanca Finance City】 ・Application of Free Zone incentives. ・For employees' personal income tax, option of 1) 5-year fixed 20% rate or 2) progressive rates between 0- 38% (progressive rates after 6 years.)	・10-year income tax exemption on the cultivation of barren/desert areas and production of animals/poultry/fish. ・5% fixed customs duties on the import of machinery and equipment needed for production activities (exemption of importer registration) ・No export obligations, etc. 【Investment Zones】 ・5 to 10-year payment window for import customs duties on machinery and equipment needed for production activities and sales taxes (exemption of importer registration). ・Tax exemption on export goods. 【SEZ】 ・For sales in domestic markets, sales taxes are only imposed on the value of imported parts. Exemption of importer registration. ・10% fixed income tax rate (corporate, personal, land income, non-residential building). ・5% fixed tax rate on salaries, etc. 【Free Zones】 ・Exemption of all taxes and customs duties ・Exemption of customs duties, import duties, and sales taxes, etc. on facilities, machinery, and transport machinery (excluding automobiles) needed for project.	・Corporate tax reduction for businesses in designated industries starting operations between July 2011 and June 2019. ・Accelerated depreciation applied for plants and machinery. ・Import customs duty exemption on new machinery and parts or on replacing machinery and expanding scale of factories for export-oriented businesses. (5% customs duties on machinery import in other industries) ・Tax exemption on interest from foreign bank loans. ・Tax exemption on capital gains from the trading of stocks of listed companies. ・Other incentives for investment in export-oriented and export-related industries, Export Processing Zones (EPZ), and IT/software.	【Foreign Investment Law】 ・5-year income tax exemption including the year in which commercial operation began. Period of exemption/reduction may be extended with contribution to national interests. ・Per request from investors, one or more fiscal incentive measures will be applied. ・Income tax reduction on reinvestments. ・Depreciation deduction of income taxes. ・Income tax reduction on up to 50% of profits accrued from export of goods. ・Application of Myanmar citizens' income tax rates on foreign workers. ・Ability to deduct R&D expenses carried out in Myanmar from assessable income. ・After exemption/reduction period for income taxes, the right to carry forward and set off losses up to 3 years after the year in which loss was sustained. ・Customs duty and internal tax exemption on the import of machinery and raw materials. ・Commercial tax reduction on export goods production. 【Special Economic Zone Law】 ・Income tax reduction/exemption ・Ability to carry forward losses for up to 5 years ・Customs duty exemption on raw materials. Export duty exemption. ・Deduction of training costs for Myanmar citizens (skilled workers, government officials) and R&D expenses from taxable incomes.

Source: JICA Project Team based on laws and regulations and websites of IPAs.

2) Non Fiscal Incentives

Existing non-fiscal incentives measures in the target countries and other African countries are listed in the table below (as a reference, a case of Bangladesh and Myanmar are added). Many address issues concerning visas and restrictions related to work permits, foreign exchange allocation/remittance, administrative procedures, and unfavourable domestic business environment. In special zones, incentives on profit remittances and access to land are also provided. Though not included in the table, the special zone arrangement provides the streamlined administrative procedures and customs clearance processes within the zones.

Table 3-23 Non-Fiscal Incentives in Africa and Asia

Country	Non-fiscal Incentive Schemes
Kenya	Under the Investment Promotion Act, with approval, investors are entitled to three work permits for management staff and three work permits for shareholders and partners for a two year period. A permit holder is entitled to having the permit reissued.
Zambia	Businesses investing no less than 250,000 USD, with approval, are entitled to five work permits for foreigners.
Morocco	【Free Zones】 ・No restrictions for remittance of profits and capital to home countries. ・Vocational training support, etc. 【Casablanca Finance City】 ・No restrictions for the employment of foreign workers ・Issuing of work permits within 3 days ・Issuing of residence permits within 2 weeks ・No restrictions for foreign currencies.
Egypt	・Approval of land ownership for the use of investment projects. 【Investment Zones】 ・Customs clearance procedures for import regarding production carried out inside Investment Zones (not airports or ports) 【Free Zones】 ・Lower rents
Bangladesh	・Approval of overseas remittance of royalty, technical know-how, and technical assistance fees ・Investors are entitled to multiple visas (enabling multiple entries to the country) ・Granting of citizenship under the conditions of investment of no less than 500,000 USD or deposit of no less than 1 million USD in approved financial institutions (remittance to home countries are not permitted). ・Granting of permanent resident status for investment of no less than 75,000 USD (remittance to home countries are permitted).
Myanmar	【Foreign Investment Law】 ・Long term land leases ・Remittance of previously owned foreign currency, foreign currency permitted by the Myanmar Investment Commission, net profits and expatriate workers' incomes after tax obligations are allowed, if using specified exchange rates through foreign exchange licensed banks. 【SEZ Law】 ・Long term land leases ・Foreign exchanges and overseas remittances are allowed (rules apply).

Source: JICA Project Team based on based on laws and regulations and websites of IPAs.

3) Promotion of Foreign Investment through a Special Zone System

All target countries excluding Ethiopia has or are developing a special zone system that has, to a certain extent, provisions of access to operating space equipped with good infrastructure and fiscal/non-fiscal incentives for specific industries. Export processing businesses and others fulfilling the certain conditions in Ethiopia are able to operate in industrial parks upon receipt of investment licenses from EIC with the package of incentives.

Legal systems are being developed for export processing zones and free zones where the duty free import and export are allowed. Special economic zone scheme that can accommodate various industries is also conceived in many countries. DRC and Cameroon are currently developing SEZ scheme and Kenya is developing the regulatory bodies for the implementation. For the implementation and administration organization of SEZ scheme, ZDA, which is the IPA, handles licensing processes in Zambia, while the SEZ authorities has established in accordance with the SEZ Act in Kenya and Rwanda. 7 SEZs have been established with tenants in Zambia. Rwanda has one operational SEZ. As of December 2017, three locations have been approved as SEZs in Kenya.

In the East African Community (EAC) where the customs union is formed with a common customs laws and regulations, the member countries forms single customs territory and set common external tariff. Therefore, EPZs and SEZs are regulated with the application of common rules[16]. Though the common rules on the management of SEZs are not yet established, they are expected to be developed by taking the existing rules applied by the member states in consideration.

4) Monitoring and Evaluation of Investment Incentives

In order to evaluate the efficacy of incentives for investment promotion, monitoring of approved/registered projects is critical. In Ghana and Ethiopia where registration of investment of foreign businesses is obliged, monitoring of projects through inspections regular reporting of operation status are observed to some extent. However, in other countries, monitoring is not conducted fully due to some reasons such as insufficient allocation of personnel for IPAs.

Other issues are also identified in processes of granting incentives such as consistency with the policy objectives, transparency in the process of procedures and appraisal, and predictability.

i. Consistency with the Policy Objectives

In Ethiopia, sectors opened to foreign investment are specified in detail by a negative list and positive list according to the state's economic development policies. Furthermore, provision of a preferential tax treatment is limited to export-oriented and import substitution industries. Foreign investment is only allowed with the investment licence. The length of period for corporate tax exemption is decided based on the export performance such as ratio of export in sales. The increase in inflow of FDI is significant in Ethiopia as mentioned in 3.2.1. However, two out of three foreign companies who started investing in Ethiopia cannot move from the investment phase to the operational phase[17]. Fiscal incentives such as corporate tax exemption cannot be utilized without moving into the operational phase where the sales of the goods and services are done deriving profit. Apart for the focused provision of fiscal incentives, the strict restriction of foreign currency allocation may naturally limit the potential investors to export-oriented industries with the capacity of earning foreign currency by them own or import substitution industries which receives priority access to

[16] The Protocol on the Establishment of the EAC Customs Union (Kenya, Uganda and Tanzania signed in 2004), the East African Customs Management Act (EACCMA), and the East African Customs Management Regulations are established respectively.

[17] World Bank (2015) 4th Ethiopia Economic Update: Overcoming Constraints in the Manufacturing Sector.

the foreign currency.

It is important to verify the efficacy of policy design of special zone schemes such as EPZs and SEZs by monitoring the occupancy of the zones and the performance of tenants. For example, the only SEZ in Rwanda, currently located near the capital city of Kigali (Kigali SEZ), was developed by a private developer established with the share of government financial institutions. It offers attractive conditions such as access to the services land with good power supply. The land developed as the Phase 1 is almost fully occupied. With the strong leadership of the government, the construction of the Phase 2 has started. However, it has been difficult to identify a private developer who leads the project as well as the operation. While the consistency with policy objectives is important, the policy measures has to be selected based on the understanding of other factors such as investment demand and the viability of the project.

ii. Transparency of Procedures and Inspection Processes

Clarification of the criteria is an important issue in the process of reviewing proposals for granting incentives. After the establishment of the law on incentive measures for private investment in Cameroon in 2013, fiscal incentives including reduction of corporate tax have been provided to approved investments[18]. However, current Cameroon economy has been suffering with the limited export earnings due to the fall of oil prices. The risk level of the debt sustainability analysis was changed from “moderate” to “high risk” based on the results of Article IV Consultations of IMF in November 2015. It is required to secure revenues in this situation. However, the major proportion of projects approved to receive fiscal incentives are in fact the projects by existing domestic and multinational companies which may be planning to expand their businesses regardless of the preferential treatment. This shows that clarification of criteria for providing incentives is required with the due consideration of other important policy issues such as fiscal and industrial policies. In Ghana, the GIPC Act, their investment promotion law, has the provision of strategic investments which are only granted to a large-scale investment projects. A guideline is formed to show requirements for approval. However, details of the package of incentives are not yet clarified[19].

iii. Predictability of Provision of Preferential Treatment

The Investment Promotion Agency (l’Agence Promotion des Investissements: API) of Cameroon is the contact point of investment promotion for foreign investments. However, the actual time for obtaining approval tends to be longer than the time defined by their rules. This is due to the actual screening and approval of the proposals for fiscal incentives are handled by the Ministry of Finance in the entire course of the process. To shorten the time for approval, foreign investors consult with the authorities before submitting application documents for their investment license in order to avoid any deficiencies in the documents submitted. However, the predictability of the process is significantly affected by the organisational structure of the implementation of the scheme with multiple stakeholders.

In Rwanda, the communication between the Rwanda Development Board (RDB) and the Rwanda Revenue Authority has been an issue for smooth implementation of fiscal incentives. The implementation mechanism including inter-agency cooperation were streamlined by the 2015 Investment Code.

[18] There were 67 cases of preferential treatment in total at the time of the survey in September 2016.

[19] The guideline for SI certification in Gahana can be found on the GIPC website (URL: http://www.gipcghana.com/phocadownload/Others/guidelines%20for%20special%20incentives%20for%20strategic%20investments%202017.pdf)

(5) Coherence of Related Policies with Investment Policies

Coherence between the investment policies and related policies is reviewed from the two aspects: (i) review of the priorities of policies and coherence between the policies of measures, and (ii) responses for implementation such as performance management and coordination with related governmental agencies. All countries except Cameroon described the importance of investment promotion including foreign investments in their national development plans and other policies. However, there is an issue in securing of coherence throughout policies and even the implementation.

An example of Rwanda shows how coherence of policies was secured up to the implementation level. Coherence is secured by developing the organisation of policies and the implementation from the upper policies to lower policies, as well as for the performance management system of the personnel in charge who are involved in its implementation. On the other hand, a situation where it was difficult to secure coherence was observed in Cameroon: policies in prioritized industries differs policy by policy. A system that allows cooperation among personnel of related governmental agencies engaged in the actual work was not organised. In addition, although various policy measures are established to promote investment including promotion of public and private partnership (PPP) type projects and equity investment with government fund and incentives through IPA, it is assumed that they are not producing expected results.

In DRC, investment promotion including foreign investment is an important policy objective. The policy measures are implemented in the areas such as improvement of business environment and development of infrastructure. However, the agriculture land access is limited to foreigners. Agriculture sector is not covered by the investment promotion law and the restriction is the contradicting with the investment promotion policy as the access to farm land is critical for agriculture sector investment. The telecom sector does not have a legal system corresponding to the current industrial structure and technology. There are issues in securing coherence in implementation of policies such as lack of the government's capacity to implement policies and insufficient provision of public services.

(6) Review of Formulation Process of Investment Promotion Policies

Policies for investment promotion aims at attracting investments that contribute to achieving the targets of the economic development determined in the national development plan. In addition, the policies include measures to increase investment attractiveness through incentive provision and realising the improved business environment. In addition to the consistency with the national policies and other policies, the decision- making processes for policies is also important to ensure the transparency and effectiveness. Some important aspect can be how to identify target areas and how to determine priorities in allocating resources. Not only the policy formulation processes, but the monitoring work to confirm the effectiveness of the policies are required to be handled integrally in the policy process.

All target countries either surveyed or supported with the dispatch of experts under the Project underline the importance of investment promotion for achieving the policy objectives set in the national development plans, such as poverty reduction, industry promotion, and improving competitiveness. Some countries also expect a private sector contribution to infrastructure development through its resource mobilisation capacity and the know-how of maintenance and operation. Policy formulation process of the target countries were reviewed from two aspects; (i) process of identifying the problems and implementing measures for correction, and (ii) involvement of private sectors in such processes.

i. Identification of Business Issues and the Implementation Process of Policy Measures

Using the World Bank Group's Doing Business as the starting points, many countries were working on simplifying administrative procedures. Rwanda showed an outstanding example in this regard. The Doing Business Unit was established in RDB and measures were taken to improve the results of the Doing Business indicators. A system has been organised to order to take necessary measures to the ministries, departments and agencies in charge of the issues.

In case of DRC, the Steering Committee for Investment and Business Climate Improvement (Commité de Pilotage pour l'améllioration due Climate des Affaires et Investissement: CPCAI) was established. Cameroon formed the Cameroon Business Forum (CBF) chaired by the Prime Minister to hold regular public and private dialogues. Both cases were technically and financially supported by the World Bank/IFC. They established task forces and working groups for each Doing Business indicator and coordinated the technical aspects for the implementation of what was agreed to by the committee or the forum. CPCAI in DRC was established under the Ministry of Planning. DRC was selected as the best performer for facilitating the process to obtain a construction permit in 2014 by the World Bank Group. It is reported that Cameroon achieved total of 120 actions through holding six annual forum meetings[20]. It has not been ranked high among the target countries, but the small, but gradual improvement is observed (see Table 3-9 and Figure 3-4). In Kenya, the Business Environment Delivery Unit was established under the Ministry of Industry, Trade and Cooperatives. The score of the Doing Business indicator improved significantly in the recent years (see Figure 3-4).

Cross-country ranking and comparisons, such as Doing Business, may attract attention from the leadership of the countries. Taking advantages of this, they may be used as an entry point for the governments' commitment for enhancing the business environment. Resistance against the reform touching on some vested interests is observed. It seems necessary to find ways to ensure the commitment of leadership to actually implement necessary reforms. In addition, since these approaches are receiving financial support from the World Bank/IFC, the transition from the phase supported financially to the phase sustaining the reform by the government's own initiatives was found to be challenging in these countries[21].

As discussed in 3.3, there are many issues that the data of the World Bank Group's Doing Business cannot cover. To tackle such issues and improve the situation continuously, some important elements are identified, namely the leadership, progress monitoring, allocation of budgetary resources and human resources for implementation.

ii. Involvement of Private Sectors

Some countries collect the views and opinions of the private sectors as the beneficiaries through various member-based private sector organisations. Some are apex body where the organisations themselves form large body comprising various private sector organisations. The Private Sector Federation (PSF) of Rwanda and the Kenya Private Sector Alliance (KEPSA) of Kenya can be categorised as this type. Those with individual members are also influential as seen in the case of the Federation of Congolese Enterprises (Fédération Entreprises du Congo: FEC) of DRC and Groupement inter patronal du Cameroun (GICAM) of

[20] Based on interviews with IFC as of September 2016.

[21] Financial support from the World Band had already been terminated in DRC as of February 2016. The formulation of policies related to business environment were to be integrated with ANAPI, which is an IPA.

Cameroon.

In case of CBF in Cameroon, many opinions indicate that the private sector's view are not actively collected by the government. In addition to awareness of the government, it is also considered important that private sector organisations have the organisational capability to identify issues and provide recommendations or request of improvement to the government, and monitor the implementation of measures for improvement. The capacity of the private sector as a whole is limited in Rwanda due to level of economic development. On the other hand, Rwanda holds the Public Private Dialogue (PPD) by the President, cabinet members and PSF where the platforms are established for different issues to absorb the views of private sectors and to ensure accountability of the government. The majority of PSF member companies are small and medium enterprises. It also contains public enterprises. The method of effective and continuous dialogue may be continuously sought considering the difference of the capacity between the public and private sectors.

3.5 Current Situation of Institutions for Investment Promotion

3.5.1 Organisation and Activities of IPAs

(1) Types of IPAs

All the target countries establish IPAs based on each country's laws and regulations such as investment laws and investment promotion laws. Some IPAs are either under the national chief executives such as the presidents and prime minister or the offices positioned higher than line ministries (e.g. Ethiopia, Rwanda, and Ghana). Other IPAs are under the command of line ministries in charge of trade and industry, finance, and planning as their agencies.

Licensing procedures in special zones may be handled by IPAs (e.g. Ethiopia and Zambia) or separate ministries that handle licensing, development, and investment promotion (e.g. Kenya and Ghana). The latter also assumes the function of IPAs. In some cases, influential private sector organisations such as chambers of commerce provide policy recommendations as well as information and advices to investors (including foreign investors)[22].

Other than the above, PPP/concession projects for infrastructure development and public service provision may be regulated and administered by either IPA or agencies involved in budgeting for public investment such as the national treasury. They are responsible for the procurements.

(2) Summary of Activities of IPAs

The next table outlines the organisations and activities of IPAs in the target and other African and Asian countries. Main functions of IPAs are (i) regulatory role (provision of permits and authorisation of projects based on investment laws and investment promotion laws, (ii) public relations (PR) and promotion activities, (iii) investor services including arrangement of site visits, trend updates, support during investment approval processes, and aftercare, and (iv) policy advocacy. In some cases, as seen in DRC and Ghana, IPAs do not have power to provide permits, license or approval for certain industries (e.g. mining, oil/gas, finance, and communications). Other governmental agencies are in charge of the regulatory functions for such industries.

[22] The Ethiopian Chamber of Commerce and Sectoral Associations provides policy recommendations for issues surrounding businesses. Similar practices by the Kenya Association of Manufactures (KAM) can be seen. DRC's Federation of Congolese Enterprises (Fédération Enterprises du Congo: FEC) also offers consultations for member companies on administrative procedures and harassment issues, as well as discussions with government agencies.

The table marks agencies that offer one-stop services (OSS) physically or on websites, etc. with "〇". In general, few agencies offer OSS where the regulatory and administrative requirements under the mandates of other ministries and agencies than IPAs such as company establishment. In some agencies may handle such services, but by a "one-roof" arrangement where relevant authorities dispatch officials to IPAs offices (e.g. Ethiopia).

In some cases, agencies are responsible for regulatory function of special zone scheme. While it is not a special zone, EIC of Ethiopia authorises developers of Industrial Parks. Many countries have established separate agencies for the handling of investment licensing processes for special zone scheme.

While a simple comparison is not appropriate due to the differences in mandates, authorities and the functions, South Africa's IPA has the most number of staff by far. Ethiopia's has a relatively high number of workers within target countries. Myanmar's IPA has 300 staff due to their mandates of administering company registration which has the larger volume of works. With Bangladesh as reference, the number of staff in target countries' IPAs is not necessarily small.

While ZDA has the largest budget among the target countries, its budget is not entirely aimed at investment promotion activities, but also includes funds to promote export as well as small and medium-sized enterprises. And while the agency of South Africa may have many staff members, the budget per staff member is not significantly large. When looking at the budget ratio per staff member, DRC (56,000 USD), Ghana (56,000 USD) and Zambia (64,000 USD) have relatively high numbers.

Table 3-24 Outline of IPAs in Africa and Asia

Country	IPA	Superagency, Jurisdictional Ministry	Legal Basis	Max. No. of Staff	Current No. of Staff	Budget (USD)	Main Operations					Special Zone Approval
							PR/ Attracting Investments	Investor Services	Policy Acvocacy	Investment Approvals [23]	One-Stop Shops (OSS)	
Morocco	Moroccan Investment Development Agency (AMDI)		Law N° 41-08 concerning the establishment of the Moroccan Investment Development Agency	-	-	-	○	○	○	None	×	×
Ethiopia	Ethiopia Investment Commission (EIC)	Under direct supervision of the Prime Minister	Investment Proclamation 769/2012	361	188	1.57 million	○	○	○	○	○ Company registration to investment approval	○
Kenya	Kenya Investment Authority (KenInvest)	Ministry of Industry, Trade, and Cooperatives	Investment Promotion Act No. 6 of 2004	-	60	3 million	○	○	×	○	○ To be established	×
Rwanda*2	Rwanda Development Board (RDB)	Under direct supervision of the President	Organic Law N° 53/2008 Of 2/09/2008 Establishing Rwanda Development Board (RDB) and Determining its Responsibilities, Organisation and Functioning	-	33	0.67 million	○	○	○	○	×	×
Zambia*2	Zambia Development Agency (ZDA)	Semi-independent agency Ministry of Commerce, Trade and Industry	Zambia Development Agency Act, 2006	130	93	6 million	○	○	○	○	× Separate agency handles company registration procedures with OSS	○
South Africa	Trade and Investment South Africa (TISA)	A branch of the Department of Trade and Industry	-	1,743	1,770	6.45 million	○	○	×	×	×	×
DRC	National Agency for the Promotion of Investments (ANAPI)	Ministry of Planning	Law N°004/2002 of 21 February 2002 concerning the Investment Code	-	58	3.3 million	○	○	○	○	× Separate agency handles	×

[23] Mandated by investment laws in general.

Country	IPA	Superagency, Jurisdictional Ministry	Legal Basis	Max. No. of Staff	Current No. of Staff	Budget (USD)	Main Operations: PR/ Attracting Investments	Main Operations: Investor Services	Main Operations: Policy Acvocacy	Main Operations: Investment Approvals [23]	Main Operations: One-Stop Shops (OSS)	Special Zone Approval
											company registration procedures with OSS	
Cameroon	Agence de Promotion des Investissements (API)	Semi-independent agency Ministry of Industry, Mines and Technological Development, Ministry of Finance	Decree No. 2005/310 of 1 September 2005 on the Organization and Functioning of the Investment Promotion Agency	85	40	2.3 million	○	○	○	○	× Separate agency handles company registration procedures with OSS	×
Ghana	Ghana Investment Promotion Centre (GIPC)	Under direct supervision of the President's Office	Ghana Investment Promotion Centre Act, 2013 (Act 865)	-	71	4 million *2	○	○	○	○	×	×
Côte d'Ivoire	Centre for Promotion of Investments In Côte d'Ivoire (CEPICI)	Under direct supervision of the President's Office	Decree N°2012-867 of 06 September 2012 concerning the establishment of CEPICI	-	-	-	○	○	○	○	○ Company registration to investment approval	×
Nigeria	Nigerian Investment Promotion Commission (NIPC)	Independent Agency	NIPC Act No. 16 of 1995	-	-	-	○	○	○	○	×	×
Bangladesh	Board of Investment (BOI)	Under direct supervision of the Prime Minister	Investment Board Act 1989	-	43	-	○	○	○	○ Investment projects outside of EPZs/EZs	×	×
Myanmar*2	Directorate of Investment and Company Administration (DICA)	Directorate of the Ministry of Planning and Finance	-	-	341	-	○	○	○	○	○ Company registration, import/export license, VISA for foreigners etc	×

Source: JICA Project Team based on IPA interviews and website information.
Note: *1 No data obtained for number of staff and budgets are marked with a "-". *2 Obtained data for a 6-month period was converted to 1 year. RDB's data is only for the directorate in charge of investment promotion. ZDA data includes other functions than investment promotion (export promotion and SME development). DICA (Myanmar) includes numbers of staff in charge of company registration and those in regional branches.

(3) Governmental Institutions Regulating and Administering Special Zones Scheme and Industrial Parks

The table on the following page shows the summary of agencies that are responsible for investment approval processes for special zone scheme. Many handle PR activities and investment approval processes, with some in charge of development as well. In Kenya, the Export Processing Zone Authority (EPZA) conducts approvals, development, and operations simultaneously.

Although it is not a special zone scheme, Ethiopia has established industrial zones where customs clearance procedures are simplified and additional fiscal incentives are given according to export performances. The agency responsible for the development of these zones, the Industrial Park Development Corporation (IPDC), is a government-run developer that has no authority over approval processes and only supervises the industrial parks managed by IPDC.

SEZ law has been enacted in Rwanda, and there is also a statutory law for the establishment of an SEZ Authority. Currently, however, there is only one SEZ for which four staff members are in charge in the RDB. When the survey was conducted in March 2017, a revision of the SEZ policy was taking place to establish an organization independent from RDB to handle the SEZ.

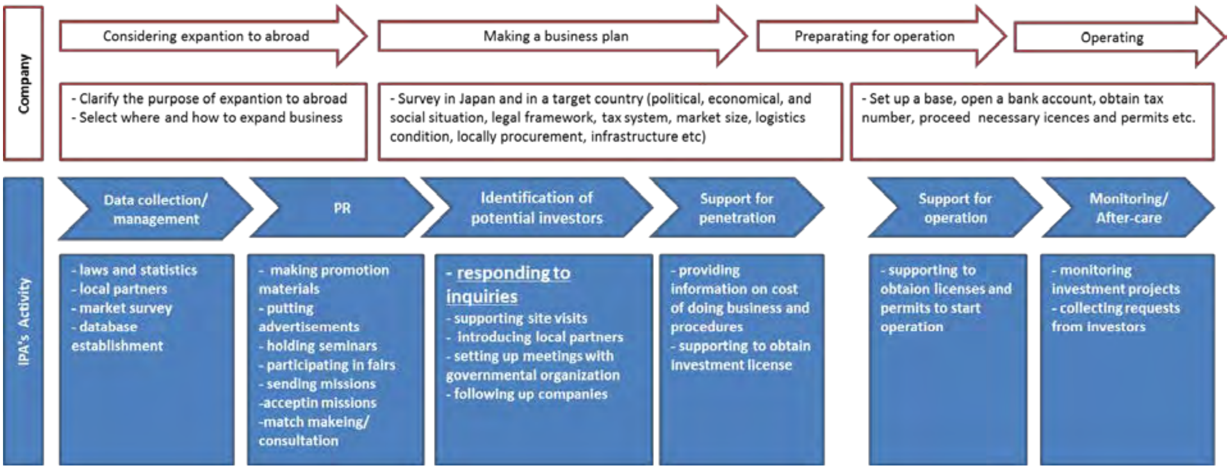
Table 3-25 Outline of Authorities Supervising Special Zone Scheme and Industrial Parks in Africa and Asia

Country	Special Economic Zone/Industrial Park Jurisdictional Agency	Superagency, Jurisdictional Ministry	Legal Basis	Max. No. of Staff	Current No. of Staff	Budget (USD)	Main Operations			
							PR	Development	Approvals	Supervision
Ethiopia	Industrial Park Development Corporation (IPDC)	Independent Agency	Industrial Park Proclamation 886/2015	-	90	-	○	○	×	×
Kenya	Export Processing Zone Authority (EPZA)	Ministry of Industry, Investment and Trade	Export Processing Zones Act, Cap 517	-	-	-	○	○	○	○
Ghana	Ghana Free Zone Board (GFZB)	Board members are appointed by the President.	Free Zone Act, 1995 (Act 504)	-	-	-	○	×	○	○
Zambia	Zambia Development Agency (ZDA)	Ministry of Commerce, Trade and Industry	Zambia Development Agency Act, 2006	130	93	6 million	○	×	○	×
Cameroon	Mission d'Aménagement et de Gestion des Zones Industrielles (MAGZI)	Ministry of Industry, Mines, and Technology Development	Décret no 71-DF-95, Décret no 73-483 etc.	-	-	-	○	○	×	○
Cameroon	Office National des Zones Franches Industrielles (ONZFI)	Ministry of Industry, Mines, and Technology Development	Ordonnance no 90/001 du janvier 1990 créant le régime de la Zone Franche au Cameroun	-	8	-	-	○	○	○
Bangladesh	Bangladesh Export Processing Zone Authority (BEPZA)	The Prime Minister's Office	Bangladesh Export Processing Zones Authority Act, 1980	-	-	-	○	○	○	○
Bangladesh	Bangladesh Economic Zone Authority (BEZA)	The Prime Minister's Office	Bangladesh Economic Zones Act 2010	-	72	-	○	△*1	○	△*1
Myanmar*2	SEZ Management Committee	Myanmar Special Economic Zone Central Body (chaired by the President)	Myanmar Special Economic Zone Law	-	47	-	○	×	○	○

Source: Project team, based on IPA interviews and website information.
Remarks:*1 There are three possible types of development within BEZA: 1) by BEZA, 2) Public-Private partnership by BEZA and the private sector, and 3)by the private sector. "-" shows unavailable data. *2 An SEZ management committee is established per SEZ for regulation and administration. The information in this table is the one of Thilawa SEZ Management Committee.

3.5.2 Evaluation of Organisation and Performance of IPAs

The evaluation involves the decision-making flow from when a potential foreign investor decides to investment to the start of the business, as well as IPA functions and services. The points are organized below, and an analysis on and evaluation of current functions was conducted. The figure below is a summary of services and does not include regulatory functions of issuance of permit, licences and approval of investments. As stated in 3.4.3, steps are taken in "support for operation" for registration and obtaining necessary permits/licenses for foreign investors in countries that mandate these processes to investors.



Source: JICA Project Team

Figure 3-7 Company's Activities and the Role of IPA

The following section overviews the functions and capacity of IPAs.

Table 3-26 Status of Implementation of Investment Promotion Activities (1)

Country		Ethiopia	DRC	Cameroon	Rwanda
IPA		Ethiopia Investment Commission (EIC)	Agence Nationale Pour La Promotion des Investissements (ANAPI)	Agence de Promotion des Investissements (API)	Rwanda Development Board (RDB)
Implementation Status	PR, Promotion	PR materials: Website, investment guidebook etc. Promotion: Seminars, trade fairs Information available: country profile, investment certificates, other procedures, costs Way forward: laws and regulations related to doing business in Ethiopia is not sufficiently provided.	PR materials: Website, leaflets both in English and French. Promotion: Seminars, business matching, workshops Information available: country profile, incentives, approval procedures, business environment, company directory Way forward: laws and regulations related to doing business in DRC as well as logistics and costs are not sufficiently provided. Also, success stories are not widely introduced.	PR materials: Website, leaflets both in English and French. Promotion: events for investors, utilizing networks with other IPAs. Information available: country profile, investment opportunities, incentives, business environment Way forward: the frequency of update the PR materials are outdated.	PR materials: Website, leaflets in English. Promotion: events for investors, investment mission. Information available: country profile, investment opportunities, incentives, business environment, legal system, regulatory and administrative procedures. Information is reviewed biannually and updated. Way forward: Information on changes in regulations for business-related areas may be compiled and provided to investors.
	Services for Investors	Services provided: information provision, consultation, receipt of application forms, issuance of investment certificates and company registration, after-care. Way forward: the services are mainly provided only to large companies and companies in prioritized sectors. Services to SMEs are not sufficient.	Services provided: information provision, matching with local companies and governmental organizations, investment approval. Way forward: ANAPI needs to find services which can be provided only by ANAPI as a governmental organization because the services currently provided by ANAPI is often provided by private consulting firms and investors tend to go for private consulting firms to seek the services.	Services provided: investment approval Way forward: Other supports to investors can be provided upon request from them, but insufficient due to lack of budgets and staff.	Services provided: information provision, matching with local companies and governmental organizations, issuing investment license Way forward: OSC has a largest human resource allocation and the services provision rather concentrated at OSC. Some gaps on the understanding of aftercare with investors are also noticed.
	Policy Advocacy	Activities: establishment of network with foreign investors, business associations and donor agencies. Way forward: EIC supports the preparation for modification of incentives and frameworks, but does not have capacity to make policy recommendations to the government.	Activities: (CPCAI), a committee consisting of 15 ministries and representatives from private sectors, has promoted the implementation of ease of doing business in the country by coordinating related ministries and making relevant policies. Way forward: As ANAPI receives the feedback from investors and internalized CPCAI, it is expected that ANAPI does more effective policy advocacy.	Activities: steering requests from investors into governments, policy dialogue with the private sector and donor agencies, policy recommendations to the office of prime minister. Way forward: although API states that it implements above activities, it is difficult to confirm the impact of such activities because API is facing financial and human resource constraints.	
	Investment Approval	Certificates: EIC is in charge of issuing investment certificates for all the sectors except for mining, electricity and aviation as well as the sectors the federal government is in charge of. Way forward: EIC does not have an authority to renew business license (valid for one year). Investors need to go and deal with the ministry in charge without any support from EIC. which is necessary to start operation.	Approval: ANAPI approves investments under the investment law. The duration from application to approval is supposed to be within 30 working days. Way forward: Smooth procedure is necessary as getting an approval from ANAPI actually takes 3-4 months at this moment.	Approval: API is in charge of issuing investment incentive approval for all the sectors except for oil, mining, and gas. Way forward: API is supposed to operate as one stop shop by coordinating approval procedure with tax and customs offices. However, it actually takes 3-6 months at this moment.	Approval: RDB is in charge of issuing investment license. Way forward: Regulatory and administrative processes for start-ups are handled at OSC part of which are done by online basis..

Country		Ethiopia	DRC	Cameroon	Rwanda
	Special Zone Approval	Approval: EIC provides certificates for developers, operators, and tenant companies to be located in industrial parks. Way forward: EIC is planning to set up one stop service office at each industrial park, but rules and regulations to stipulate the roles of EIC and IPDC as of now*1.	Approval: DRC enacted the special economic zone law in 2014 and decided to set up a SEZ in each province*2. Way forward: the concept was in the law but detailed rules and regulations of criteria, approval flow, rules of each organisation etc. are not yet stipulated.	Approval: (MAGZI) develops basic infrastructure including land preparation, approves and monitors tenant companies. (ONZFI) approves and monitors developers, operators and tenant companies. Way forward: ONZFI is to be internalized into APZE, but detailed rules and regulations of criteria, approval flow, rules of each organization etc. not developed*1.	Approval: As the SEZ Authority of Rwanda (SEZAR) does not have not been established fully, RDB OSC provides certificates for developers, operators and tenants of SEZ. SEZAR will be independent in future*4. Way forward: SEZAR will be established fully.
Remarks		EIC implement PR activities and policy recommendations only for foreign investors operating outside of industrial parks. IPDC is in charge of investors inside industrial parks and local investors office in each province is in charge of domestic investors.		API is in charge of foreign investors and large domestic investors and APME is in charge of domestic SMEs.	

Source: JICA Project Team based on the data obtained through the interviews and website of IPAs, and other documents.
Remarks: *1 As of September 2016, *2 February 2016, *3 June 2017

Table 3-27 Status of Implementation of IInvestment Promotion Activities (2)

Country		Kenya	Ghana	Zambia
IPA		Kenya Investment Authority (KenInvest)	Ghana Investment Promotion Centre (GIPC)	Zambia Development Agency (ZDA）
Implementation Status	PR, Promotion	PR materials: Website, investment guidebook, leaflets, newsletters etc. Promotion: Seminars, conferences, trade fairs Information available: country profile, laws, approval procedures, costs Way forward: KenInvest has capacity to implement PR and promotion activities.	PR materials: Website, investment catalogues Promotion: Seminars, trade fairs in/outside of the country Information available: country profile, costs Way forward: GIPC promotes the country profile in general and investment environment worldwide.	PR materials: Website, investment guidebook, leaflet Promotion: Seminars, workshops, conferences Information available: country profile, cost, investment opportunities by sector Way forward: ZDA has capacity to organize seminars and update PR materials, but is willing to implement more target promotion activities.
	Services for Investors	Services provided: information provision, consultation, after-care. Way forward: As investment certificate is not mandatory in Kenya, the number of investors using KenInvest is small. Therefore, KenInvest needs to have more communication with potential investors to be acknowledged by them. KenInvest is planning to set up one stop center in Nairobi where different investment related governmental organizations gather and issue licenses.	Services provided: information provision, business matching, consultation, management of registered companies Way forward: Each staff has a capacity to provide services to investors, but the institutional knowledge on the services (procedures, tips etc.) are not shared within GIPC.	Services provided: information provision, consultation, receipt of application form, issue certificate of registration, after-care. Way forward: ZDA monitors approved projects with a check list, but collecting requests from existing investors is not sufficiently done.
	Advocacy	Activities: Kenya Investment Policy is under draft*1. Way forward: KenInvest conducts a research for policy recommendation upon request from ministries, but not in a proactive way.	Activities: review policies relevant to investment, collection of data and information in collabouration with other governmental organizations and private sector. Way forward: GIPC needs to have capacity to conduct deep analysis on the current business environment and understanding of the behavior of foreign investors.	Activities: publishing foreign private investment and investor perceptions in Zambia in collabouration with Bank of Zambia and National Statistical Office, whose contents includes analysis of business environment in the country and policy recommendations Way forward: the policy recommendations in the report is general, and need to have capacity to conduct deeper analysis for specific recommendations
	Investment Approval	Approval: Investment approval from KenInvest is not mandatory in Kenya. Approved companies can have basic certificate and permits.	Approval: Companies with capital from foreign companies have to register the minimum foreign capital amount at GIPC. Upon registration, the company can enjoy supports from GIPC and import duty exemption on certain machineries.	Approval: Investment approval from ZDA is not mandatory in Zambia. If a company which meets certain criteria applies for the approval, ZDA follows the established internal procedures. Way forward: As the application form is not easy for investors to follow/fill in the contents, they need to have consultations and meetings with ZDA in advance of submission of the application form.
	Special Zone Approval	Approval: Kenya has an EPZ system and EPZA is in charge of licensing of developers, operators, and tenant companies. KenInvest and EPZA collabourates to implement investment promotion activities. Way forward: the SEZ Act was enacted in 2015 and SEZA is supposed to approve developers, operators, and tenant companies in SEZs. However, the board of directors were just appointed in October 2016 and SEZA is not functioning as of August 2017.	Approval: Regarding free zones, Ghana Free Zone Board (GFZB) approves developers and monitors them. A company which register itself at GFZB, can receive the same incentives even located outside of free zones.	Approval: Zambia has Multi Facility Economic Zones (MFEZ) and Far Blocks as a form of special economic zones. Developers and operators in both zones needs to be approved by ZDA. Tenant companies within MFEZ will be approved by MFEZ operators.

Resource: JICA Project Team based on the Implementation Reports of Kenya, Ghana, and Zambia and other documents.
Remark:*1 as of August 2017.

(1) Public Relations

1) Provision of Information Related to Investment Opportunities

The services offered include the development of PR materials in paper format, website and other media, as well as planning and organising missions and seminars. These activities, in some cases, are offered with the financial support from donors and others foreign counterparts. Problems are identified in providing the information to meet the demand of investors in an effective manner as well as the system of updating and managing information.

2) Provision of Information Related to Investment Cost

In many target countries, information related to the cost of processing regulatory and administrative requirements as well as other operational costs have been provided through websites and other form of media. Quality and the quantity of the information, however, varies. In Zambia, information on the cost of doing business has been compiled with the support of two projects implemented by ZDA with the cooperation with JICA. The data published annually has been updated by ZDA since the time of completion of the projects.

Investors found it difficult to obtain the latest information on laws and regulations at one time. Therefore, a service that could provide information from a single point was identified as useful. In particular, timely provision of the enactment and revisions of important laws and regulations is not sufficient. In addition to sharing information with related agencies, such as financial authorities, there were cases where improvements in disseminating information were required.

Kenya and Rwanda offer services to collectively provide information covering various procedures from establishing a business to the start of investment, including the necessary formalities required to establish a business in an export processing zone, SEZ and other zones by offering information on the documents necessary for each procedure and jurisdictional agencies, time required for procedures and costs[24]. They are all established with support from the United Nations Conference on Trade and Development (UNCTAD). The coverage of these services is expected to expand in the future[25]. and another important point is the structuring of a system for updating information from the various agencies, such as immediately indicating that a procedure revision has been made.

The provision of information is necessary not only for potential investors to consider place of investment and to formulate an investment plan, but also to obtain the latest information on topics such as the taxation system and operations. It is important to enhance the available services while in preparation and after commencement of a business with information related to administrative procedures and legal systems in a common way. It is also important to offer direction to agencies that can offer help if and when problems arise.

(2) Investment Project Formulation

It is important to provide effective support for potential investors before they finally submit the application of investment registration/licensing/permit. The tasks include answering to the inquiries, supporting investors for business meetings or site visits, and continuous communication with investors. However, the limitation

[24] Kenya: KenInvest website (https://kenya.eregulations.org/?l=en), Rwanda RDB website (http://businessprocedures.rdb.rw/menu/1?l=en)

[25] Based on a September 2017 interview with KenInvest

of human and financial resources as well as IPA officers' insufficient experience in actual business indicate the limited degree of activeness of such activities. When considering whether to make an investment for the first time, finding business partners at the local site is also an important task. Surveys after events, such as business meetings and individual references, are not sufficient to confirm the effect these partners have.

To deal with these issues, one of the expert activities taking place in Zambia includes the ZDA staff in charge visiting Japanese companies in South Africa while accompanied by experts, and executing a follow-up measure as a pilot activity. Staff from Japanese companies visited Zambia in response to the ZDA staff visit. They provided information and support and accompanied them on their site visits. Experience with appointments for business meetings, formulating agenda for visits and follow-up activities resulted in a positive change in the attitudes of the officers in charge. On the other hand, there were cases in which having accompanying experts on domestic business trips was not possible because of budget restrictions, which suggests that a budget must be obtained when structuring a flexible support system.

(3) Investment License and Approval for Incentives

Most of IPAs reviewed under the Project also carry a mandate for issuing investment licenses/approval for provision of incentives. Licensing process may be controlled by authorities which has the power on the specific matters. For example, the major incentives provided by investment licenses are fiscal incentives which are under the mandate of the revenue authorities. In case of Cameroon, while API receives an application for an investment license, the actual authority of decision making for granting the licenses is the revenue authority. However, verification of monitoring methods for investment projects after their commencement is not sufficient. In most cases, the actual investment approval involves negotiation and adjustment of target preferential items and document confirmation from the time the documents are officially submitted to the screening process.

(4) Development Support

All of the above agencies stated that they offer support for securing land and obtaining licenses. These services may include the provision of information, introductions to related agencies, the carrying out of formalities, OSS for the matters noted below, and the simplification of formalities through computerization. The target countries not only have IPAs, but have created a OSS at government agencies, and have also computerised the formalities and transactions. There were also cases in which there was difficulty in obtaining sufficient information related to formalities.

Regarding services for securing land, countries with special zone scheme would refer to a special zone, and offer services regarding inquiries into related agencies, and the sending of letters. Ghana has set up a land bank in the GIPC, whose function and efficacy have not been fully confirmed.

(5) Monitoring

Monitoring will be conducted to check on the progress of the investment plan, to check whether performance requirements have been fulfilled, to evaluate the effectiveness of the incentives and support and to make necessary improvement in the service provisions and the institutional arrangements; however, regular checks of the state of implementation has not been made due to human resource and budget restrictions. In Ghana, foreign investments must be registered; therefore, systematic monitoring is conducted for updating registrations. At such time, issues faced by investors are identified, and in some cases support is offered[26]. In Zambia, approximately 100 companies with approval for investment with more than a year after commencement of projects are chosen and monitored. In some years, however, only very few companies were monitored[27].

Effective execution of monitoring requires improvement in the information management system for investment projects. Registration, permit and license provision, progress status and other information should be systematically managed. A system should be structured that enables the checking of the status of investment projects any time when necessary. The service provision through improved output of the information can be utilised as the basis for improving aftercare and policy suggestions, and improvement of the capacity of project management.

(6) Aftercare

The definition of aftercare differs among agencies and does not necessarily reflect the needs of investors. In Rwanda, the period from the establishment of a business to the start of its operation is considered as target of aftercare; however, the investor side (time to commence project) understands the aftercare period longer than the IPA side. In order to execute smooth aftercare service and produce the intended results, IPAs should enhance services with the collaboration with related agencies.

(7) Advocacy

Policy formulation or advisory for investment promotion is typically included as a mandate of IPAs. Based on such mandate, IPAs may organize the public-private dialogues as a part of the policy formulation activities. However, some organisations are not able to undertake such activities effectively due to the insufficient human resources. Other approach of policy formulation may be more top-down. In Ethiopia, the wider mandates are to be given to EIC in order to strengthen its role for policy formulation, and subsequently, effective implementation of the policies.

As investment promotion policies comprises a wide range of issues, the efficient policy formulation and implementation may require a strong leadership which can be a driving force for coordination among relevant ministries and institutions. On the other hand, the effective policies with thorough monitoring process may be necessary to involve the private sector not only for ensuring the transparency, but also for maximizing efficacy by absorbing their demand and the knowledge on the issues.

In Rwanda, under the strong leadership of the President, a specialised department was established with the goal of improving the evaluation of Doing Business and the international competitiveness index. The department defines policy issues and ensures effectiveness with performance-based contracts that include the officers in charge and the capacity of the related agencies from the point of execution.

(8) OSS and Relationship with the Enhancement of Investment Promotion Function

The following table summarizes the investment permission/approval in target countries and the provision of support services to investors.

[26] Based on a May 2017 interview with GIPC

[27] Monitoring was conducted on 170 companies in 2013 and 133 companies in 2015, but only 24 companies in 2014 as the budget for that year had been given to other operations.

Table 3-28 Permission/Approval in IPA, and Status of One Stop Services for Investor Support

Country	IPA	Investment permit	Registration		Visa/work permit		Land etc.		Sectoral permit	Construction	Utility		Payment
			Company	Tax	Visa	Work permit	Land	EIA			Electricity	Water	Bank
Cameroon	Agence de Promotion des Investissements (API)	Submit an application to API if companies would like to receive incentives. Conditions apply.	Approved at OSS under SME agency. Online application is available.		Approved at the ministry in charge. Companies registered at API can receive assistance from API.	Approved at the ministry in charge.	Approved at the ministry in charge. Companies registered at API can receive assistance from API.	Approved at the ministry in charge.			Approved at the ministry in charge. Companies registered at API can receive assistance from API.		Pay at a bank
DRC	Agence Nationale pour la Promotion des Investissements (ANAPI)	Submit an application to ANAPI if companies would like to receive incentives. Conditions apply.	Approved at OSS under Ministry of Justice.		Approved at the ministry in charge.								Pay at the bank located at OSS under Ministry of Justice.
Ethiopia	Ethiopia Investment Commission (EIC)	Mandatory to apply to EIC. Conditions apply.	Approved at OSS section at EIC.				EIC makes a request letter, but approved at the ministry in charge.	Approved at the ministry in charge.					Pay at the bank located at EIC.
Ghana	Ghana Investment Promotion Centre (GIPC)	Mandatory to register at GIPC. Conditions apply.	Approved at the ministry in charge.				Approved at the ministry in charge. GIPC assists the process.	Approved at the ministry in charge.					Pay at a bank
Kenya	Kenya Investment Authority (KenInvest)	Submit an application to KenInvest if companies would like to receive incentives. Conditions apply.	Approved online only. Consultation counter is under preparation at KenInvest.		Online	Consultation counter is under preparation at KenInvest.	Approved at the ministry in charge.	Consultation counter is under preparation at KenInvest.	Approved at the ministry in charge.		Consultation counter is under preparation at KenInvest.	Approved at the ministry in charge.	Pay at a bank

Country	IPA	Investment permit	Registration		Visa/work permit		Land etc.		Sectoral permit	Construction	Utility		Payment
			Company	Tax	Visa	Work permit	Land	EIA			Electricity	Water	Bank
Rwanda	Rwanda Development Board (RDB)	Submit an application to RDB if companies would like to receive incentives. Conditions apply.	Approved at OSS section at RDB. Online application is available.		Consultation counter is under preparation at RDB.	Online application is available. Consultation counter is under preparation at RDB.	Approved at the ministry in charge. Companies registered at RDB can receive assistance from RDB.						Pay at the bank located at RDB.
Zambia	Zambia Development Agency (ZDA)	Submit an application to ZDA if companies would like to receive incentives. Conditions apply.	Approved at OSS under Ministry of Industry, Trade, and Commerce. Online application is available.		Approved at the ministry in charge. Companies registered at ZDA can receive assistance from ZDA.								Pay online when registering a company

Resource: JICA Project Team based on the Report on Data Collection in Ethiopia, DRC, Cameroon and Rwanda and the Implementation Reports of Kenya, Ghana, and Zambia and other documents.

EIC in Ethiopia, and RDB in Rwanda host the other regulatory authorities in their building so that investors can complete multiple processes while they are in one building. Ghana and Kenya also consider or planning to set up OSS.

It should be noted that the extent of the administrative process under OSS depends on the institutional frameworks and the mandates of key agencies. On the other hand, many countries started offering on-line processing for various administrative processes. The evaluation of the World Bank Group's Doing Business focuses on the simplicity of processes and its various administrative processes. Company registrations, tax payments, and electricity subscription are some of the processes done in online basis in the surveyed countries under the Project. The ways to improve the user friendliness of these processes may now have the wider range of choice combining such methods meeting the demands of the investors/private sectors and the specific characteristics of the government institutional settings. In view of these movements, cooperation and the demarcation of roles, it is important to review the significance of OSS and the implementation framework that are the responsibility of IPA.

3.5.3 Analysis on the Results of Capacity Building and the Method of Cooperation

The Project conducted technical cooperation for building capacity of IPAs in order to link to the mitigation of the problems discussed in the preceding sections. The Experts dispatched to GIPC in Ghana and ZDA in Zambia undertook capacity building of the organisations and the officers in charge. Based on the results of the activities in two countries, the method of capacity building and the cooperation for it are analysed.

(1) Overview of the Support for Capacity Building

The information on the investment promotion related policies, the governments' overall organisation for policy implementation, and organisations and functions of IPAs were collected and analysed by the Experts and C/P staff members. Based on the information, the areas to be covered in the Project were identified (see the next table).

While the needs of improvement in investors services and aftercare were identified, the contents of the technical cooperation were difficult to organise as a package handled by one expert. The Experts provided on-the-job trainings for such practical issues as organising and conducting company visits, managing inquiries and consulting.

Table 3-29 Overview of the Results of IPA Capacity Building Activities in Ghana and Zambia

IPA Activities	Status of Activities Before Project	Candidates and Implemented Support Activities
PR	・ Budget were secured for seminars, missions, and development of PR materials. Websites for public is available. ・ The frequency in updating information required improvement. ・ Websites were available, but not easy to access the necessary information easily and swiftly. ・ The contents and the records of inquiries were not complied, analysed, and utilised for the improvement of the services ・ Information in the different languages may be necessary for the convenience of potential investors.	・ Development of Guidebook in different languages (Pilot Activity: Ghana) ・ E-based information dissemination (Pilot activity: Zambia) ・ Ghana and Zambia Investment Seminar in Tokyo ・ Frequent renewal of the website ・ Provision of information through different media (e.g. e-mail newsletter) ・ Development of "Frequently asked questions (FAQ)"
Identification of Potential Investors	・ Inquiries and requests for support have been handled, but the records were not complied, analysed, and utilised for the improvement of the services ・ Proactive promotion contacting potential investors was not practiced.	・ Investment Promotion Mission to Japan ・ Identification of potential investors (Pilot activity: Zambia) ・ Identification of greenfield and brownfield projects
Support for Preparation	・ Minimum information and services were provided upon request ・ Regulatory and administrative procedures may be expected to be simplified and accelerated with the cooperation with relevant ministries and agencies.	・ Case study of other countries (Third Country Visit) ・ Simplifying regulatory and administrative processes ・ Setting up a function of a concierge
Support for Operation	・ Information on procedures for regulatory and administrative requirements was provided. ・ Regulatory and administrative procedures under the mandates of other ministries and agencies may be expected to be simplified and accelerated.	・ Organise coordination mechanism with other ministries and agencies for streamlined process of regulatory and administrative requirements (e.g. Setting up a task force) ・ Establishment of clear work flow ・ Simplify the regulatory and administrative procedures
Aftercare	・ Monitoring had been undertaken with the feedbacks from investors collected ・ Feedbacks might be better to be analised systematically to improve services. ・ Aftercare services required improvement (Zambia)	・ Compilation of requests and feedbacks from investors
Information Collection and Management	・ Basic data collection and analysis had been done. ・ The deeper understands on the investors and their businesses necessary to identify the potential investors and strategise investment promotion.	・ Investment climate and Japanese investors survey in another member of REC (Pilot Activity: Ghana) ・ Trial Market Survey in DRC (Pilot Activity: Zambia) ・ Establishment of work flow utilising the information

	・ Information collection and management capacity should be improved.	management system (Pilot Activity: Zambia) ・ Update a directory of local manufactures ・ Develop explanatory materials on the licenses and permits necessary for different industries
Improving Business Environment	・ The registered information in the Land Bank had not been updated properly. (Ghana) ・ Strategy development and amendment of laws and regulation had been done in accordance with the national development policy. (Zambia) ・ Infrastructure development was not sufficient.	・ Review and improvement of investment promotion policies, legal systems and incentives ・ Improve the services and functions of the Land Bank ・ Infrastructure development ・ Study of other countries examples (Third Country Visit)

Source: JICA Project Team based on the Implementation Reports of Ghana and Zambia.
Remark: Those underlined are support activities undertaken in the Project. ZDA/JICA implemented projects for capacity building of investment promotion in 2006 to 2009 (South-south cooperation) and 2009 to 2012 (Zambia Investment Promotion Project-Triangle of Hope).

The details of the pilot and other activities for capacity development to rectify the problems as analysed above are as explained in the next table.

Table3-30 Activities under the Projects

Area	Problems in Detail	Activities
PR	Information disseminated through websites was based on the paper-based material. Therefore, frequent updates were not done.	<Zambia Pilot Activity 1: Website Renewal> The cost of doing business was posted on the HTLM base instead of PDF version. System was developed to link the cost data and exchange rates published by the central bank.
	In order to increase access to information by audience, information with the variety of language was preferred.	<Ghana Pilot Activity 1: Development of Investment Guide Book in Japanese> Developed both Japanese and English guidebooks and distributed at the Ghana/Zambia Investment Seminar.
	Project formulation started from the inquiries from investors and proactive promotion was not commonly done.	<Zambia Pilot Activity 2: Identification of potential investors> First identify the target investors and meet the investors at the seminars and individual meetings for promotion.
Information Collection and Management	Information on the investment climate and IPA in competing neighbouring countries was necessary for deciding measures to improve competitiveness and IPA services.	<Ghana Pilot Activity 2: Investment climate and Japanese investors survey in another member of REC (ECOWAS) > Visited IPA in Côte d'Ivoire(CEPICI) and Japanese companies' offices in Abidjan. The investment policy, investment climate and IPA services in Côte d'Ivoire and Ghana were compared.
	It was necessary to have information on the potential export market in order to develop an export promotion policy and increase the attractiveness for foeign investors as an investment destination.	<Zambia Pilot Activity 3: Trial Market Survey> A market survey in former area of Katanga Province in DRC was conducted jointly with the C/P of the Export Promotion Directorate. Information was collected to identify export potentials and the promotion policy through the survey in both DRC and the border areas in Zambia.
	The existing database was not fully utilised for monitoring and other management purpose due to reasons such as the absence of uniform rules of data input.	<Zambia Pilot Activity 4: Establishing Work Flow using Q Bee System> The system was improved and the users' manual was developed based on the situational analysis of each work components. The automatic printing of registration numbers on the certificate was also introduced to be able to track the authentic certificates.

Source: JICA Project Team based on the Implementation Report of Ghana and Zambia

(2) Results of Capacity Building

1) Overall

IPAs collect various information on the requests of investors and the problem they are facing through PR, identification of potential investors, investor services for preparation for investment and business operation as well as information collection activity itself. However, such information has not been accumulated and analysed systematically for further utilisation for improvement of daily operation and policy advocacy for improvement of business environment.

The Project specified the certain areas of the work flow and improved the system. In Zambia, the Expert supported the improvement of the work flow of approving investment certifications utilising existing data management tool as a part of the capacity building of information collection and management. The activity was proposed by the C/P staff members with the practical idea of improvement together with the analysis of the Expert. The Project supported technically through development of materials and organising workshops.

There is a demand for the support for comprehensive organisational development for service provision and management capacity development. However, this type of improvement of organisational capacity involves various departments and sections in an organisation. Therefore, understandings of the higher management were an important factor for success. At the same time, the specialised skills and experience may be supplemented by the support from the additional experts or local human resources.

2) Public Relations

Preliminary evaluation indicated that GIPC and ZDA had conducting PR activities utilising PR tools, seminars and missions. However, there was the problem identified in the accessibility from the perspective of users of information (i.e., investors). The frequency of updating information also showed room for improvement. Such problem indicates the needs for development of information collection and management system which ensures necessary updates of information.

In Ghana, an investment guidebook was developed. The C/P staff members were also involved in the information collection and preparation of the scripts in order to transfer the skills from the Expert through OJT. The contents were developed based on the opinions of the Japanese companies who have operation in Ghana. Following the human resource development through the Pilot Activity, the system of updating the information may be preferred after the completion of the project.

In terms of the system to update information, Zambia's Pilot Activity developed the system to link the data of the central bank to reflect the fluctuation of foreign exchange rates with the data of cost of doing business.

Information collection and management system may start from the organisational development to establish the structure of self-maintaining information collection and management. However, the initial takes longer time for collecting information and developing the materials. Therefore, the support should have clear scope of the activity with the plan of operation based on the thorough analysis on the methods used in the support.

3) Identification of Potential Investors

Potential investors were mainly identified through the interaction initially stated from the inquiries of the investors. Capacity development for proactive marketing for potential investors were, therefore, identified as necessary.

The C/P staff members of ZDA visited selected Japanese companies in South Africa as a part of the Pilot Activity in Zambia. In addition to the OJT, targeted promotion starting from selecting and contacting each company was undertaken with the support of the Expert. Following the visit, a few Japanese companies came to survey Zambia. The communication has been continuing.

On the other hand, this type of the activities is difficult to expand to build the capacity of the organisation. It takes time to nurture the human resources with the necessary skills and competencies such as communication and analytical skills. For the capacity building as an organisation, understandings of the leadership of the organisations would be necessary.

4) Support for Investors in Preparatory Phase

IPAs provide support mainly to the investors applying for the investment registration/certificates. The contents of the service can be expanded meeting the demand of the investors. As the simplified process for investment-related regulatory and administrative requirements was recognised as a problem, Malaysian case of provision of OSS was studied through the Third Country Visit to Malaysia.

Support services for investor may be enhanced from the various aspects, but some areas may require alignment with investment promotion schemes and adjustment with various entities. Therefore, the commitment of the high-level leadership may be required. The scope of the technical cooperation should be also selected based on the analysis on the feasibility and effectiveness of the methods and input.

5) Information Collection and Management

Both GIPC and ZDA conducted the survey in neighbouring countries as a part of capacity building of information collection. In Zambia, the Pilot Activity mentioned in 1) was conducted for the improvement of work flow for the better management of the information on the project granted investment certificates.

The technical transfer of the skills and knowledge on Information collection was mainly done by the Experts. In order to utilise the outcome of the information collection for improvement of organisational capacity, the results were shared with the top management of C/P.

However, it was observed that the acquisition of the research skills may not be realised through single attempts. The collected information itself may not be enough to stimulate policy reform. The method of technical transfer should be improved comprising the aspect of information management and utilisation.

3.6 Issues and Policies Related to Foreign Investment Promotion in Africa and Policy Response

3.6.1 Summary of Issues and Corrective Measures

As analysed in previous sections, issues related to foreign investment promotion require an optimal measure responding the specific conditions of the certain industrial sectors and the reduction of costs and risks to improve competitiveness as an investment destination. However, neither the investment policy nor IPA can deal with all issues. The next below categorises how the above-mentioned issues can be dealt with through (i) investment policies and investment promotion policies (including incentives), (ii) IPA services, (iii) government policies other than investment policies, and (iv) the government services provided other than IPAs.

Table 3-31 Issues on Promotion of Foreign Investment, Direction of Improvement and the Policy Areas for Problem Solution

Problem			Current Situation	Direction of Improvement/Solutions	Policy Areas Which Mitigate/Solve Problems				
					Investment and Investment Promotion Policy	**IPA Services**	**Other Policies**	**Services of Other Government Entities**	**Other**
Fulfilling the Premises	Promote Vibrant Economies and Industrial and Export Development	Expansion of Market	Integration of regional market in REC can increase investment attractiveness, but it requires more progress.	**Widen and deepen REC integration** Develop institutional capacity across REC member countries Establish key common institutional framework for integration			○		○
			Without sufficient transportation infrastructure, it is difficult to capture regional markets as an single market.	**Form logistics network in REC (Also by "Transportation and Logistics Development")**			○		
			Foreign investors may not start with the direct investment, but from the trading to explore new markets.	**Private sector development** Trade promotion and enterprise development （**Also by measures under "Promotion of Industrial Development, Trade-Related Procedures"**）			○		
		Promotion of Industrial Development	Problems of productivities and quality of agriculture, fisheries, and forestry production which cannot attract trade and investment	**Promote of agriculture, fisheries and forestry development**			○		
			Immature or complicated trading and distribution system, difficulty in new entry to the value chain Underdeveloped logistics infrastructure (transportation, warehousing etc)	**Modernise trading and distribution structure** Industrial development policy including the aspect of restructuring of distribution system and enterprise development **(Also by measures under "Transportation and Logistics Development")**			○		
	Investor Protection		Concerns on political and social risks. It is necessary to improve governance and strengthen the investor protection mechanism	Improve relevant legal system（**Also by measures under "Company incorporation"**）	○		○		
				Conclude bilateral investment treaties, participating in international treaties (e.g, intellectual property right)	○		○		○

	Problem	Current Situation	Direction of Improvement/Solutions	Policy Areas Which Mitigate/Solve Problems: Investment and Investment Promotion Policy	IPA Services	Other Policies	Services of Other Government Entities	Other
	Access to Information on Potential Investment Areas etc	It is difficult for foreign investors to access to information such as investment potentials and potential business partners in African countries.	**Enhance information dissemination function and improve the organisational structure for information management** Capacity development of IPAs and other relevant organisations (Ability of collect and package information matched with the investors' demand, selection of effective media, establishing internal mechanism of updating and managing information)		○		○	
Cost related to production and operation	Competitive labour wage and human resource development	Labour wage is relatively higher despite the level of economic development. Problems on technical capacity and productivity of work force add the costs of labour. Availability of human resource for senior positions is limited. Mismatch between supply and demand in the labour market is observed.	**Formulate and improve the labour policy and the policy on technical human resource development** **Clarify formally the areas where foreign specialised personnel is accepted for employment** Clarify the list of types of professions for issueing work permits （**Also by measures under "Immigration")**	▲		○	○	
Cost related to production and operation	Power sector development	While the power tariff is not too high comparing with Asian countries, the quality of power supply should be enhanced.	**Develop power infrastructure and its operation and management** Promotion of investment to Infrastructure development, increased efficiency of power sector management and regional power supply network development			○		
Cost related to production and operation	Transportation and Logistics Development	Development infrastructure (inland transportation, port and airport facilities for sea and air transportation, development of network logistics) is necessary together with the improved operation and management capacity and enhanced quality of services.	**Develop transportation infrastructure and managerial capacity for operation and management**			○	○	
Cost related to production and operation	Transportation and Logistics Development		**Foster private sector transportation and logistics service providers**			○	○	

	Problem	Current Situation	Direction of Improvement/Solutions	Policy Areas Which Mitigate/Solve Problems				
				Investment and Investment Promotion Policy	IPA Services	Other Policies	Services of Other Government Entities	Other
	Legal System and Institutional Capacity Building for PPP for Infrastructure Development and Public Service Provision	Legal system development including clear rules for procurement and service provision is not sufficient. Capacity development of the relevant government entities is also necessary for formulation, procurement, contract negotiation and project management.	**Develop legal system of PPP project formulation, procurement and implementation**	○		○		
			Build capacity of relevant government entities for PPP project formulation, procurement and implementation	○	○	○	○	
Cost incurred through processing administrative requirements	Company Incorporation	The rules on the company incorporation and the status of a foreign company may be ambiguous. The definition differs among the company's law, tax laws, and other laws and regulations. Other legal system related to company's operation should be also developed in areas such as protection of property rights, enforcement of contracts, and closing business. The quality of judiciary and enforcement mechanism should be also improved.	**Legal system development** Develop business-related legal system including such areas as protection of property right, enforcement of contracts, closing business. Build capacity of judiciary.			○		○
	License and permits for various industrial activitities	Difficulties and cumbersome process are experienced to obtain license before start operational. Due to the structure of the value chain or institutional restrictions, foreigners may not be able to enter into the market. While balancing economic and industrial growth and revenue collection and other policies, the opportunities for starting business should be equally provided. Licensing procedures should be also streamlined.	**Simplify the permits/license system and the application process （Also by measures under "Promotion of Industrial Development"）**	▲	▲	○	○	
	Tax and Paying Tax	Tax rates are relatively higher and tax burden for foreigners is also large. Tax related process is with insufficient rules and the regulation. The cost of processing tax payment and problems on tax valuation are burden on investors. The problems are caused partially due to the underdeveloped	**Conduct tax reform (e.g. reduction of effective tax rates）**			○	○	
			Clarify the rules on valuation and payment of tax, consultation and prompt information dissemination upon the changes		▲	○	○	

	Problem	Current Situation	Direction of Improvement/Solutions	Policy Areas Which Mitigate/Solve Problems				
				Investment and Investment Promotion Policy	IPA Services	Other Policies	Services of Other Government Entities	Other
		accounting system and the limited capaicty of tax officers and accounting personnel of the private sector side.	**Enhance capacity of tax officers and accounting and finance personnel**			○	○	
	Trade-Related Procedures	The cost of import/export is high with relatively high customs duty with various additional fees and levies. Cumbersome and time- consuming trade related procedures causes costs.	**Review customs duty and various fees and levies（Also by measures under "Expanding Market (widening and deepening REC integration)")**	▲		○	○	
			Simplify trade-related procedures (Also by measures under "Expanding Market (widening and deepening REC integration)")	○		○		
			Enhance technical capacity of customs officers and the system for processing trade-related procedures Enhance the skills and knowledge of customs officers, improve the systems of customs clearance and other regulatory and administrative process through introduction of improved programs and facilities	▲		○	○	
	Access to Land and Property Registration	Complicated and land system, limited infrastructure, difficult to access and secure land. Land registration is not managed properly. Data is not updated.	**Improvement of land registration system, data management capacity of land-related information and simplification of the process**	○		○	○	
			Promotion of development of well service industrial land	▲		○	○	

Problem		Current Situation	Direction of Improvement/Solutions	Policy Areas Which Mitigate/Solve Problems				
				Investment and Investment Promotion Policy	IPA Services	Other Policies	Services of Other Government Entities	Other
	Immigration	Process of getting work permits takes time. The process requires cumbersome procedures and costs. The conditions for approval are not clear.	**Streamline and Expedite the process for issuing work permits** Reduce the burden on investors (through e.g. OSS, electronic-base processing), facilitation through provision of non-fiscal incentive, awareness building of immigration officers with clear instruction on rules （See Clarification of Operational Rules)		▲	○	○	
			Clarify operational rules			○	○	

Resource: JICA Project Team based on the Report on Data Collection in Ethiopia, DRC, Cameroon and Rwanda and the Implementation Reports of Kenya, Ghana, and Zambia and other documents.

Remark: “○”areas handled mainly by the policy area, “▲”areas handled suppllimentary by the policy area

3.6.2 Summary of Direction for Improvement

(1) Promote Vibrant Economies and Industrial and Export Development

1) Promotion of Industrial Development

As summarized in section 3.2, several prerequisites need to be met in preparation for direct investment. For investment of resource-based type, resource endowment, track record of production and the basic infrastructure and institutional framework are pre-conditions of considering the investment. The direct investment of the horizontal type targets domestic and regional market. Therefore, the availability or potential of sufficiently sizable market should be available. Furthermore, the competitiveness of goods and services to be introduced may be decided by the possibility of cost reduction and the scale of the production. Accessibility of the well-developed distribution network and strong business partners who may guide the supply and distribution network may be another important factor for determining the investment destinations. For manufacturing industries, the pressures for increasing local contents can be the issue after the operationalisation of the invested projects. Existence of active and capable private sector operators in the related industries are preferred. However, the private sector in Africa mainly comprises a large number of micro and small enterprises often operating as the informal sector. In order to attract foreign investment and link the investment with local industries, the basis of local industrial and commercial activities should be established.

As the basis for trading, African countries have been trading primary commodities. Many countries aim to promote foreign investment which can be linked with the locally available resources and contribute to expand the production and value addition of such resources. However, difficulties may be found to start the types of activities such as value addition due to some problems. For example, in case of agro-processing for value addition of the primary commodities, small and fluctuating production volume of resources may not be able to support the operation of the processing facility. Productivity may not be increased drastically due to the limited economic power of producers who cannot purchase agro-machinery and agro-inputs. Complicated trading structure or its informality may not allow outsiders to participate into the value chains. Therefore, domestic industrial development and institutional development to capture wider range of actors involved in the specific industries should be also considered instead of targeting the investment promotion solely.

The industrial development policy should also embrace the structural issue of raw material supply industries and human resource development. In order to utilise the foreign investment for the driver of the industrial development, the relevant legal systems and institutional arrangement can be also reviewed and adjusted for easy participation of foreign investors in the value-chains.

2) Widen and Deepen Regional Economy Integration

Horizontal type investment tends to require a larger market. The economic integration in RECs is expected to reduce internal trade barriers. Therefore, the widening and deepening economic integration is viewed as the opportunities for the investors. The integration itself benefits broadly to domestic and regional economies to form vibrant economies.

An obstacle for integration may be found in the gaps in the level of economic development among the REC member countries. The trade barriers may be maintained due to the perceived gaps. Though each REC has own characteristics and particular issues, institutional development to promote integration should be sought. The capacity building of each REC member country to implement institutional development is another key area for expediting the process[28].

(2) Investor Protection

Risks associated with social and political situations are influenced by many issues such as political and economic situation, severity of poverty, and governance. They are mid- to long-term policy issues. While such risks may not be controlled by the investment policy, the mechanism of protecting rights of investors can be established through the legal and institutional development. Protection of property right, clear rules on the national expropriation, and conflict settlement measures have been evaluated by a fundamental condition for investors. The target countries have been making efforts to agree on the BITs. International frameworks such as MIGA's investment guarantee are also used. The methods of optimal risk sharing mechanism is important for investment promotion especially in the area of infrastructure development using the PPP approach.

(3) Access to Information

Information dissemination for investment promotion is conducted mainly by IPAs utilizing various media. However, IPAs' follow up of such activities and promotion to induce further actions of potential investors are not fully captured during the Project. While the evaluation of the effectiveness of information dissemination may be conducted, regular updates of the information, accuracy and easy access can increase the value of the information. Some information may be frequently asked. It can be packaged and for the easy reference of investors.

(4) Reducing Costs related to Production and Operation

The issue of labour costs, human resource development and labour management should be discussed for improvement in the labour policies, employment creation policies, as well as education and training policies (e.g., vocational training). Productivity and technological competence through human resource development are necessary in the long-run through implementation of these policies.

To address the issues related to investment costs, such as electricity and logistics, it is critical to develop an infrastructure that enables sufficient and efficient services. For Ethiopia and DRC, in which the project collected particularly detailed data, capacity issues in the public service sector were more significant than issues concerning underdeveloped infrastructure. While assisting businesses to cut operational costs to attract investment is essential, it is equally important to improve the current status of infrastructure development and management capacities. These issues are addressed by public investment planning, management improvement of public companies and other policies in each sector.

Recognising the needs of infrastructure development utilising private funds and expertise, some countries have embarked on establishing regulatory and institutional frameworks for a PPP financing mechanism, with some projects launched in the power, public transportation, and public health and medical care sectors. However, due to the poor quality of the projects proposed by the governments and a lack of capacity for project formulation and appraisal, there are a limited number of projects that have been implemented. If private companies invest using the PPP approach in the area of public procurement, investment policies could provide general protection for investors and incentives related to investment promotion. To attract investors,

[28] In the Table 3-29, widening and deepening integration of REC was categorised as the issues to be handled by "other" policy area as the overall adjustment and negotiation should be driven in the diplomatic discussion.

IPAs are expected to provide information and services.

Reduction of the cost for production and operation may be cancelled by the fiscal and non-fiscal incentives[29]. The incentives in the target countries are mainly provide for the selected priority sector. The provision of incentives requires adequacy based on the investment promotion and industrial development policy objectives. It is also important to maintain the balance with those not to be granted with the incentives.

(5) Reducing Costs Incurred through Processing Administrative Requirements

Investment risks which are deeply related with the investment destination governments are administrative procedural issues partially stemmed from lack of coherent policies. Many issues tend to arise during the operational phase through interactions with concerned authorities, rather than the initial few years where IPAs are involved and fiscal incentives are given. The main issues found in tax and trade procedures were ambiguous rules in the operational process and operational capabilities of authorities. Such problems are caused by discrepancies between investment promotion objectives and other policy areas such as revenue policies.

A part of the incentives for investors in the priority sector may be simplified or priority processing of regulatory and administrative requirements in addition to the services of IPA[30]. OSS is one of the forms of simplifying provision of services to investors. Some countries position IPAs under the higher level of the government system such as the direct supervision of the presidents or the prime ministers in order to tackle the streamlining of administrative procedures integrally and comprehensively. Fiscal or non-fiscal incentives are also used as measures to cancel the cost or waive the requirements and notably in the form of the licensing or special zones.

(6) Effective Investment Promotion Polices, Policy Formulation, and Implementation Capacities

In order to address the issues mentioned above, effective investment promotion policies should include various rules and regulations, incentives to promote investment, roles and functions of IPAs responsible for investment promotion activities, as well as handling of matters in the areas that help improve the general business environment. The similar area such as investment promotion and private sector development face similar issues of business environment. Problems can be effectively solved with formulating higher-level policies and building consensus as well as securing budget and human resources for the implementation of measures to improve administrative processes. The issues concerning the operating structure and capacities of IPAs for solving the above-mentioned problems are summarized below.

[29] In the Table 3-29, this issue is categorised to be supplementally handled by “Investment Policy and Investment Promotion Policy (▲).

[30] In the Table 3-29, this issue is categorised to be supplementally handled by “Investment Policy and Investment Promotion Policy (▲).

Table 3-32 Issues of IPAs' Capacities and Measures

	Issues	Measures
Overall Organisation of the Government for Investment Policy and Investment Promotion Policy		
	・ Investment policies should be effectively designed to coordinate with relevant policies such as industrial and trade promotion policies ensuring the cohesiveness among the policies.	・ Develop the organisation for implementation of investment promotion with capacity of handling cross-cutting issues by securing the mechanism such as the commitment of high-level leadership
Functions of IPAs		
PR	・ Develop a system that enables regular information collection and update for both print and electronic media. ・ Update information such as important laws and regulations and operating rules, and process such data in a form deliverable to investors and potential investors.	・ Improve information collection capacities and establish coordination with relevant agencies for information collection. ・ Develop an organisational structure for appropriate information provision.
Identify/ Atract Investors	・ Collect information, develop networks and secure budget to flexibly meet potential investors' needs. ・ Enhance follow-up actions to potential investors who remain in contact.	・ Develop the capacities of officials.
Support for Operation	・ Provide accurate information regarding regulatory and administratively required procedures. ・ For prompt processing of procedures, indirect support, such as OSS and facilitation services are needed.	・ Coordinate with the relevant agencies to develop communication systems (such as a hotline).
Advocacy	・ Improve capacity to identify issues investors are facing. ・ Develop expertise to reflect recommendations in policy issues and other measures (e.g., introducing laws and regulations).	・ Utilise monitoring data, etc. ・ Deploy experts.
Investment approval	・ Approval and licensing procedures take longer than stated in the Service Charter, etc. There is an issue with predictability.	・ Clarify the criteria for granting approvals and licenses, share the progress of the granting process with investors.
Strengthening of overall capacities	・ Develop the expertise of IPA staff to help provide information and support that meets investors' needs (e.g., sector-specific, financial, accounting, and legal information). ・ Establish operational procedures and enhance information management systems to facilitate investment approval, monitoring and other activities.	・ Flexibly appoint personnel from private sectors as investment promotion experts. ・ Enhance information management system to facilitate investment approval, monitoring and other activities.

Source: JICA Project Team

3.6.3 Areas of Assistance from Other Donors and International Agencies

Donors and international agencies has been providing support to overcome the problems identified in the previous sections.

The examples identified through the Project are as summarised in the table below.

Table 3-33 Donor and International Institutions Support to Investment Promotion

Problem			Direction of Improvement/Solutions	Support of Donor and International Organisatons
Fulfilling the Premises	Promote Vibrant Economies and Industrial and Export Development	Expansion of Market	Widen and deepen REC integration	UNCTAD: Trade facilitation in REC, EU: Establishing institutional capacity and facilities for Standard, Quality and Metrology, TMEA: Support for market and logistics integration in EAC
			Private sector development (Also by measures under "Promotion of Industrial Development, Trade-Related Procedures")	Loan and technical assistance by World Bank/IFC and AfDB, technical cooperation by UN, EU and bilateral donors
		Promotion of Industrial Development	Promote of agriculture, fisheries and forestry development	Loan and technical assistance by World Bank/IFC and AfDB, technical cooperation by bilateral donors
			Modernise trading and distribution structure (Also by measures under "Transportation and Logistics Development")	Loan and technical assistance by World Bank/IFC and AfDB, technical cooperation by bilateral donors
	Investor Protection		Conclude bilateral investment treaties, participating in international treaties (e.g, intellectual property right)	-
	Access to Information on Potential Investment Areas etc		Enhance information dissemination function and improve the organisational structure for information management	World Bank/IFC, UNDP, JICA as a part of the capacity building of IPAs (survey on the potential industries, development of PR materials)
Cost related to production and operation	Competitive labour wage and human resource development		Formulate and improve the labour policy and the policy on technical human resource development Clarify formally the areas where foreign specialised personnel is accepted for employment (Also by measures under "Immigration")	Technical cooperation by World Bank/IFC and bilateral donors
			Work Force Development (Technical Vocational Education and Training, Productivity Enhancement)	Loan and technical assistance by World Bank/IFC, technical cooperation by UNDP, UNIDO and bilateral donors
	Power sector development		Develop power infrastructure	Loan and technical assistance by World Bank/IFC and AfDB, technical cooperation by bilateral donors
			Capacity building of operation and management	Loan and technical assistance by World Bank/IFC and AfDB, technical cooperation by bilateral donors
	Transportation and Logistics Development		Develop transportation infrastructure	Loan and technical assistance by World Bank/IFC, TMEA and AfDB, technical cooperation by bilateral donors

Problem		Direction of Improvement/Solutions	Support of Donor and International Organisatons
		Develop managerial capacity for operation and management	TMEA
		Foster private sector transportation and logistics service providers	TMEA
	Legal System and Institutional Capacity Building for PPP for Infrastructure Development and Public Service Provision	Develop legal system of PPP project formulation, procurement and implementation	World Bank/IFC
		Build capacity of relevant government entities for PPP project formulation, procurement and implementation	World Bank/IFC
Cost incurred through processing administrative requirements	Company Incorporation	Legal system development	OHADA in Central and Western African member countries
	License and permits for various industrial activities	Simplify the permits/license system and the application process (Also by measures under "Promotion of Industrial Development")	World Bank/IFC
	Tax and Paying Tax	Conduct tax reform (e.g. reduction of effective tax rates）	-
		Clarify the rules on valuation and payment of tax, consultation and prompt information dissemination upon the changes	-
		Enhance capacity of tax officers and accounting and finance personnel	-
	Trade-Related Procedures	Review customs duty and various fees and levies (Also by measures under "Expanding Market (widening and deepening REC integration)")	-
		Simplify trade-related procedures(Also by measures under "Expanding Market (widening and deepening REC integration)")	UNCTAD, Government of Korea (for system development), JICA (One-stop Border Posts), TMEA in EAC
		Enhance technical capacity of customs officers and the system for processing trade-related procedures Enhance the skills and knowledge of customs officers, improve the systems of customs clearance and other regulatory and administrative process through introduction of improved programs and facilities	World Bank/IFC, TMEA
	Access to Land and Property Registration	Improvement of land registration system, data management capacity of land-related information and simplification of the process	World Bank/IFC

Problem		Direction of Improvement/Solutions	Support of Donor and International Organisatons
		Promotion of development of well service industrial land	World Bank/IFC (EPZ, SEZ development)
	Immigration	Streamline and Expedite the process for issuing work permits	-
		Clarify operational rules	-

Resource: JICA Project Team based on the Report on Data Collection in Ethiopia, DRC, Cameroon and Rwanda and the Implementation Reports of Kenya, Ghana, and Zambia and other documents.
Remark: TMEA: Trademark East Africa (an organization based on the financial support from Belgium, Finland, UK, US, Netherlands, Canada, and Denmark

The World Bank/IFC supports efforts to improve business environments using the World Bank Group's Doing Business data. The supports are provided in various areas including institutional development, formulation of operating rules, and computerisation of administrative procedures. Many donors support private sector and industrial sector development. In the areas of infrastructure development and development of human resources, international agencies and bilateral donors have offered funds and technical cooperation. However, the survey could not collect data of bilateral donors offering support in the areas of taxation, immigration control, or work permits.

CHAPTER 4 RECOMMENDATIONS ON OVERSEAS ASSISTANCE FOR INVESTMENT PROMOTION IN AFRICA

The issues and the direction of improvement analysed in the previous chapter is as summarised as the following table (the details of the problems are described in Table 3-29).

Table 4-1 Issues on Promotion of Foreign Investment and Direction of Improvement

Problem			Direction of Improvement/Solutions
Fulfilling the Premises	Promote Vibrant Economies and Industrial and Export Development	Expansion of Market	Widen and deepen REC integration
			Form logistics network in REC (Also by "Transportation and Logistics Development")
			Private sector development （Also by measures under "Promotion of Industrial Development, Trade-Related Procedures"）
		Promotion of Industrial Development	Promote of agriculture, fisheries and forestry development
			Modernise trading and distribution structure (Also by measures under "Transportation and Logistics Development")
	Investor Protection		Improve relevant legal system （Also by measures under "Company incorporation" ）
			Conclude bilateral investment treaties, participating in international treaties (e.g, intellectual property right)
	Access to Information on Potential Investment Areas etc		Enhance information dissemination function and improve the organisational structure for information management
Cost related to production and operation	Competitive labour wage and human resource development		Formulate and improve the labour policy and the policy on technical human resource development Clarify formally the areas where foreign specialised personnel is accepted for employment （Also by measures under "Immigration")
	Power sector development		Develop power infrastructure and its operation and management
	Transportation and Logistics Development		Develop transportation infrastructure and managerial capacity for operation and management
			Foster private sector transportation and logistics service providers
	Legal System and Institutional Capacity Building for PPP for Infrastructure Development and Public Service Provision		Develop legal system of PPP project formulation, procurement and implementation
			Build capacity of relevant government entities for PPP project formulation, procurement and implementation
Cost incurred through processing administrative requirements	Company Incorporation		Legal system development
	License and permits for various industrial activities		Simplify the permits/license system and the application process （Also by measures under "Promotion of Industrial Development"）
	Tax and Paying Tax		Conduct tax reform (e.g. reduction of effective tax rates）
			Clarify the rules on valuation and payment of tax, consultation and prompt information dissemination upon the changes
			Enhance capacity of tax officers and accounting and finance personnel

Problem		Direction of Improvement/Solutions
	Trade-Related Procedures	Review customs duty and various fees and levies （Also by measures under "Expanding Market (widening and deepening REC integration)")
		Simplify trade-related procedures (Also by measures under "Expanding Market (widening and deepening REC integration)"
		Enhance technical capacity of customs officers and the system for processing trade-related procedures
	Access to Land and Property Registration	Improvement of land registration system, data management capacity of land-related information and simplification of the process
		Promotion of development of well service industrial land
	Immigration	Streamline and Expedite the process for issuing work permits
		Clarify operational rules

Resource: JICA Project Team

4.1 JICA's Role for Investment Promotion

Three main areas are identified where JICA is expected to play a significant role for investment promotion in Africa.

(1) Capacity Building for Policy Formulation and Implementation

The major role of JICA for the investment promotion in Africa is provision of technical and financial support for organisational and human resource development for the government entities. Policy formulation for nvestment promotion and the capacity building for policy formulation involves various actors engaging in the various jurisdictions and industrial sectors. Thus, JICA's experiences in Government-to-Government cooperation in the area of the private sector development can be utilised to the cooperation for the capacity building in the field of investment promotion effectively. The approach of supporting institutional development is critical in light of the necessity of broader private sector development while simultaneously aiming at investment promotion.

(2) Improving Business Environment

One of the major concerns on business environment is caused by the insufficient state of infrastructure. Regarding the recent drop of revenue due to the stagnant mineral prices and subsequently arising risks of debt sustainability, it is important to plan the infrastructure development with the financing method which does not impact excessively on the fiscal situation of the country. In addition to the mid- to long-term cooperation for infrastructure development and improved public service delivery, technical cooperation for institutional development for PPP project formulation and implementation is also critical.

(3) Creating Synergy of Cooperation among Multiple Sector

UN Summit for Sustainable Development Summit in 2015 adopted the 2030 Agenda for Sustainable Development with the Sustainable Development Goals (SDGs). SDGs are 17 goals with 169 targets covering broad areas for sustainable development, poverty reduction and pursuance of peace. The roles of JICA raised in (1) and (2) are expected to contribute to the achievement of Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all) and Goal 9 (Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation). In addition to these directly related areas, JICA is to work for various fields covered in SDGs. Goal 17 emphasises the partnership. The private sector is expected to be the major driver of solving various problems for achieving the goals with its ability in resource mobilisation and introduction of necessary technology. Investment promotion can be a forum of matching such strength of the private sector and diverse development needs.

JICA's role is also to facilitate partnership across various fields where JICA has track record of cooperation. The investment demand can be found in the various fields and the knowledge and experience of JICA can respond the diverse investment potentials in Africa.

Table 4-2 Sustainable Development Goals (SDGs)

Goal 1. End poverty in all its forms everywhere
Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
Goal 3. Ensure healthy lives and promote well-being for all at all ages
Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
Goal 5. Achieve gender equality and empower all women and girls
Goal 6. Ensure availability and sustainable management of water and sanitation for all
Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all
Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
Goal 10. Reduce inequality within and among countries
Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable
Goal 12. Ensure sustainable consumption and production patterns
Goal 13. Take urgent action to combat climate change and its impacts*
Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Goal 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development

Source: UN Sustainable Development Knowledge Platform

(4) Partnership and Cooperation with Related Organisations

JICA's established network of partnership comprises various stakeholders including the counterparts across the world, entities engaging in international cooperation, Japanese government agencies and Japanese investors can be a basis for the instrumental cooperation to various issues faced by African countries for investment promotion.

Japanese companies have access to the support of Japan External Trade Organisation (JETRO), Japan Bank of International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI). United Nationsl Industiral Development Organisation (UNIDO) has been engaged in technical support IPAs and support for Japanese companies to invest in Africa. JICA also cooperates with the African Development Bank (AfDB) and other international organisations.

4.2 Recommendation for JICA's Assistance in Investment Promotion in Africa

The following section explains key recommendations for investment promotion in Africa based on the analysis results.

4.2.1 Promote Vibrant Economic Activities and Trade and Industry Development

FDIs prefer to select investment destinations where the they have prior experiences in trading through their local partners. In Africa, however, there are limited number of the strong candidates of business partners due to the limited capacity of the private sector as well as relatively less active economic activities. Therefore, broader approach may be required in order to enrich private sector activities with viable industries and enterprises. This section especially discusses the issues of trade promotion, industrial development and support for regional economic integration as a mean of institutional development.

(1) Trade Promotion

As explained earlier, trade and foreign investment are two interconnected economic activities. Direct investment often occurs where trading volume reaches some certain level. Therefore, trade promotion should be a premise for foreign investment promotion. Priority should be placed on trade policy formulation. Issues surrounding trade procedures and its fees, tariffs, non-tariff barriers, and efficiency of main transportation facilities are considered as barriers to investment. They are often associated with complicated situations in areas such as revenue collection, interest of various ministries, and the privatisation of state-owned enterprises. The role of Official Development Assistance (ODA) is to encourage countries to gain a deeper understanding of the economic effects of trade promotion as a means to enhance competitiveness and supplement revenue and implement aid in conjunction with export promotion efforts.

First, policy formulation and planning may be supported through schemes such as technical cooperation for development planning. Following policy formulation, strategic policy options can be proposed. In the next step, specific policy implementation can be supported through capacity building of relevant authorities through technical cooperation.

(2) Industrial Development

For industrial development, various fields can be identified for the possible areas for support. These include policy formulation, capacity building of the government or private sector organisations for service delivery for industrial development, enterprise development, and distribution (wholesale/retail) sector and infrastructure development for restructuring of value-chain. Foreign investment promotion can be a part of the industrial development policy measures. Policy tools in consistency with overall policy objective should be considered such as deregulation for specific sectors by abolishing/waiving licenses.

Forming linkages between foreign investors and local industries can benefit both actors. Whereas the former look for the possible local suppliers who can supply the raw materials, the latter can secure the market and possible technical upgrading. Development of linkage can be operationalised as the service provided to investors. The technical support for IPAs can be provided to establish the mode of operation for identifying seeds and facilitating the establishment of linkage.

(3) Develop Industrial Infrastructure to Develop the Capacity of RECs

Strengthening the functions of Regional Economic Communities (RECs) and propelling integration are important processes in effectively promoting institution development and attracting investments. However, due to differences in economic development levels and countries' capacity, there is considerable variation in the areas which require more integration and the progress of efforts within free trade areas. Even in the East African Community (EAC) where significant progress has been made, customs clearance procedures are uncoordinated and various non-tariff barriers exist. On the other hand, as mentioned in section 3.4.3, OHADA applied in Western and Central African countries provides common legal system of business across a few RECs.

Regarding the different policy objective and interests held by each REC or even each member country in one REC, integration can be effective for areas where common interest and incentives are found among the members.Some of JICA's trade facilitation and industrial infrastructure development methods, such as developing systems (e.g. certification systems) within less-developed regions of RECs or creating One-Stop Border Posts (OSBP), may be considered if they fit to the specific needs of REC.

4.2.2 Support for Reduction of Production and Operation Costs

(1) Infrastructure Development and Operational Capacity Development

To reduce production and transport costs, a wide range of assistance is possible, including improving inadequate infrastructure such as electricity, logistics, communication, enhancing public service delivery, establishing systems for private sector participation and training service operators.

It should be noted, however, that some countries may not be able to acquire ODA loans depending on their economic situations including level of debt service. On the other hand, technical cooperation is appropriate for improving the performance of public services. Focusing on viability of projects promoting investment from foreign contractors (including Japanese), the spectrum of support may be rather wide and include project formulation and planning. In this area, various measures and supports to export infrastructure system have already been carried out.

There is only a limited number of projects globally that have come into effect using public-private partnership (PPP) financing strategies, such as overseas investment/loans. Therefore, a new direction is crucial in the method of financial cooperation. Methods that boost public-private partnership, such as financial assistance for participating in funds established by international and regional development banks, are already seen. Furthermore, it is desirable to choose tools that meet a country's unique situation and funding needs of the private sector through coordination with agencies that provide commercial support nationwide (e.g., JBIC and NEXI) and appropriate demarcation.

(2) Institutional Development for PPP and Capacity Building for Project Formulation and Management

For public-private partnership (PPP) approach, it is important to obtain concessions and achieve a consensus on long-term fund measures and risk sharing. There are cases where the responsible ministries and agencies in African countries have insufficient experience and human resources, causing a burden for private sector companies engaging in PPP projects. Some issues encountered may be legal affairs concerning contractual matters and financial analysis and discussion of risk sharing. Although such technical areas are beyond the scope of relevant policies and laws and regulations, it is necessary to support the accumulation of experience and knowledge of the counterpart government agencies by dispatching advisors, etc.

4.2.3 Support for Streamlining Administrative Procedures to Reduce Business Costs

(1) Reduction of Processing Regulatory and Administrative Requirements

Issues related to administrative procedures lie in the company registration system, corporation law, employment/labour system, taxation, intellectual property system, land system and so forth. As discussed in the previous chapter, clarification of rules, simplification of procedures and development of human resources are important. Technical assistance is called for not only in establishing the legal system but also in formulating specific operating rules and developing human resources enforcing such rules.

To encourage efforts to address the issues concerning investment climate such as establishing transparent and simplified administrative procedures, high-level initiatives and ownership is indispensable. As seen in the area of taxation, development of human resources should include improving capacities of employees in the private sector as well as government officials.

As measures to simplify procedures, countries have recently introduced computerisation and common platform for multiple procedures. There are many public-private partnership projects for system integration and streamlining of operations. Also, there are cases where South Korea's customs clearance system in addition to the UNCTAD system was adopted. In addition to technical assistance, system export is considered effective.

(2) Special Economic Zones and Industrial Sites Development

1) Institutional Development and Capacity Building for Development, Operation and Management

Industrial sites development and provision of incubation and supporting facilities are often raised as a solution to reduce production costs borne by insufficient infrastructure and to cope with the difficulty in access to quality operational space. The target countries of the Project also have frameworks such as special economic zones (SEZ), export processing zones (EPZ) and free zones which typically provide access to quality infrastructure, good regulatory environment, and incentives. Management of institutions including planning, development and/or regulatory functions is often mandated to specially established agencies.

In order to maximise the efficacy of these policy measures, policy design should be matched with the characteristics of the country's economics, industries and trade. With regard to policy design and introduction of legislation, the World Bank/IFC has a taskforce for establishing SEZ system in Africa, providing technical assistance as well as loans to many countries. However, institutional development that matches the country's unique situations requires detailed technical works as well as consensus building and coordination within the country. Moreover, when it includes development of authorities supervising SEZ, formulation of operating rules and training of personnel, significant amount of time and expertise would be required.

2) Development of SEZ

When developing an SEZ in the form of an industrial park in delimited areas, additional knowledge and skills are also necessary further than institutional development in order to ensure the realisation of effective infrastructure development and service delivery. Regarding the strength of the private sector with such knowledge and experiences, it has more capacity than the public sector for development, operation and management even with the ability of resource mobilisation, marketing, planning of site development and the knowledge and experiences of operation and management. The public sector's role is more for generating favourable environment for the development based on the private initiatives.

On the other hand, the private sector developers may be hesitant to embark on the projects in Africa where the off-site infrastructure development is insufficient and the financing gap and the risk is too high. Even in such case, the public sector should pay sufficient attention to the nature of the project for physical development of industrial site which requires viability and bankability of the project in order to ensure continuous quality service delivery. In fact, many African countries designates the government land as special zones. Apart from the case of Kenya where a single factory can be designated as EPZ, there are cases where a large plot of land is developed as a special zone. This is partially due to the problem in access to lands or limited availability of land in favourable locations. With the less competitiveness of the site with limited access to the industrial and logistics hubs, the land may require sizable off-site infrastructure development before attracting the private sector to consider the investment. While the demand for quality infrastructure is high in general in many countries, it ends up being not affordable for the private tenants after the necessary site preparation as the cost is topped up to the cost of land. In such case, private-led development may not occur spontaneously. The role of public sector in such situation is to provide enabling environment for private sector. The developer and the operator who deliver the services should be carefully selected from the aspect of ability of continuous provision of quality services. The necessary support to strengthen the capacity by the public sector may be considered to form a solid organisational structure for project implementation, operation and management.

The role of JICA's support in such cases should supplement the technical capacity for such areas as demand surveys, capacity building of government entities in charge of project management for special zone development, and off-site infrastructure development.

4.2.4 Support Formulation of Investment Promotion Policies and Implementation

(1) Capacity Building for Policy Formulation and Implementation

1) Development of Investment Promotion Strategy

The diversity of African countries should be first recognized upon considering support measures for investment promotion in Africa. As reviewed in Chapter 3, governance situation and investment climate are also diverse, apart from their industrial and trade potentials as measured by geographic locations, resource endowments, climatic and natural conditions, population, and economic situations. Therefore, strategies that are in line with the state of national affairs and strengths of each country are important to select the effective policy measures.

2) Develop the Capacity of Formulation of Investment Promotion Strategy and Policy

In formulating strategies, various factors, such as investment potentials, costs and risks should be considered. It is important to (i) organise and analyse cross-sectional and inter-ministerial situation and (ii) build a consensus among key ministries, agencies and private sectors when reflecting a strategy in an action plan. As pointed out as a problem in the policy formulation through the World Bank Group's Doing Business indicators, the effective policy formulation process requires absorption of private sectors' needs and their understandings for implementation of the policy reform.

When organising comprehensive data and developing action plans, high-level leadership within the government and a commitment to implementation are critical. The technical cooperation should be provided based on the confirmation of such initiatives of the C/P side.

Some countries may decide to form a inter-ministerial platform including private sectors for policy formulation, implementation and management. Such platform may be operated effectively with the functional secretariat who can manage the data and coordinate with relevant entities. JICA can also assist such initiatives by providing the technical advisory.

3) Compile the Investment Promotion Policy with the Plan for Implementation

i. Selecting Policy Tools and Legal System Development

Based on investment promotion strategies, investment policies are formulated by integrating effective policy tools that address policy goals and issues. For investment promotion, two directions may be considered, namely (i) promotion through PR activities and proactive marketing of potential investors and (ii) facilitation through improved business environment. Policy tools can be selected from these two aspects.

Some policy tools are accompanied with legal system development. Such areas include investor protection, provision of incentives, setting up OSS and those policies for reducing costs of production, operation and process of administrative requirements. The legislative process of these institutional development is eventually preceded by the legislative functions of the country. However, in case of receiving request of the support from the C/Ps, the technical support may be considered.

Countries have introduced fiscal and non-fiscal incentives based on their own situation, but the effectiveness of such incentives and whether they reach the target potential investors have not been fully reviewed. Some investors value development of human resources and streamlining of procedures as part of their non-fiscal incentives.

Policy reviews and policy formulation need experts' advice on taxation, accounting, public finance, labour market and industrial development, etc. Accordingly, technical assistance such as research and dispatch of advisors for policy formulation is effective.

ii. Build Capacity for Data Management

In the target countries, Ethiopia and Ghana oblige investors to register. However, in other countries, the certificates/licenses are issued only for those investors who requires access to the incentives. Therefore, the information on investors recorded at IPAs is limited in number of cases relative to the total investment projects. Furthermore, the recorded information may be as of the time of the application for certification/license unless the updates by monitoring are done. While the flow of FDI is monitored by the central banks on balance of payment basis, the published data often does not capture the breakdown of sectors and types of business. Therefore, the accurate data with the sufficient details may be necessary for policy formulation.

In many African countries, the statics on business establishment and industrial activities are not fully available. Mid- to long-term statistical capacity development is desirable whereas in the short-run, the information management system of IPAs for registration, monitoring and information update as well as the information dissemination should be supported.

(2) Strengthen Functions of IPAs

Issues concerning IPAs' capacity enhancement and possible areas of assistance are summarized below.

Table 4-3 Issues Concerning IPAs' Capacities and Support

	Issues	Measures	Support	Possible Inputl
PR	・ Develop a system that enables regular information collection and update for both print and electronic media. ・ Update information such as important laws and regulations and operating rules, and process such data in a form deliverable to investors and potential investors.	・ Improve information collection capacities and establish coordination with relevant agencies for information collection. ・ Develop an organisational structure for appropriate information provision.	・ Collect and organise information. ・ Develop a system for information update and PR.	Survey team and Technical Cooperation Project
Identifying/Attracting investors	・ Collect information, develop networks and secure budget to flexibly meet potential investors' needs. ・ Enhance follow-up actions to potential investors who remain in contact.	・ Develop the capacities of officials.	・ Support developing investment projects. ・ Give advice on collecting and organizing information on tax, legal and other areas of expertise.	Dispatch advisors.
Support for penetration	・ Provide accurate information regarding regulatory and administratively required procedures. ・ For prompt processing of procedures, indirect support, such as OSS and facilitation services are needed.	・ Coordinate with the relevant agencies to develop communication systems (such as a hotline).	・ Support developing investment projects, customer care. ・ Support developing systems providing comprehensive service, including general administrative procedures.	Dispatch advisors. Technical Cooperation Project
Advocacy	・ Improve capacity to identify issues investors are facing. ・ Develop expertise to reflect recommendations in policy issues and other measures (e.g., introducing laws and regulations).	・ Utilise monitoring data, etc. ・ Deploy experts.	・ Develop networks among the relevant agencies. ・ Policy advisory	Dispatch advisors.
Investment approval	・ Approval and licensing procedures take longer than stated in the Service Charter, etc. There is an issue with predictability.	・ Clarify the criteria for granting approvals and licenses, share the progress of the granting process with investors.	・ Capacity building of data management ・ Tool development for processing application such as manuals and formats	Dispatch advisors and Technical Cooperation Project

	Issues	Measures	Support	Possible Inputl
Strengthening of overall capacities	・ Develop the expertise of IPA staff to help provide information and support that meets investors' needs (e.g., sector-specific, financial, accounting, and legal information). ・ Establish operational procedures and enhance information management systems to facilitate investment approval, monitoring and other activities.	・ Flexibly appoint personnel from private sectors as investment promotion experts. ・ Enhance information management system to facilitate investment approval, monitoring and other activities.	・ Support the development of comprehensive operational capacity.	Technical Cooperation Project

Source: JICA Project Team

Based on the organisational objectives and strategies, each section in IPAs should manage objectives and develop human resources to address capacity issues of their system and staff. On the other hand, in order to address issues in the specialized areas of investment promotion, dispatching qualified advisors could be effective.

For foreign investors looking to invest, the key information is the social and economic situation of the host countries and information leading to investment opportunities. At the investment planning stage, they require reliable and up-to-date information on the type of industry and expected form of market entry; examples of which include information on local partner candidates, current market conditions, business environments, costs and administrative procedures. It is not easy for foreign investors who are not operating in host countries to collect useful information, and there are a limited number of methods for them to efficiently acquire useful investment information about such countries. While IPAs provide information through publications, websites and investment missions, it is effective to provide information that meets investors' specific needs in addition to general information obtained through the print and electronic media. Collecting and sharing of information on business processes and a proposal of appropriate methods of communication may be considered as a part of the technical cooperation.

4.3 JICA's Thematic Guidelines for Trade and Investment

JICA's Private Sector Development: Trade and Investment Promotion Thematic Guidelines published in 2013 lists three main developmental themes: the improvement of business environments, systems for trade promotion, and systems for investment promotion. The table below shows the problems explained in the previous chapter and the supporting items in Africa developed based on the guidelines. The medium-term objectives and supporting items which are not listed in the original guideline, but considered necessary in Africa are also added (indicated in italics).

Table 4-4 Thematic Guidelines for Trade and Investment

Strategic development goals	Medium-term objectives	Sub-targets	Supporting items	Obstacles against investment promotion in Africa			
				Promote Vibrant Economic Activities	Reduction of Production and Operation Costs	Reduction of Costs for Administrative Procedures	Investment Promotion Policy Formulation and Implementation
Improvement of systems for investment promotion	Improvement of investment policies and systems	Formulation and implementation of investment promotion policies	・ **Capacity Building for Policy Formulation and Implementation** (Organisational development of high-level organisation for investment policy formulation, support for investment dialogues with private companies, recommendations on policy formulation and implementation for investment promotion, survey on investment climate) ・ **Support for legal system and institutional development for investment promotion and investor protection** ・ **Capacity development for statistics data collection and management** ・ Support for policy implementation through development policy loans	X		X	X
		Simplification of investment procedures	・ **Technical cooperation for simplifying process of regulatory and administrative requirements, introduction of online processing system** ・ Improvement of investment procedures, support for establishing one-stop services			X	X
		Legal System and Institutional Capacity Building for PPP	・ **Support for development of legal system of PPP project formulation, procurement and implementation** ・ **Support for institutional capacity building for PPP procurement system**		X		X

Strategic development goals	Medium-term objectives	Sub-targets	Supporting items	Obstacles against investment promotion in Africa			
				Promote Vibrant Economic Activities	Reduction of Production and Operation Costs	Reduction of Costs for Administrative Procedures	Investment Promotion Policy Formulation and Implementation
			・ **Support for capacity building of relevant government entities for PPP project formulation, procurement and implementation**				
	Strengthening of investment promotion functions	Strengthening of capacities and systems for investment promotion	・ Establishment of IPAs, Strengthening of functions (dispatching of investment missions, holding of investment seminars, preparation of investment handbooks, establishment of Japan Desk, etc.)	X			X
Improvement of business environment	Improvement of related policies and systems	Formulation of industry promotion policies and master plans (M/Ps) and implementation	・ Support for policy dialogues ・ Dispatching of policy advisers ・ Support for formulation and implementation of master plans (M/Ps) and policies ・ **Support for enterprise development** ・ **Support for forming linkages with foreign investors and local industries**	X			X
		Labour policy formulation and industrial human resource development	・ **Support for formulation of labour policy** ・ **Support for industrial human resource development**				
		Improvement of industrial base systems	・ Development of intellectual property systems, and standards and conformity assessment systems (measurement standards, certification systems, standardization, etc.)	X			
	Infrastructure development	Development of key infrastructure	・ Support for formulating plans for transportation, power transmission and distribution, telecommunications, cross- border transport, etc.	X	X		

Strategic development goals	Medium-term objectives	Sub-targets	Supporting items	Obstacles against investment promotion in Africa			
				Promote Vibrant Economic Activities	Reduction of Production and Operation Costs	Reduction of Costs for Administrative Procedures	Investment Promotion Policy Formulation and Implementation
			· **Financial support for development of economic infrastructure** · **Support for capacity building of maintenance of infrastructure and public services delivery** · **Support for formulation and implementation of private investments in infrastructure development, operation and management and public services delivery**				
		Development of special economic zones and industrial parks	· Support for institutional development for Special Economic Zone scheme · Support for formulation of a development plans for special economic zones and industrial parks · Support for establishing an organization structure for project implementation and management of special economic zones and industrial parks · **Financial support for the development of special economic zones, industrial parks, and off-site infrastructure (including support for financial assistance via PPP)**	X	X	X	X
	Improvement of investment climate and business environment	**Improvement of legal frameworks (e.g. commercial law and company law)**	· **Support for related legal frameworks**		X		X

<table>
<tr><th rowspan="2">Strategic development goals</th><th rowspan="2">Medium-term objectives</th><th rowspan="2">Sub-targets</th><th rowspan="2">Supporting items</th><th colspan="4">Obstacles against investment promotion in Africa</th></tr>
<tr><th>Promote Vibrant Economic Activities</th><th>Reduction of Production and Operation Costs</th><th>Reduction of Costs for Administrative Procedures</th><th>Investment Promotion Policy Formulation and Implementation</th></tr>
<tr><td rowspan="4">Improvement of systems for trade promotion</td><td rowspan="2">Reduction of trade obstacles</td><td>Reduction of tariffs and non-tariff barriers</td><td>・ Support for formulation of trade policies and systems and improvement of capacity to implement trade policies and systems</td><td>X</td><td></td><td></td><td></td></tr>
<tr><td>Facilitation of trade procedures</td><td>・ Support for streamlining trade permit procedures, improvement of efficiency in custom procedures, introduction of a single window system and One-Stop Border Post</td><td>X</td><td></td><td>X</td><td></td></tr>
<tr><td rowspan="2">Strengthening of international competitiveness</td><td>Improvement of access to foreign markets</td><td>・ Support for improving capacity to implement trade practices and marketing
・ Support for improving the capacity of trade promotion agencies</td><td>X</td><td></td><td></td><td></td></tr>
<tr><td>Strengthening of companies' capacities for management and production</td><td>・ Support for improving quality and productivity
・ Support for development of standards and conformity assessment systems that conform to international food safety standards, and enhancement of inspection capacities
・ Support for improving capacity in packaging and other technologies</td><td>X</td><td></td><td></td><td></td></tr>
<tr><td rowspan="3">Widen and Deepen Regional Economic Integration</td><td rowspan="2">Trade Facilitation in Regional Economic Communities (RECs)</td><td>Trade facilitation in RECs</td><td>・ Support to streamlining of trade-related procedures and setting up One-sStop Border Posts in RECs.</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Transport and logistics infrastructure development in RECs</td><td>・ Support for development of transport infrastructure and logistics facilities in RECs</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Industrial Development</td><td>Improvement of industrial</td><td>・ Support for formulating common standards and conformity assessment systems (measurement</td><td></td><td></td><td></td><td></td></tr>
</table>

Strategic development goals	Medium-term objectives	Sub-targets	Supporting items	Obstacles against investment promotion in Africa			
				Promote Vibrant Economic Activities	Reduction of Production and Operation Costs	Reduction of Costs for Administrative Procedures	Investment Promotion Policy Formulation and Implementation
	in Regional Economic Communities (RECs)	**base systems in RECs**	**standards, certification systems, standardization, etc.) in RECs**				

Source: JICA Project Team based on "Private Sector Development: Trade and Investment Promotion Thematic Guidelines" 2013.
Remark: Items in bold are added by JICA Project Team.

Appendix 1

PR Material

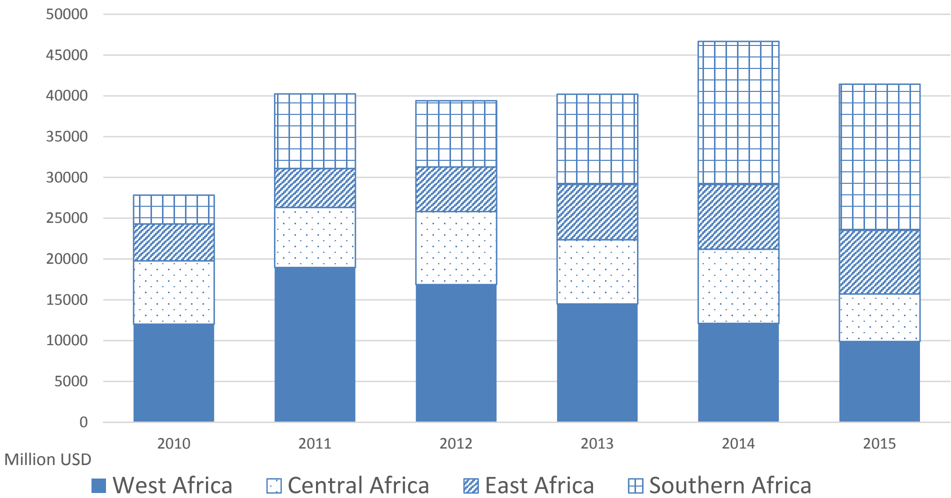
Business Expansion to Africa

Business Expansion to Africa

1. Trends of investment in Africa
2. Potential for and issues of investment in Africa
3. Outline of investment scheme and case study in targeted countries
4. JICA's scheme to support Japanese companies

Note: Africa in this material means Sub-Sahara Africa unless otherwise noted.

Trend of Greenfield FDI Inflow to Africa

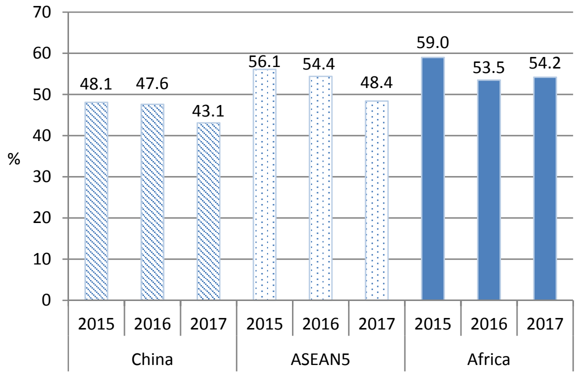


Source: UNCTAD

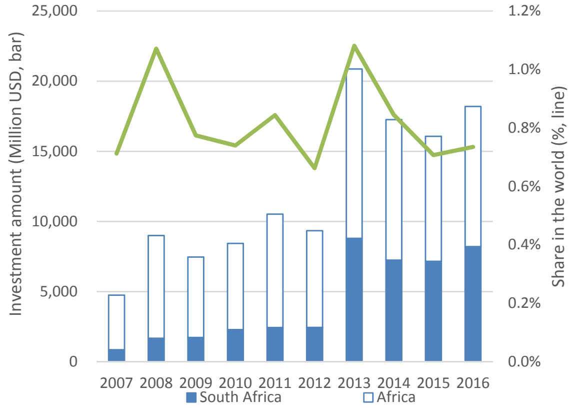
- The share of FDI inflow to South Africa has been large. Therefore, the share of Southern Africa is relatively high.
- Following the fall of commodity price, FDI inflow in Africa as a whole dropped compared to 2014. However, the trend may not be the same in those countries which are less dependent on mineral resource.

Japanese Companies' Interest in Africa

Share of Japanese companies considering strengthening and/or expanding mid-term business plan



Amount of investment in Africa and its share in the world



Source: (left) JBIC, (right) JETRO
Note: Africa includes North Africa

- The percentage of Japanese companies considering expanding their ongoing or planned business in the mid term is slightly decreasing in China and ASEAN5. By contrast, that in Africa increased again in 2017.
- The amount of investment in Africa was on a downward trend after 2013 but turned upwards again in 2015 and 2016.

1. Trends of investment in Africa
2. **Potential for and issues of investment in Africa**
3. Outline of investment scheme and case study in targeted countries
4. JICA's scheme to support Japanese companies

Investment Potentials in Africa

Production base

African regional market

- Economic development countries
- Regional integration

Relationship with other regions

- Accessibility of other regions such as Europe, US and Middle East

Problems: Cost of production and logistics due to the insufficient infrastructure development

- While the potentials are diverse, potentials can be generally observed from the aspect of the competitiveness. First, potentials as production bases with competitive production cost factors or resource endowments, potentials based on the available market, and the potentials to locate the various functions regarding the connectivity with other regions as Europe and Middle East.
- Another dynamic potential may be also observed in such areas as infrastructure development. The investment itself can improve the business environment and market creation which eventually leads further create the investment opportunities.

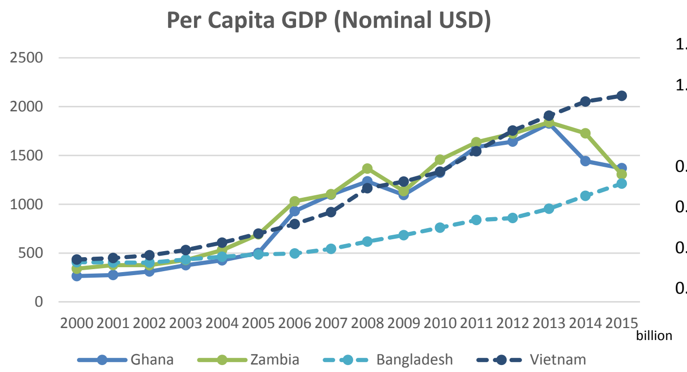
4

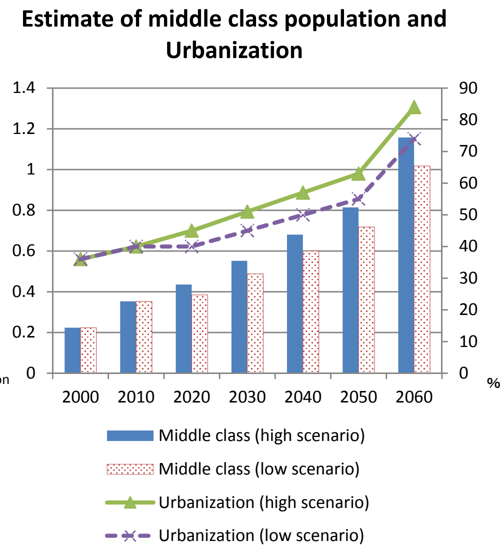
Production base

African regional market

Relationship with other regions

Economic Growth and Urbanization





Source: World Bank (left), AfDB (Right)

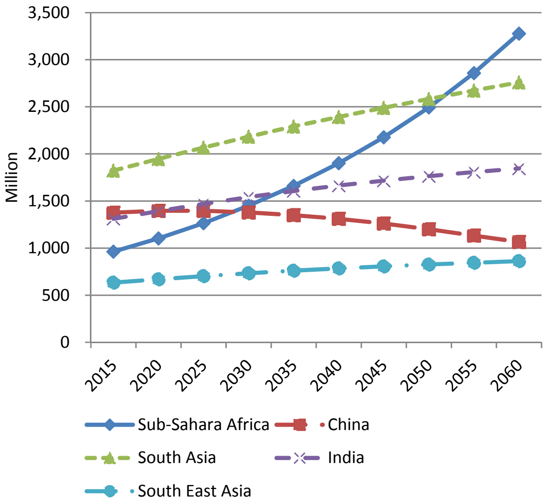
- The economic growth in African countries in recent years has kept the speed of those of Asian countries although it was declined in 2015 due to the fall of commodity prices.
- On-going urbanization and increased middle-income population indicate provision of larger markets and labour force in the long run.

5

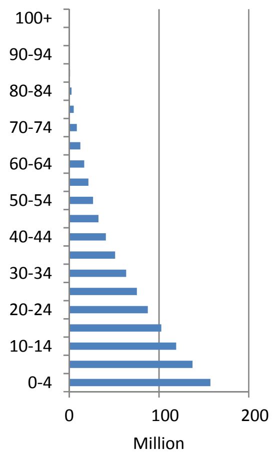
Production base
African regional market
Relationship with other regions

Population Growth

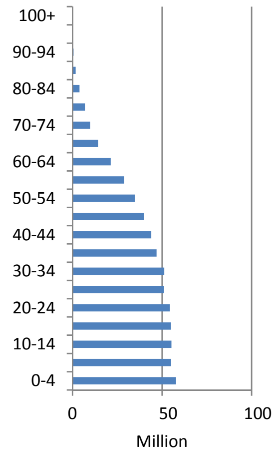
Population estimate until 2016



Population pyramid of Africa



Population pyramid of South East Asia



Source: UN Population Division, Department of Economic and Social affairs

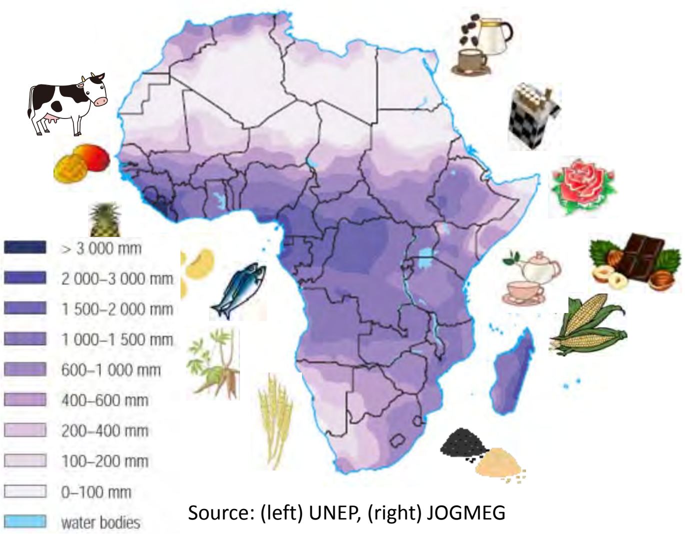
Note: Both data are as of 2015.

- With young population, long-term potentials for labour and markets are observed.

Production base
African regional market
Relationship with other regions

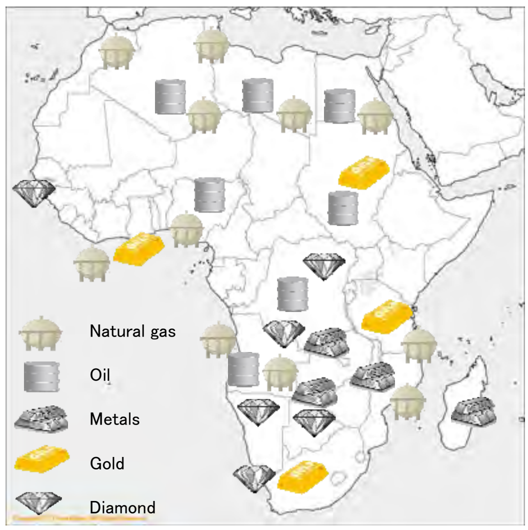
Diverse Resource Endowments

Distribution of precipitation and agricultural products in Africa



Source: (left) UNEP, (right) JOGMEG

Distribution of natural resources (including under development)



Africa has zones with different climate conditions and features of natural environment which provides rich resource endowments and produce.

Production base | **African regional market** | Relationship with other regions

Regional Economic Communities with Potential for Huge Markets

Name: ECOWAS
No. of countries: 15
Year: 1975
Pop. Size: 0.34 billion
GDP: 304.9 billion USD
FTA: 2004
Custom union: 2015
Common market: 2020 (TBA)
Currency union: 2020 (TBA)

Name: COMESA
No. of countries: 20
Year: 1994
Pop. Size: 0.4 billion
GDP: 638.6 billion USD
FTA: 2000
Custom union, Common market, and Currency union: under discussion

Name: ECCAS
No. of countries: 10
Year: 1983
Pop. Size:0.14 billion
GDP: 209.8 billion USD
FTA: under discussion
Custom union: under discussion
Common market: No plan
Currency union: No plan

Name: SADC
No. of countries: 15 Year: 1992
Pop. Size: 0.27 billion GDP: 575.5 billion USD
FTA: 2012
Custom union & Common market: under discussion (partially introduced)
Currency union: under discussion

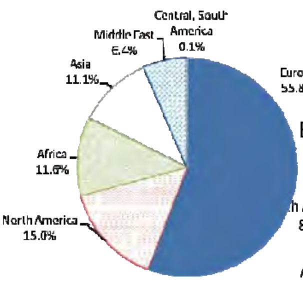
Name: EAC
No. of countries: 5
Year: 2000
Pop. Size: 0.14 billion
GDP; 147.5 billion USD
FTA: 2005
Custom union: 2009
Common market: under discussion
Currency union: under consideration

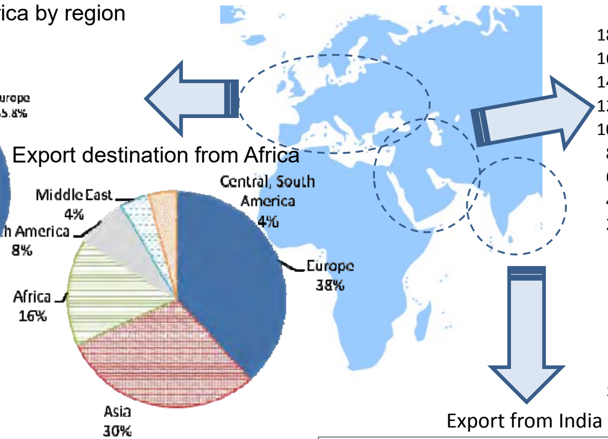
Source: various documents

Production base | African regional market | **Relationship with other regions**

Africa's Relative Proximity to Europe, Middle East, and India

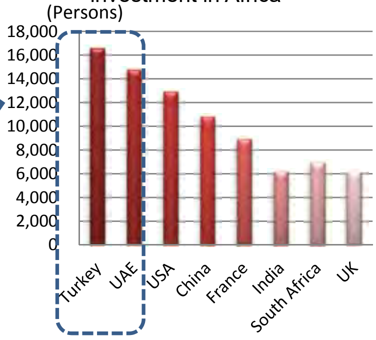
Share of investment in Africa by region





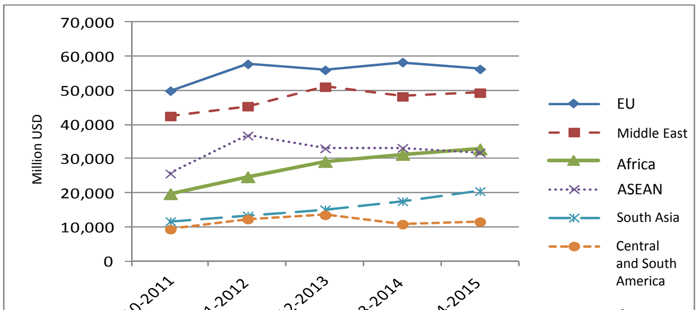
Source: The Africa Investment Report 2015 (above), UNCTAD (including North Africa) (right)

Countries with job creation through investment in Africa



Source: fDi Intelligence

Export from India by destination

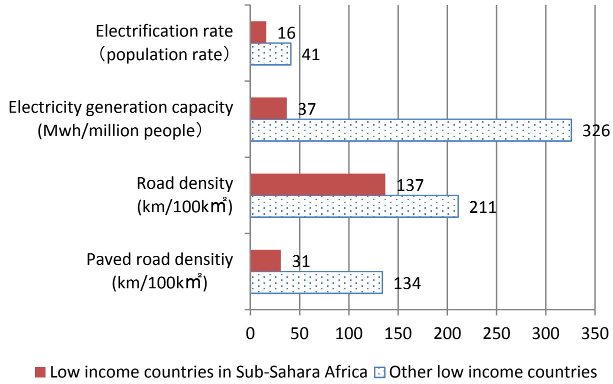


Source: Ministry of Commerce and Industry in India

(Above left) Invested value from Europe accounts for more than half of the total invested in Africa. Europe is the largest export destination from Africa. With the strong historical and cultural connection between the two regions, they share common basis of legal and financial systems.
(Above right) Jobs created in Africa by Turkey and UAE account for more than 20% of the total created by FDI in Africa.
(Bottom right) Export value from India to Africa is rapidly increasing. Also, the Government of India pledged 10 billion USD loans and 0.6 billion USD grants at the 3rd India-Africa Forum held in October 2015.

Infrastructure Cost and Infrastructure Development Needs

Infrastructure in Africa



Necessary and actual amount for infrastructure development in Africa (billion USD/year)

	Needs	Achievements		
		2012	2013	2014
Electricity	408	234	216	224
Transportation	182	142	222	343
Water & sanitation	219	70	60	97
ICT	90	3	10	23
Others	34	1	18	29
Total	933	450	526	716

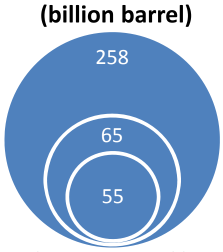
Infrastructure cost in Africa and Asia

	Sub-Sahara	Other developing countries
Electricity price (USD/hour, Kwh)	0.02-0.46	0.05-0.10
Water price (USD/cubic meter)	0.86-6.56	0.03-0.60
Logistics price (USD/ton, km)	0.04-0.14	0.01-0.04

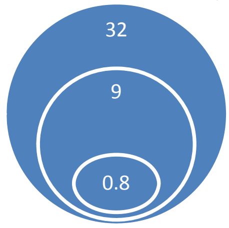
*Price varies from countries.

Source: (left top and bottom) World Bank, (right top) AfDB/WB, (right bottom) IEA

Oil reserves in Africa (billion barrel)



Natural gas reserves in Africa (trillion cubic meter)



Large: ultimate recoverable reserves, Medium: reserves verified as of 2013, Small: accumulated production as of 2013

Continent-wide Planned and On-going Infrastructure Development Projects

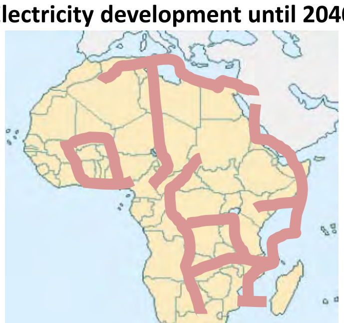
Expected investment amount to port and logistics routes development by 2017 (billion USD)

Port	Amount
Lamu	24.00
Bagamoyo	100.00
Kribi	10.00
Nacala	5.00
Enfidha	1.80
Beira	1.45
Lekki	1.35
Badagri	1.30

Source: AfDB

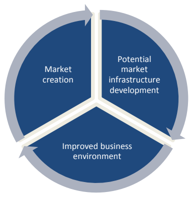
Road development until 2040

Electricity development until 2040



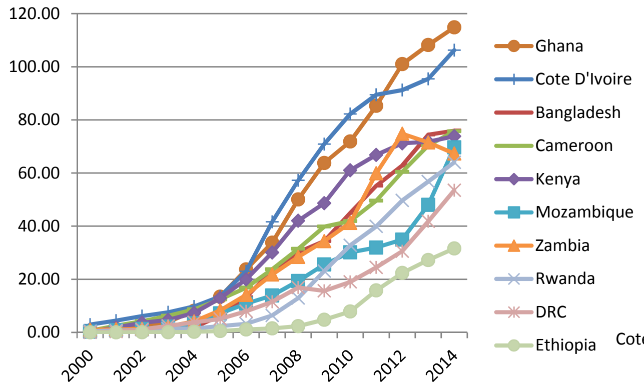
Source: PIDA

(Above) The share of Africa in world volume of shipping and container transportation is still less than 5% and 2%, respectively. The trade volume has increased four times more than that in 2007. Rehabilitation of existed ports and new port development are planned.
(Right) Plan of Infrastructure Development in Africa (PIDA) by AfDB was developed. PIDA targets infrastructure development of energy, transportation, water, ICT in Africa by 2040.



Rapid Expansion of Mobile Phone Network Expands the ICT Market.

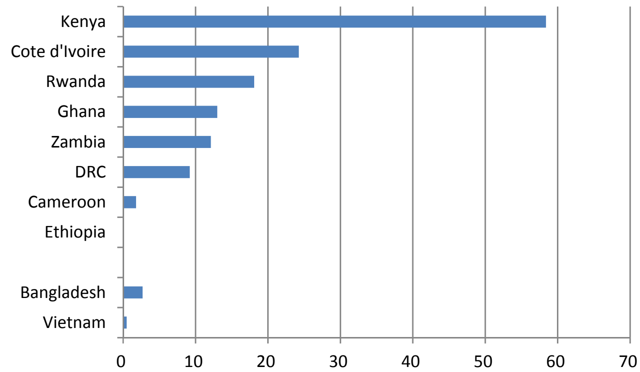
Mobile telephone user subscriptions per 100 inhabitants



(Above) Mobile telephone user subscribers per 100 inhabitants rapidly increased since 2010. Especially, Ghana and Cote d'Ivoire recorded more than 100 cell phones per 100 persons in 2010 and 2013, respectively, which means one person have more than one cell phone.

(Below) Because of immature banking system in Africa, the degree of use of mobile money is considerably higher than that in Asia. Especially, more than half of population above 15 years old with cell phones have mobile money accounts. Mobile money is used for various transactions including such transaction as payment of education and utilities.

Share of persons over 15 years old using mobile money



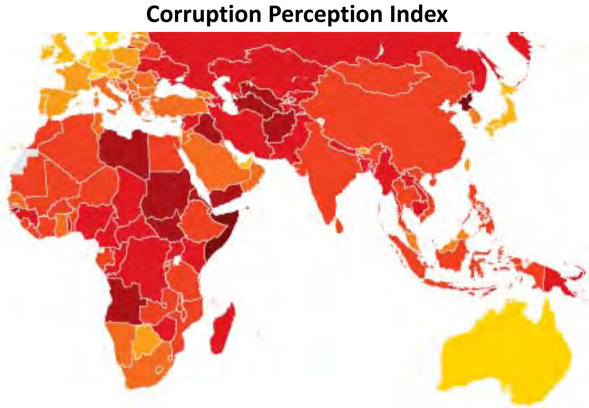
Source: (right) ITU, (left) World Bank

12

Problems and Points to be Noted

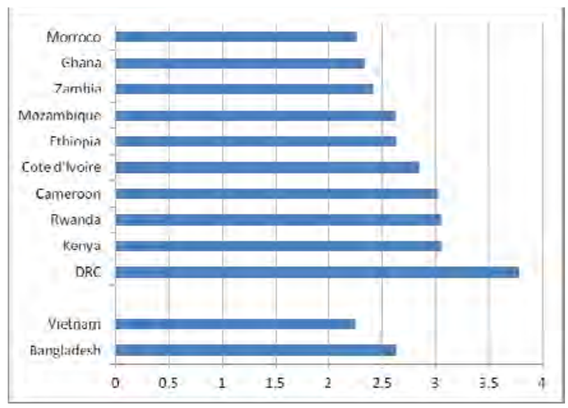
Situation of Governance and Security

Corruption Perception Index



Source: Corruption Perception Index 2014 (Transparency International)

Security index



Source: indexes of security in Global Peace Index 2015 (Institute for Economics & Peace)

(Left) The darker the red is, the higher the corruption perception is. The degree of corruption perceived in Africa is high compared with Japan, Europe, and US. However, the index in some African countries is similar to that of China and India.

(Right) The higher the number, the lower the security is (5 is the worst). Security of each country is calculated from 1 to 5 based on political stability, number of murders etc. Many African countries are similar to that of Vietnam and Bangladesh.

13

Problems and Points to be Noted

Industrial Development and Investment Promotion Policies

Problems

- Some governments set or raise local contents requirements. Import substitution policy favours locally manufactured goods.
- Many countries started to establish PPP financing framework for infrastructure development. However, due to the insufficient experiences, difficulties are observed in such areas as contract negotiations.
- Risks such as exchange rate fluctuation and political pressures to reduce the end-user tariffs in public utilities projects have to be well-maintained by the Governments as well

Observed improvement

- Performance-based incentives provided for FDI (though the design and implementation may have issues)
- Institutional development may be improved gradually with the experiences of on-going projects.

14

Problems and Points to be Noted

Rules and Regulations, Administrative Procedures

Observed trend of improvement

- Regional economic integration facilitate legal system and policies to improve business environment in regional level (e.g., application of unified business laws in francophone countries（OHADA), cargo tracking and guarantee scheme under COMESA)
- Many countries implement policies to improve business environment targeting the issues captured in Doing Business.
- Efforts for simplifying administrative procedures are made through introduction of one-stop services and e-based and automated system.

Problems observed

- Actual progress of integration of regional economic communities (REC) is not homogenous across RECs and issue by issue.
- The conditions which are not measured in Doing Business may require larger improvement.
- Coverage of one-stop or e-based processing system may be limited to some parts within the entire flow of the process which limits the effects.

15

Problems and Points to be Noted

	Problems	Improvement
Company registration	• Actual limitation of foreign investment (e.g., minimum paid-up capital for foreign investors)	
Taxation and paying tax	• Rules and regulations are complicated, not clear, changed often with limited information dissemination. • Tax officers' limited capacity, corruption • Issues on definition of PE, international taxation such as transfer pricing • Difficulties or effectiveness of tax appeal • Long waiting time for tax refund	• E-based tax declaration and payment
Logistics	• Time and cost, complicated and cumbersome procedures • Customs duty and other levies	• Simplified admin process, infrastructure development
Immigration	• Cumbersome process	• SEZ, performance-based incentives
Finance	• Limited flexible foreign currency allocation in some countries • High cost of financing	
Labour	• Worker-friendly labour-related regulations.	

16

Examples of FDI Strategies

Purpose	Sector	Strategy of entry & expansion	Note
Access to the market outside of Africa or Regional Markets (Export)	Mineral resources	Acquisition of exploration rights and mining concession	
	Agriculture, fisheries, and forestry, agro-processing, leather industry	Secure raw materials and vertical integration (start from purchasing, expand to production of raw materials)	
	Textile & garment	Utilise EPZ and other incentives for export promotion	Despite the duty-free access to US market using AGOA, only limited countries are utilizing the opportunities.
Access to local and regional markets	Consumer goods	Merger and Acquisition of local companies (including state-owned enterprises)	
	Construction, construction materials	Start from getting contracts of public procurement, later expand to B-to-B contracts	
	Pharmaceuticals	Joint venture with local companies	Manufacturing and export generics
	Infrastructure (e.g., power, logistics)	PPP, IPP(power) Acquisition of privatised state-owned companies	

17

Examples of Measures to Cope with Risks

Issues	Examples of coping mechanism observed in the Project	Note
Political risk	• Step-wise expansion of the operation starting from trading→establishing liaison office, accepting contracts by public business→equity investment→FDI	Negotiation for bilateral investment treaty (BIT) on-going with some countries
Limited information of the regulatory environment	• Utilise network owned by local partners • Use the local experts (e.g., accounting and legal experts)	
Cope with local market practices and others	• Acquisition of a large part of a value chain through M&A and equity investment	
Cope with changes of laws and regulations	• Use the local experts (e.g., accounting and legal experts)	

Utilise Existing and Expanding Business Networks in the Region

Retail networks are now expanding locations of African retailers

	Company	No. of African countries	No. of shops	Sales (million USD)
	Shoprite group	17	2,177	9,869
	Mr. Price group	14	1,079	1,133
	Massmart group	12	376	5,169
	Pick n Pay	9	1,016	6,351
	Nakumatt	4	55	＞1,000

Regional banks have their operation within and outside of their regions in Africa.

	Bank	HQ	Main share	No. of African countries
	Ecobank	Togo	South Africa	32
	United Bank for Africa	Nigeria	Nigeria	19
	Standard Bank group	South Africa	South Africa	17
	Banque Marocaine du Commerce Exterieur	Morocco	Morocco	19

Source: annual reports of companies and media

Collaboration with Other Foreign Companies

Ref: Investment Demand of South African and Indian Investors

South Africa

- Interviewed companies are mostly with the experience of business in other African countries. They are positive in expanding business in other countries.
- Though it depends on the types of commodities and services, many raised regional hubs such as Kenya and Nigeria as the next investment destinations. Those with good governance situation such as Ghana and Rwanda were also viewed as preferred destinations.

India

- Those investors in the areas of agriculture, mining, infrastructure development, and medical show interests in investing in Africa.
- While the manufacturing sector is also interested in investment in Africa, some indicated that they need more detailed information on business opportunities and market situations in order to select the destinations.

20

1. Trends of investment in Africa
2. Potential for and issues of investment in Africa
3. **Outline of investment scheme and case study in targeted countries**
4. JICA's scheme to support Japanese companies

21

Ethiopia Attractiveness

Low Production Cost and Direct Connections with Destinations within and outside the Continent

(left) Ethiopia Airlines has many flights not only with in Africa but also to Asia, Europe, and Middle East.

Passengers carriers

International: 92 places (Africa: 51, Asia (including Tokyo) 14, Europe, 12, Middle East: 11, America: 4)

Domestic: 19 places

Cargo carriers

International: 46 places (Africa, 35, Asia:6, Middle East: 3, Europe: 2)

(bottom) Labor wages and electricity price is similar to those in Bangladesh and Vietnam

	Ethiopia (Addis Ababa)	Cote d'Ivoire (Abijun)	Nigeria (Lagos)
Legal minimum wage (USD, per month)	47.9–95.7	100	107
	Bangladesh (Dhakka)	Myanmar (Yangon)	Vietnam (Hanoi)
	85.75	127	146

	Ethiopia	Zambia	Egypt
Electricity price for business (USD, per 1kWh)	0.015	0.025–0.068	0.03–0.08
	Vietnam	Bangladesh	Myanmar
	0.06–0.09	0.09–0.12	0.10–0.15

Source: (left) Ethiopia Airlines, (right) JETRO etc.

Ethiopia Basic Information

Area 1 million square kilometer (2015)

Population 99 million people (2015)

GDP per capita (PPP) 1,626 USD (2015)

GDP growth 9.6 % (2015)

Trade balance -10.4 billion USD (2013/14)

Inflation 10.1% (2015)

Foreign reserves 91.4 million USD (2013/14)

Major import

Oil, oil products, chemical products, machines, vehicles, crops, garment

Major export

Coffee, gold, leather products, oil seeds

Participation in regional economic communities

COMESA

Trends of Japanese business

No. of company base: 9 companies

No. of Japanese: 248 people (including 47 people in private sector)

Incentives

Investment incentives (Exemption of customs and income tax, carrying over of loss etc)

Export incentives (Reimbursement of custom duties, operating bonded warehouses etc)

Regulations

Negative list (Foreign investment in service sectors such as electricity, communication, banking, insurance, forwarding, transportation are prohibited)

Tax rate Company tax 25-35%, VAT 15%

Employment of foreigners

Positions for foreigners needs to be localized in ca. 5 years.

Investment Promotion Agency

Ethiopia Investment Commission (EIC)

Main functions and services

- Information provision (PR through website and leaflets, guidebook, information on investment climate and trends)
- Contact services (promotion, consulting, follow up)
- Issuing investment permit, business license, construction permit, work permit.

Contact +251-11-551-0033, ethioinvest@investethiopia.gov.et

Website http://www.investethiopia.gov.et/

Ethiopia Case example

BMET Energy Telecom Industry and Trade LLC

＜ Background and reasons to come＞

- As the government of Ethiopia prioritises the expansion of ICT network in the national development plan, the company believes the demand of cables would increase.

＜ Keys to decide to come＞

- It is easy to come not only from the headquarters (in Turkey), but also from the places where the company procures raw materials (India and Zambia) and have the market (Kenya).
- Incentives (land etc.) are attractive.
- The company had an idea of the market.
- There was a good local partner.

＜ Challenges ＞

- Patience, boldness, and braveness are the keys.
- It is important to understand that the rules in Ethiopia are not the same as one in countries of origin of investors.
- It will be of a huge help to find a local partner who is very familiar with all the rules and business customs in Ethiopia.

＜ Outline of the company ＞
BMET is the biggest capacity electrical cable factory investment in Ethiopia, which manufactures all types of electrical cables including telecom cables and fiber optic cables with the latest technology.
Headquarters: Kayseri (Turkey), Capital: 150 million USD, Sales: 100 million USD (target), Employment: 650 people (as of August, 2015).

24

Ethiopia Supports

EIC's activities	PR	Identify investors	Support to establish	Support to operate	After care
	･PR materials ･Seminars ･Trade fairs ･Website ･Consultation	･Answer inquiries ･Visit to candidate sites ･Introduce local partners ･Set up meetings with government	･Support to obtain land ･Support to obtain investment permit		･Monitor investments

EIC
･conducts seminars by sector and/or country in different countries.
･defines detailed prioritized sectors and other sectors are not sufficiently supported.
･assigns staff to investors and provide supports till the investors obtain investment permit. The support to operation may be done through aftercare.

･Others in Bahir Dar, Debere Birhan started the procurement of developers.

Progress of industrial parks in Ethiopia

Name	Status	Area (ha)	Sectors
Bole Lemi	Operational in 2015	156	Apparel
Hawassa I	Partially operational	140	Textile, apparel
Hawassa II	Construction		Apparel
Mekele	Construction	100	Apparel
Kombolcha	Construction	75	Apparel
Adamal	Construction	365*	Textile, apparel
Diredawa	Construction	150	Textile, apparel
Jimma	Construction	75	Apparel
Bole Lemi II	Construction	171	Textile, apparel
Kilinto	Construction	279	Pharmaceuticals, food

*: Area width of Adama I is the sum of Adama I and Adama.
Source: IPDC (March 2017)

25

DRC Attractiveness

Rich Natural Resources and Agricultural Potential

Source: BCC

Mineral

- Mineral deposits in DRC can be found in areas in Kivu in the Northeast area, Katanga in the Southeast, and Kasaï in the South. Katanga is rich in copper and cobalt as well as other minerals.
- Gold and diamond are produced in North and South Kivu, Maniema and Kasaï-Oriental and Kasaï-Occcidental. Hydrocarbon deposits are found not only in the Atlantic Ocean side but in the area around Rift Valley (notably Albertine Rift) in the east.

Agriculture

- Various types of crops can be produced as the vast land provides different types of conditions suitable for different types of crops.
- DRC only utilises 10% of its arable land, and the rest remains untouched. DRC's food supply largely relies on imports. Based on the regional demand, the opportunity for food production is potentially high. The demand for export commodities such as coffee also show increasing trend in the international market.
- The current Farming Law requires foreign investors to have Congolese partners who take the majority share in concession agreements. In general, irrigation, logistics and transportation infrastructure has not been fully laid out yet.

26

DRC Basic information

<u>Area</u> 2.345 million square kilometer (2015)

<u>Population</u> 77 million people (2015)

<u>GDP per person (PPP)</u> 783 USD (2015)

<u>GDP growth</u> 3.9% (2015)

<u>Trade balance</u> -2.1 billion USD (2015)

<u>Inflation</u> 1.6% (2013)

<u>Foreign reserves</u> 1.1months of import (2015)

<u>Major import</u>

Consumer goods, capital goods, energy, raw materials

<u>Major export</u>

Diamond, oil, base metal

<u>Participation in Regional Economic Communities</u>

ECCAS, COMESA, SADC

<u>Trends of Japanese business</u>

No. of company base: 4 companies

No. of Japanese: 56 people (including 0 people in private sector)

<u>Incentives</u>

Fiscal incentives (Exemption of company tax, exemption of tax on immobile property for projects)

Import/export incentives (Exemption of import duty on equipments and export duty, reduction of cost for human resource development and environmental preservation)

<u>Regulations</u>

Foreign investments in small sized trading, production of weapons, industry related to military are prohibited. Agriculture concession and access to agricultural land are only limited to DRC nationals and/or companies with majority of domestic capitals.

<u>Tax rate</u> Company tax rate: 30% or 35%, VAT 16%

<u>Investment Promotion Agency</u>

Agence Nationale pour la Promotion des Investissements (ANAPI)

<u>Major functions and services</u>

- Information provision (PR through website and leaflets, information on investment climate etc.)
- Counter services (promotion, consulting, follow-up)
- Approve investment incentives

<u>Contact</u> +243-999-2502-6
anapi@investindrc.cd / anapirdc@yahoo.fr

<u>Website</u> http://www.investindrc.cd

27

DRC Case example

Helios Towers Africa Limited

＜ Background and reasons to come ＞

- The introduction of new technological solutions does not have many competitors.
- Unlike other francophone countries, the company believes DRC has unique high potentials.

＜ Keys to decide to come＞

- Only 2 million people out of 70 million own a mobile phone and the potential is high.
- As communication sector is national prioritized sector, the company receives fiscal incentives.

＜ Challenges ＞

- Setting up a project and making benefits take long time.
- There are unique business practices in DRC and it is important to have experiences and networks of experts in legal, tax, labor, logistics .

＜ Outline of the company ＞
Helios Towers is an independent communication tower company, which construct towers, manage them, and lease them to communication companies. Helios Towers operates not only in DRC but also in Congo republic, Ghana, and Tanzania.
The headquarters locates in London (UK). Capital is 0.35 billion USD (as of 2009). The sales goal is 100 million USD. The number of permanent employees are 63 (as of Feb. 2016)

DRC Supports

	PR	Identify investors	Support to establish	Support to operate	After care
ANAPI's activities	･PR materials ･Seminars ･Trade fairs ･Website ･Send/receive missions ･Matching	･Answer inquiries ･Visit to candidate sites ･Introduce local partners ･Set up meetings with government	･Support to obtain land ･Support to obtain investment incentives	･Support to other licenses/permits	･Monitor investments ･Listen to investors

ANAPI
･implements PR activities through seminars and trade fairs.
･provides basic information on business environment, incentive schemes, legal framework of taxation and investment on the website. However, some are only provided in French.
･supports investors to conduct pre-feasibility study and/or find local partners for free of charge.

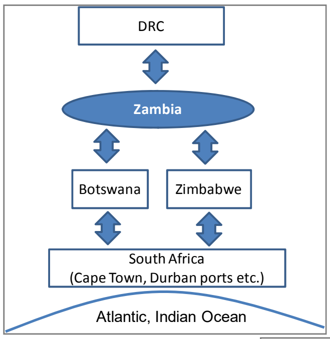
Progress of Special Economic Zones

The Government of DRC enacted the law on the establishment of special economic zones (SEZ) (Loi n° 14/022 du 07 juillet 2014 fixant le régime des zones économiques spéciales en république démocratique du congo, hereinafter “SEZ Law”). The law stipulates the definition of SEZ, developers, and operators and specifies the items to be stated in the contract with each party. The procedures of selecting developers and operators (including criteria and flow of appraisal) are to be specified in the separate regulations. The Government plans to set up one SEZ per province. The first of them is Maluku in the Province of Kinshasa which is in preparation.

According to the interview with the Ministry of Industry, the concept of SEZ envisages the type of institutions which are suitable for promoting industries targeting the domestic market. Therefore, the incentive package is also expected to be structured based on the demand of such industries. Good business environment is also a part of the incentive provided by SEZ. It is expected to set up a one-stop service per SEZ with the windows, licenses and tax offices to reduce the time for administrative procedures.

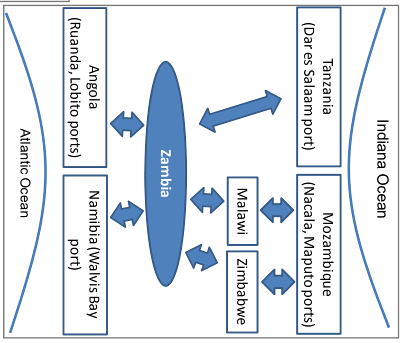
Zambia Attractiveness Strategic Location Connecting North, South, East, and West.

Source: AfDB



Zambia locates at the intersection of East-West route from Tanzania and Mozambique to Angola and Namibia and North-South route from DRC to Zimbabwe, Botswana, and South Africa.

(up) North-South line
(right) East –West line



1. Southern corridor: South Africa-Zimbabwe/Botswana-Zambia
2. Nacara corridor: Mozambique-Malawi-Zambia
3. Maputo corridor: Mozambique-Zimbabwe/Botswana-Zambia
4. Walvis Bay corridor: Namibia-Zambia
5. Beira corridor: Mozambique-Zimbabwe-Zambia
6. Tazara corridor: Tanzania-Zambia
7. Lobito corridor: Angola-DRC-Zambia

30

Zambia Basic information

Area 7.52 million square kilometer (2015)

Population 16 million people (2015)

GDP per capita (PPP) 3,852 USD (2015)

GDP growth 3.2% (2015)

Trade balance 8.3 billion USD (2014)

Inflation 10.1 % (2015)

Foreign reserves 3.1 months (2014)

Main import

Machines, Transportation vehicles, oil products, electricity, fertilizer, food, cloths

Main export

Copper, Cobalt, Tobacco, Groundnuts, Cotton, Coffee

Participation in Regional Economic Communities

COMESA, SADC

Trends of Japanese business

No. of company base: 12 companies

No. of Japanese: 241 people (including 44 people in private sector)

Incentives

Basic incentives (Exemption of customs and income tax, Carrying over of loss etc)

Additional incentives (Exemption of company tax, dividends, custom duties of imported machines)

Regulation

No. However, investment less than 250 thousand USD can not receive additional incentives. Only investments more than 500 thousand USD in MFEZ, industrial parks, and rural areas or those in prioritized sectors may receive additional incentives.

Tax rate Corporate tax 35% VAT 16%

Investment Promotion Agency

Zambia Development Agency (ZDA)

Main functions and services

- Information provision (PR through website and leaflets, guidebook, information provision of investment climate and trends of foreign investments)
- Counter services (promotion, consultation, follow up)
- Issue Certificate of Registration in/outside of MFEZs

Contact +260-211-220-177 / +260-211-223-859

Website http://www.zda.org.zm/

31

Zambia Case example

Kansai Paint Co. Ltd.

＜Background and reasons to come＞
- To expand basic paints in newly emerged countries (Japan -> South Africa -> Zambia)
- To achieve name recognition in Africa before other paint companies come.

＜Keys to decide to come＞
- Population is large.
- GDP will potentially grow high.
- The institutionalization (existence of a stock exchange, protecting property rights) is trustable.
- **The country can be a regional hub.**
- We found a faithful partner with a regional network.

＜Challenges＞
- Finding a faithful partner is the most important key when a company wants to expand their business through M & A.
- We promote localization by utilizing local human resources who know local business practice and network.
- At the same time, it is important to know that there are various cultures within Africa (e.g. South Africa is influenced by European culture, while Eastern Africa is influenced by local Indians)

＜Outline of the company＞
Kansai Paint Co. Ltd. is a paint manufacturer who produces and sells all types of paints, designs color schemes, and
manufactures and sells products in the biotechnology and electronics fields.
Headquarters: Osaka (Japan). Capital: 25,658 million Yen. Sales: 147,466 million Yen. Employment: 12,086 people (as of March 2015).

Zambia Supports

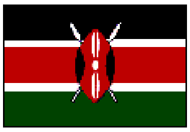
ZDA's activities

PR	Identify investors	Support to establish	Support to operate	After care
・PR materials ・Seminars ・Trade fairs ・Website ・Send/receive missions ・matching ・Consultation	・Answer inquiries ・Visit to candidate sites ・Introduce local partners ・Set up meetings with government	・Provide information on cost and procedures ・Support to obtain certificate of registration	・Support to obtain other licenses/permits	・Monitor investments ・Listen to investors

ZDA
・Implements PR activities through seminars and trade fairs.
・Publishes information materials (investment guidebook and cost of doing business) with other relevant ministries, updates once a year.
・Receive investments from any sectors and support if the investors apply for certificate of registration. Investors in prioritised sector may be able to receive additional incentives.

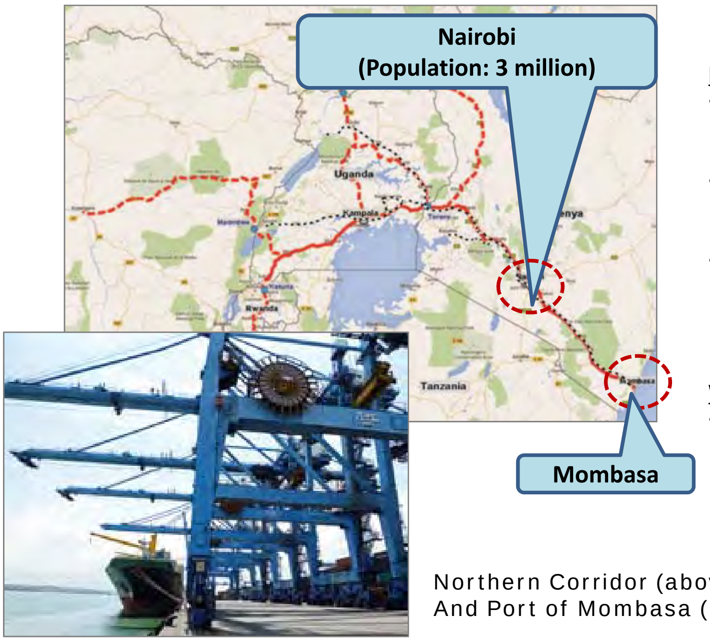
List of Multi-Facility Economic Zones (MFEZ)

MFEZ	Location	Developer	Priority sector in MFEZ
Chimbishi MFEZ	30 km North West of Kitwe	Chinese company	Processing of raw materials, producing parts related to mining, agriculture
Lusaka East MFEZ (Part of Chambishi)	1km North West of Lusaka International Airport	Chinese company	Light industry, MICE, hotels.
Lusaka South MFEZ	20km South of Lusaka International Airport	Zambian government	Light industry, hi-tech industry, R&D, commerce, agriculture
Lumwana MFEZ	400km North West of Kitwe	Kanadian company	Agri procesing, horticulture, fishery, hotels
Sub-Sahara Germstone Exchange IP	4km South of Ndola International Airport	Zambian company	Purifying oils, light industry, electric, processing mining, hotels
Roma IP	20 South East of Lusaka International Airport	British company	Light industry, warehouses, retails, MICE



Kenya Attractiveness

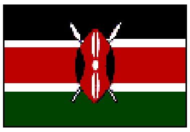
The Land with an East African Major Port and Well-developed Business Infrastructure



Marketing Hub
- Expanding market through regional integration: introduction of single customs territory and common external tariff under EAC
- Kenya as the regional supplier of various products: e.g., seedlings and seeds, packaging materials, processed foods.
- The Port of Mombasa is the gate way of the Northern Corridor connecting Kenya, Uganda, Tanzania, South Sudan, DRC, Rwanda and Burundi.

Well-developed Financial and Telecom Sectors
- Banking sector with the number of international and regional players, Nairobi Stock Exchange, and the ever evolving mobile banking sector.

Northern Corridor (above)
And Port of Mombasa (left)



Kenya Basic information

Area 570,000 square kilo meter (2015)

Population 46 million people (2015)

GDP per capita (PPP) 3,083 USD (2015)

GDP growth 5.7%

Trade balance -9.4 billion USD (2014)

Inflation 6.6 % (2015)

Foreign reserves 4.4 months (2014)

Main import

Industrial goods, machine and equipment, transportation vehicles, food

Main export

Tea, horticultural products, coffee, fish

Participation in Regional Economic Communities

EAC, COMESA, COMESA FTA

Eligible for AGOA

Trends of Japanese business

No. of company base: 47 companies

No. of Japanese: 804 people (including 229 people in private sector)

Incentives

Fiscal incentives (Investment allowance for fixed capital investment)

Customs duty reduction/exemption (based on the eligibility assessment, import duty exemption for raw materials, duty free import or agro-machinery)

Regulation

The share of foreign capital for insurance, communication, and air transport sector is limited to the ratio stipulated in the respective laws.

Tax rate Corporate tax 30% (branch of foreign company: 37.5%), VAT 16%

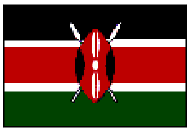
Investment Promotion Agency

Kenya Investment Authority (KenInvest)

Main functions and services
- Information provision (PR through website and leaflets, guidebook, information provision of investment climate and trends of foreign investments)
- Counter services (investment promotion, consultation)
- Issue Investment Certificate of Investment Promotion Act

Contact +254-263-6143 / +254-263-5847/
+254-(0)730-104-200/+254-(0)722-205-424

Website http://www.investmentkenya.com/



Kenya Case example

Toridoll Limited

＜ Background and reasons to come ＞

- Restaurant sector in Kenya is not developed yet. Therefore, the company believes penetrating the market as a first comer is important.
- Due to the increase in population and economic growth, there is a possibility of the increase in the number of customers.

＜ Keys to decide to come ＞

- The population in Nairobi and in the surrounding areas is over 4 million and it will keep increasing.
- Constant economic growth is expected.
- **Mombasa Port allows direct import from outside.**
- Restaurant sector is labor intensive and there are many skilled labor in Kenya.
- Compared to other African countries, Kenya is politically stable.

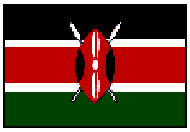
＜ Challenges ＞

- Currently, there are 3 Japanese running 2 shops. How to pass the work to local staff is difficult.
- When purchase raw materials, the suppliers raise the price when they know we are Japanese company. It is important to know the market price and have negotiation skills.
- We would like to expand and run many shops, but current market is not large enough. We need to consider how to expand and make profits.

＜ Outline of the company ＞

Toridoll Limited is a major dining-out franchise. It runs restaurants selling udon, grilled chicken, and coffee. Headquarters locates in Hyogo prefecture in Japan. Capital is 3.8 billion Yen and sales amount is 147 billion Yen. The number of employee is 11,349 including part-timers (as of March 2015). In August 2016, Toridoll sold ownership to local partner.

36



Kenya Supports

KenInvest's activities	PR	Identify investors	Support to establish	Support to operate	After care
	･PR materials ･Seminars ･Trade fairs ･Website ･Send/receive missions ･matching ･Consultation	･Answer inquiries ･Visit to candidate sites ･Introduce local partners ･Set up meetings with government	･Provide information on cost and procedures ･Support to obtain certificate of registration	･Support to obtain other licenses/permits	･Monitor investments ･Listen to investors

KenInvest

- conducts PR activities through seminars and trade fairs.
- Provide information through resourceful website. On-line application for investment certificate is under preparation.
- Investment certificates with other necessary licenses to start business will be granted upon the application to KenInvest (except permit related to environmental control).

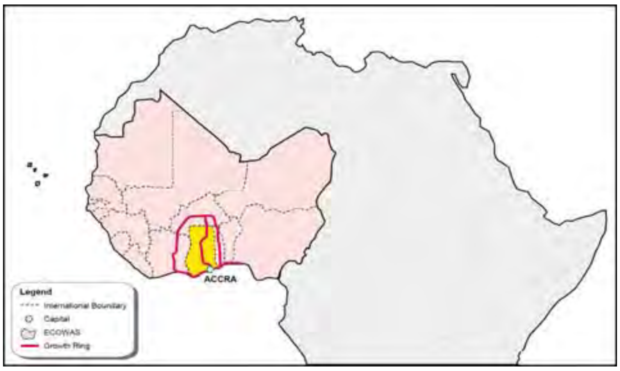
(EPA and SEZ)

EPZ is the incentive framework for export-processing industries. The incentives includes fiscal and non-fiscal. Fiscal incentives include the exemption and reduction of the corporate tax, duty and VAT free importation of raw materials etc. The products are required to exported outside of EAC. Currently, 52 zones are operational in Nairobi, Mombasa and other locations.
The Government of Kenya is now preparing for the regulatory and institutional framework for special economic zones which can host various types of industries including trading, logistics, manufacturing, agriculture, ICT, and tourism. Fiscal incentives and good business environment will be provided under the scheme. The Vision 2030, Kenya's long-term development plan envisages three SEZ in the key cities including Mombasa and Kisumu to be established.

37

Ghana Attractiveness

Gateway to West Africa



- Ghana is the second biggest ECOWAS country in terms of economy and population, following Nigeria. It is located at the centre of West Africa. The development of "Growth Ring" linking it with Cote d'Ivoire, Togo, and Burkina Faso will make it a strategic point in logistics.
- Ghana is politically stable as evidenced by peaceful presidential elections including regime change. It is an driver of democracy in West Africa.
- In Ghana, English is an official and business language while many West African countries are francophone.

- Ghana is rich in natural resources, such as cocoa, timber, gold, diamond, and bauxite.

Ghana Basic information

Area 230,000 square kilo meter (2015)
Population 2.74 million people (2015)
GDP per capita (PPP) 4,200 USD (2015)
GDP growth 3.9% (2015)
Trade balance -4.3 billion USD (2015)
Inflation 15.5 % (2014)
Foreign reserves 2.8 months (2013)
Main import
Machines, oil, food
Main export
Gold, oil, cocoa beans and products, timber
Participation in Regional Economic Communities
ECOWAS
Trends of Japanese business
No. of company base: 22 companies
No. of Japanese: 325 people (including 30 people in private sector)

Incentives
Tax incentives (special rates for corporate tax, etc.)
Export incentives (import duties on imported plant, machinery and equipment, export duty exemption, etc.)
Investment incentives (corporate tax exemption, carrying over of loss, locational incentives (tax rebates) etc.)
Regulations
Negative list (taxi and hire by enterprises with less than 25 vehicles, beauty parlors/barbers, retailing medicine)
Tax rate Corporate tax 8-25% VAT 15%
Investment Promotion Agency
Ghana Investment Promotion Centre (GIPC)
Main functions and services
- Information provision (PR through website and leaflets, information provision of investment climate and trends of foreign investments)
- Counter services (promotion, consultation, follow up)
- Assistance to procure authorities and permits required for the establishment and operation of enterprises
- Investment registration

Contact +233 302 66 5125/5126/5127/5128/5129
info@gipcghana.com
Website http://www.gipcghana.com/

Ghana Case example

Cenpower Generation Company Limited

＜Background and reasons to come＞
- Approximately 60% of the population of Africa does not have access to energy. In Ghana, power shortage causes scheduled power outages constantly. The construction of a power plant is therefore a pressing issue to be addressed.

＜Keys to decide to come＞
- This is a bridgehead project for Sumitomo Corporation for the further development of thermal power generation business in Africa.
- Ghana is one of the most politically stable countries in sub-Saharan Africa.
- Ghana is an English-speaking country.

＜Challenges＞
- Sumitomo Corporation has been participating since the development phase and the power plant is currently under construction. The operation period is 20 years after the completion of the construction.
- It is important to work closely with local staff as a team in view of local business practices which are different from Japanese ones.
- CGC has been taking environmentally and socially friendly measures, such as building a good relationship with local communities and protecting turtle spawning areas along the coast.

＜ Outline of the company ＞
Cenpower Generation Company Limited (CGC) is an independent power producer to supply electricity in Ghana. It is headquartered in Accra, the capital of Ghana. The total project cost is approximately 90 billion yen. The company has 20 employees (as of November 2017) .

40

Ghana Supports

GIPC's activities

PR	Identify investors	Support to establish	Support to operate	After care
・PR materials ・Seminars ・Trade fairs ・Website ・Send/receive missions ・Matching ・Consultation	・Answer inquiries ・Visit to candidate sites ・Introduce local partners ・Set up meetings with government	・Provide information on cost and procedures ・Support to obtain certificate of registration	・Support to obtain other licenses/permits	・Monitor investments ・Listen to investors

GIPC
- PR activities are implemented through seminars and fairs.
- Information materials (cost of doing business, sector overviews) are published.
- Investment of US$ 50,000,000 or more approved as Strategic Investment is entitled to negotiate about various incentives without being bound to the ordinary incentives

List of Free Zone Enclaves

	Free Zone Enclave	Location	Developer	Principal Use	Land (Hectare)
1	Tema Export Processing Zone	Adjacent to Tema Port, 24 km from the international airport in Accra	ILDC、Octoglow	Multi-purposes	480
2	Sekondi Export Processing Zone	West Region with Takoradi Port	wanted	Petroleum refining industry and related services industries	890
3	Shama Export Processing Zone	Close to the petroleum mining area in Western Region and the shipment base for oil and gas	wanted	Petrochemical and related products	1,295
4	Ashanti Technology Park	Ashanti Region with abundant resources, including cocoa, gold	wanted	ICT, cocoa processing, light industry, heavy industry, warehousing and logistics, social services, biotechnology development	445

ILDC: International Land Development Company

41

Cameroon Attractiveness

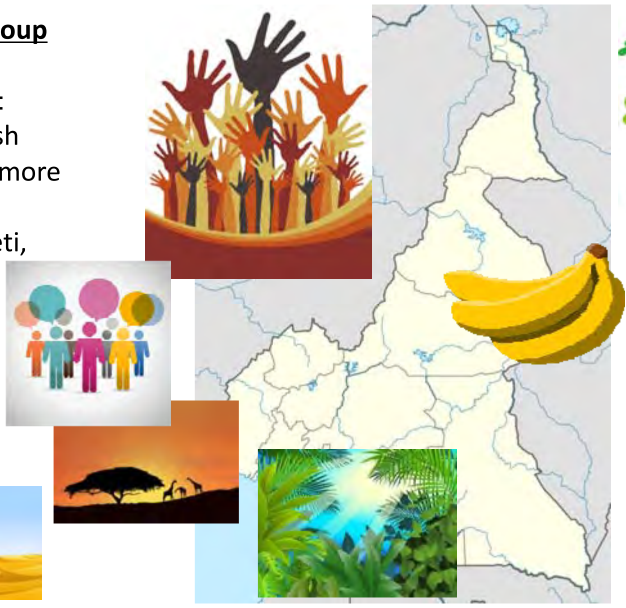
Africa in One Country with Rich Natural Environment and Cultural and Ethnic Diversity

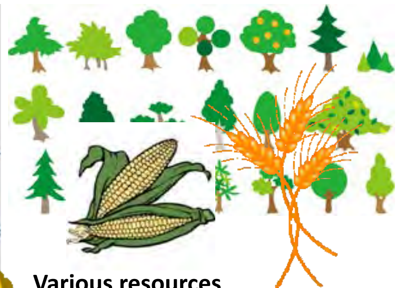
Diverse ethnic group and languages

Official language: French and English
Local languages: more than 240
Ethnic groups: Beti, Bamileke, Bassa, Sawa

Climatic zones

Tropical rainforest
Savannah
Semi-arid





Various resources

Forestry: More than 300 species
Agriculture: Plantain, cotton, cocoa, coffee, tea, sugar cane, natural rubber, grain, fruits, vegetable
Fishing: Shellfish and fish (both ocean and river)
Minerals: Oil, Iron steal
Mineral resource: Hydrocarbon, bauxite

Cameroon Basic information

Area 470,000 square kilometer (2015)
Population 23 million people (2015)
GDP per capita (PPP) 3,123 USD (2015)
GDP growth 6.2 % (2015)
Trade balance -8.2 billion USD (2013)
Inflation 2.7 % (2015)
Foreign reserves 4.3 months (2013)

Main import
Minerals, intermediate processing products

Main export
Cacao, Aluminum, Cotton

Participation in Regional Economic Communities
ECCAS, CEMAC

Trends of Japanese business
No. of company base: 6 companies
No. of Japanese: 79 people (including 1 in private sector)

Incentives
Fiscal incentives (Based on the size and impact of investments, various taxes (company tax, income tax, customs, stamp tax etc.) will be reduced or exempted)
Others (investments in certain sectors may receive incentives such as exemption of import tax and extension of incentive duration)

Regulation
Other than small sized mining investments, there is no restriction on foreign investors. However, investment in mining sector is required to meet certain percentage of government involvement.

Tax rate Corporate tax 33% VAT 19.52%

Investment Promotion Agency
Agence de Promotion des Investissements (API)

Main functions and services
- Information provision (PR through website and leaflets, information provision of investment)
- Counter services (investment promotion, consultation, follow up)
- Issue investment license

Contact +260-211-220-177 / +260-211-223-859
Website http://www.zda.org.zm/

Cameroon Supports

API's activities	PR	Identify investors	Support to establish	Support to operate	After care
	･PR materials ･Seminars ･Trade fairs ･Website ･Send/receive missions	･Answer inquiries ･Introduce local partners ･Set up meetings with government	･Support to obtain land ･Support to obtain license and related permits	･Support to obtain other licenses/permits	･Monitor investments

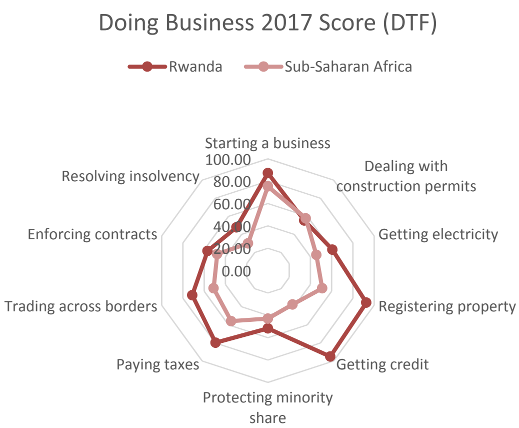
API
･implements PR activities through seminars and trade fairs.
･API's website provide country profile, business environment.
･due to the financial and human resource constraints, API mainly proceed the procedure of investment license.

List of Operating Industrial Parks

Name	Province	Size (ha)	Number of companies	Lease price (FCFA, m2/year)	Remarks
Bonaberi	Littoral	192	85	719-1,000	
Bassa	Littoral	150	190	508- 800	Full
Yaounde	Central	316	140	300- 600	
Garoua	North	90	7	200- 400	Underdeveloped roads
Bafoussam	West	36	1	300- 500	Underdeveloped roads
Ombe	South West	133	17	300- 500	Underdeveloped roads
Ngaoundere	Adamaoua	115	24	200- 500	Lack of electricity Underdeveloped roads

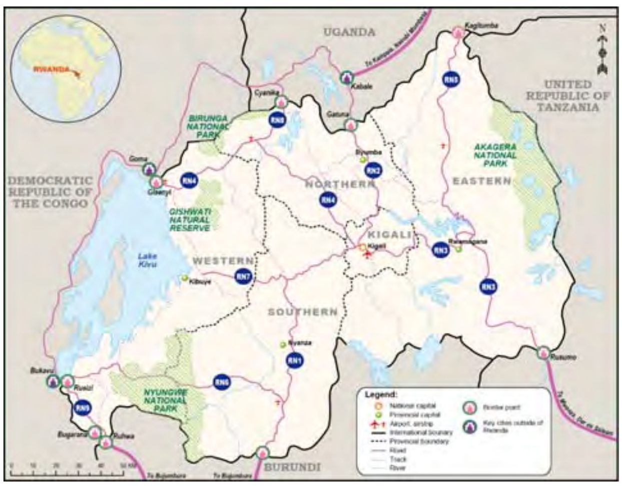
Rwanda Attractiveness

Good Governance and Business Environment



Intersection of East and Central Africa

- Northern Corridor connecting Mombasa (Kenya), Nairobi (Kenya), and Kampala (Uganda) and Central Corridor from Dar es Salaam, Tanzania go through Rwanda and connect to Eastern DRC and Burundi.
- Member of COMESA and EAC



Good business environment

- 56th out of 190 countries in World Bank Doing Business 2017
- 13th out of 138 countries in the field of good governance in the Global Competitiveness

Rwanda Basic Information

Area 26,000 square kilometer (2015)

Population 11 million people (2015)

GDP per capita (PPP) 1759 USD (2015)

GDP growth 6.9 % (2015)

Trade balance -1.4 billion USD (2015)

Inflation 2.5 % (2015)

Foreign reserves 4.1 months (2015)

Main import

Consumer goods, intermediate processing products, capital goods, energy

Main export

Coltan, tin, tea, coffee

Participation in Regional Economic Communities

EAC, COMESA

Trends of Japanese business

No. of company base: 5 companies

No. of Japanese: 135 people (including 16 people in private sector)

Incentives

Priority sector (exporting industries, ICT, energy, transportation, financial services, affordable housing etc.): Corporate tax rate 15%

Regional headquarters of international companies: Corporate tax rate 10%

Investment more than 50 million USD50, 30% of which is for capital investment of designated sectors: fiscal incentives for 7 years with accelerated rate of depreciation (applicable sectors: energy, manufacturing, tourism, health, ICT, export-related)

Regulations No negative list for foreign investment

Tax rate Corporate tax 30% VAT 18%

Investment promotion agency

Rwanda Development Board (RDB)

Main functions and services

- Information provision (PR through website and leaflets, information provision of investment)
- Counter services (investment promotion, consultation, follow up)
- Issue investment certificate

Contact +250 727775170 info@rdb.rw

Website http://www.rdb.rw/home.html

RWANDA Support

RDB's activities	PR	Identify investors	Support to establish	Support to operate	After care
	･PR materials ･Seminars ･Trade fairs ･Website ･Send/receive missions ･Matching ･Consultation	･Answer inquiries ･Introduce local partners ･Set up meetings with government	･ Support for identifying land ･ Information provision ･ Support on application for investment certificate	･Support to obtain other licenses/permits	･Monitor investments

RDB：
･implements PR activities through seminars and trade fairs.
･RDB's website provides country profile, business environment including various costs, information on the legal and tax rules and regulations, and other related administrative procedures.
･One-stop service is provided for setting up company and investment registration. The on-line registration is also available.

Direction of Industrial Sites Development

- Rwanda with high population density embarked on the maintenance of favourable environment with the national spatial development plan and land use plan. Based on these plans, development of industrial sites follows the direction of these plans. In 2011, the Special Economic Zone Law was enacted. One special economic zone (SEZ) was developed and started its operation in the suburbs of Kigali (Area:98ha). This Kigali SEZ is now to be expanded to the phase 2 with the area width of 178ha. One industrial park is under construction in the vicinity of the planned new airport in the Eastern Region. The Government targets to develop one industrial park per secondary cities (8 in the country).
- The land acquisition has been done by the Government, whereas the development and operation are expected to be undertaken by the private sector operators.

Africa

Case (Investment)

Mitsubishi Corporation (MC)

＜MC's investment in Olam and its target＞

- MC invested in Olam International Limited (Olam), a listed agri-business company in Singapore, in 2015 and reached an agreement on capital and business alliance with the company.
- Olam was established in Nigeria in 1989 and currently has a presence in 70 countries and deals in 44 products. Olam has built a business platform such as the procurement/trading and manufacturing/processing for various agri-products.
- Through the investment in Olam, MC aims to strengthen procurement of food in the world and enhance its presence in Africa, while accelerating its CSV management.

〔Olam's presence in Africa〕

＜Olam's strength in Africa＞

- A global leader of the procurement of raw materials including coffee, cocoa, and edible nuts in collaboration with smallholders.
- Large presence in 26 countries in Africa through its local community-rooted business and allocation of 13,000 staff.

＜Overview of the company＞

MC manufactures and markets a wide range of products, including energy, metals, machinery, chemicals and living essentials and is involved in diverse businesses by actively investing in areas such as natural resources development, infrastructure, and finance businesses.
MC is also engaged in diversified businesses such as creating new business models in the fields of new energy and the environment, and new technology-related businesses.

48

(Reference) Basic Statistics in Africa and Asia

Country	Population (million)	Pop. Growth (%)	GDP (million USD)	GDP growth (%)	Doing business (rank/189 countries)	International competitiveness (rank/140 countries)	Logistics performance (rank/160 countries)
Morocco	33.5	1.5	107,005	2.6	75	72	–
Cameroon	22.8	2.5	32,549	5.9	172	114	142
Ghana	26.4	2.1	38,648	4.2	114	119	100
Cote d'Ivoire	20.8	2.4	34,254	9.0	142	91	79
Nigeria	177.5	2.7	568,508	6.3	169	124	75
Egypt	89.6	2.2	301,498	2.2	131	116	62
Ethiopia	96.5	2.5	54,798	9.9	146	109	104
Kenya	45.5	2.7	60,937	5.3	108	99	74
Rwanda	12.1	2.7	7,890	7.0	62	58	80
Congo, Dem. Rep.	69.4	2.7	32,962	9.0	184	–	159
Zambia	15.0	3.3	27,066	6.0	97	96	123
Mozambique	26.5	2.4	16,386	7.4	133	133	147
South Africa	54.0	1.6	350,140	1.5	73	49	34
(Reference)							
Bangladesh	158.5	1.2	173,819	6.1	174	107	108
Vietnam	90.7	1.1	186,205	6.0	90	56	48
Myanmar	53.4	0.9	64,330	8.5	167	131	145

Source: World Bank, World Economic Forum

Note:
Highlighted cells show the top three African countries on the list
Doing business: Rank of Doing Business Survey conducted by the World Bank (2015)
International Competitiveness: Rank of World Competitiveness Index by World Economic Forum (2015)
Logistics performance: Rank of Logistics Performance Index by the World Bank

49

Preparatory Survey for PPP Infrastructure

Preparatory Survey for BoP Business Promotion

Needs Survey for Utilizing Japanese Technologies

Feasibility Study for Utilizing Japanese Technologies

Verification Survey for Disseminating Japanese Technologies

Volunteers

ABE Initiative

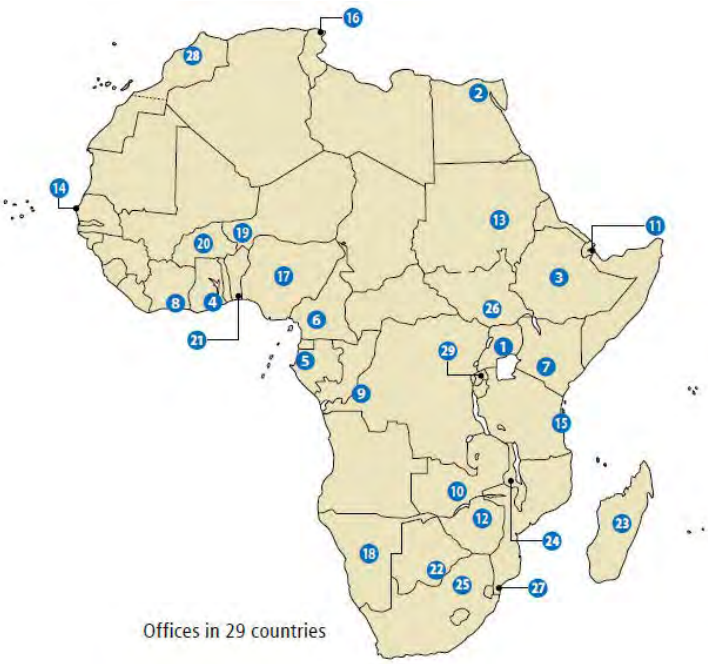
Overseas investment loans

Grassroots Technical Cooperation Program

Collaboration Program for Disseminating Japanese Technology

1. Trends of investment in Africa
2. Potential for and issues of investment in Africa
3. Outline of investment scheme and case study in targeted countries
4. **JICA's scheme to support Japanese companies**

JICA's offices in Africa



1. Uganda Office
2. Egypt Office
3. Ethiopia Office
4. Ghana Office
5. Gabon Office
6. Cameroon Office
7. Kenya Office
8. Cote d'Ivoire Office
9. Democratic Republic of the Congo Office
10. Zambia Office
11. Djibouti Office
12. Zimbabwe Office
13. Sudan Office
14. Senegal Office
15. Tanzania Office
16. Tunisia Office
17. Nigeria Office
18. Namibia Office
19. Niger Office
20. Burkina Faso Office
21. Benin Office
22. Botswana Office
23. Madagascar Office
24. Malawi Office
25. South Africa Office
26. South Sudan Office
27. Mozambique Office
28. Morocco Office
29. Rwanda Office

Source: JICA

Appendix 2

Data Collection Survey in the Four Countries
Summary

Federal Democratic Republic of Ethiopia .... Appendix 2-3
1. Outline of the Study .... Appendix 2-3
2. Macroeconomics Trend .... Appendix 2-3
3. Analysis of Investment Trend .... Appendix 2-3
4. Analysis of Investment Potential .... Appendix 2-4
5. Analysis of Investment Policy .... Appendix 2-5
6. Analysis of Investment Climate .... Appendix 2-6
7. Analysis of Investment Promotion Agency .... Appendix 2-9
8. Conclusion .... Appendix 2-10
Democratic Republic of Congo .... Appendix 2-13
1. General Background .... Appendix 2-13
2. Investment potential .... Appendix 2-15
3. Legal Framework .... Appendix 2-16
4. Investment Background .... Appendix 2-16
5. Support from ANAPI .... Appendix 2-24
Republic of Cameroon .... Appendix 2-25
1. General Background .... Appendix 2-25
2. Investment Potential .... Appendix 2-27
3. Legal Framework .... Appendix 2-28
4. Investment Background .... Appendix 2-28
5. Support from API .... Appendix 2-38
6. Conclusion .... Appendix 2-39
Republic of Rwanda .... Appendix 2-41
1. General Background .... Appendix 2-41
2. Investment Potential .... Appendix 2-42
3. Major Policies for Investment Promotion and Policy Formulation .... Appendix 2-43
4. Legal System .... Appendix 2-44
5. Business Environment .... Appendix 2-45
6. Investment Promotion Agency .... Appendix 2-51
7. Conclusion .... Appendix 2-53

The details of the investment climate in each country is available from the below links.

<u>Work Completion Report for Dispatch of the experts</u>

1. Policy Advisor for Investment Promotion in Ghana (August 2017)

2. Advisor for Industrial Development in Kenya (October 2017)

3. Technical Advisor for Investment Promotion in Zambia (August 2017)

These can be found at JICA Library Portal site (http://libopac.jica.go.jp/)

<u>Data collection survey on investment promotion</u>

1. **Data Collection Survey on Investment Promotion in the Federal Republic of Ethiopia (December 2015)**
   https://www.jica.go.jp/activities/schemes/priv_partner/ku57pq000016s6az-att/toushi_eth_01.pdf

2. **Data Collection Survey on Investment Promotion in the Democratic Republic of Congo (March 2016)**
   https://www.jica.go.jp/activities/schemes/priv_partner/ku57pq000016s6az-att/toushi_drc_01.pdf

3. **Data Collection Survey on Investment Promotion in the Republic of Cameroon (January 2017)**
   https://www.jica.go.jp/activities/schemes/priv_partner/ku57pq000016s6az-att/toushi_cmr_01.pdf

4. **Data Collection Survey on Investment Promotion in the Republic of Rwanda (June 2017)**
   https://www.jica.go.jp/activities/schemes/priv_partner/ku57pq000016s6az-att/toushi_rwa_01.pdf

Data Collection Survey on Investment Promotion in the Federal Democratic Republic of Ethiopia Summary

1. Outline of the Study

The Project to Support Investment Promotion in Africa aims to understand critical issues regarding foreign investment and foreign direct investment (FDI) promotion such as the status of business environment, investment potentials and the institutional framework for investment promotion in the target countries. Under the project, investment promotion experts have been dispatched in Kenya, Zambia and Ghana. Surveys have also been conducted to collect and analyze information in Ethiopia, Rwanda, Democratic Republic of Congo, and Cameroon. The Data Collection Survey on Investment Promotion in Ethiopia (hereinafter referred to as "the Survey") focused more to analyze the actual business environment in order to understand the current situations of the critical factors which affect easiness and the cost of doing business in Ethiopia. The analysis was based on institutional framework and the actual implementation from the interviews with investors as well as the information on the progress of on-going supports by the development partners in order to identify the policy directions for the improvement of the situation.

2. Macroeconomics Trend

Ethiopia has a population of 87 million which is the second largest in Sub-Saharan Africa. Its gross domestic product (GDP) amounts to approximately USD 35 billion, the 6th largest in the region. Ethiopia has realized economic growth with around 10% GDP growth per annum over the past 10 years. During the period, the primary sector reduced its share in GDP from 51.9% in the Fiscal Year (FY) 2004/05 to 39.9% in 2013/14. On the other hand, the share of secondary and tertiary sectors in GDP increased from 10.6% and 37.5% in 2004/2005 to 14.2% and 45.9% in 2013/2014, respectively. As far as trade is concerned, although exports have constantly increased mainly consisting of agro products over the past 10 years, trade deficit reached around USD 100 million in 2013/2014 as a result of increase of imports such as capital goods, consumer goods and fuels in accordance with rapid economic growth. The foreign exchange reserve at the end of 2013/2014 remained low for 1.8 months of total imports.

3. Analysis of Investment Trend

The ratio of gross capital formation to GDP in Ethiopia increased from around 25% in 2004/05 to around 40% in 2013/14. The share of public investment and private direct investment in capital account balance in 2013/14 is 65% and 35%, respectively, which shows predominance of the former. Ethiopia's private direct investment is heavily dependent on FDI which has been around 90% since

2011. According to the data from Ethiopian Investment Commission (EIC), FDI inflow shows steady increased from Ethiopian Birr (ETB) 2.8 billion in 2005 to ETB 7.0 billion in 2014. As far as industry is concerned, the manufacturing sector has the largest share in FDI in 2014.

Recent foreign investment projects have included industries such as garment, leather and shoes which require cheap and abundant labor, floriculture taking the advantage of geographical locations and climatic conditions, and real estate development. In addition to those, some foreign companies are investing in consumer product manufacturing and the social service sector targeting potentially huge domestic market with the second largest population in Sub-Saharan Africa. Among existing foreign investors, some companies are now endeavoring to make investment in the upstream sectors in order to secure stable supply of quality raw material.

4. Analysis of Investment Potential

In Ethiopia, labour-intensive industry has relatively strong competitiveness by taking advantage of availability of cheap labour force. However, the current situation affecting the trade such as logistics and foreign exchange allocation should be noted when considering the conduciveness for industries which have relatively short product life cycle and require frequent and sizable amount of imported raw materials. Although manufacturing of consumer products for domestic market has certain investment potential, at the same time, investors have to take into account difficulties in areas such as insufficiency in domestic transport network for distribution and foreign exchange allocation for possible import of raw materials.

Table 1 Investment Opportunity in Ethiopia

	Investment Opportunities	Notes
Labor-intensive industry	Labor-intensive industries (e.g. manufacturing in garment, assembling, service industries which requires large volume of labor force)	· Relatively low productivity should be taken into consideration. · Trade logistics may affect the potential for assembly-type of industries with costs and time required for importation of raw materials and export of products.
Domestic market oriented industry	Production of food, consumer goods, construction materials	· Domestic distribution may require attention: domestic transportation infrastructure is not sufficiently developed to form efficient logistics network. · Trading is limited only to domestic investors. · Production of cement is limited only to domestic investors. · Quality of electricity may be a concern for efficient operation.
Infrastructure development	Power generation	· Legal framework is required for private foreign investment.
Agro and	Agro-processing	· Procurement of quality raw materials may be

	Investment Opportunities	Notes
livestock-based industry	Leather industry	an issue. ・ Quality standard and certification to conform to the requirements of export destinations may require attention with limited quality control infrastructure in country. ・ Quality of electricity may be a concern for efficient operation.
Industries utilizing air transportation	Export of fresh produce Export processing with light and high-value added products	

Source: JICA Study Team.

5. Analysis of Investment Policy

The Government of Ethiopia (GoE) targets to become a middle income country by 2015 in "the First Growth and Transformation Plan 2010/11- 2014/15 (GTP-I)" and "the Second Growth and Transformation Plan 2015/16- 2019/20 (GTP-II)". In order to achieve the target, GoE expects foreign investment to be a driving force for economic growth by generating employment, earning foreign currency and increasing productivity.

As far as the legal system for investment is concerned, both the Investment Proclamation (No.769/2012) and Council of Ministers Regulation Concerning Investment Incentives and Investment Areas Reserved for Domestic Investors (No.270/2012) promulgated in 2012 constitute legal foundation for foreign and domestic investment. Ethiopia Investment Agency (EIA) which was under supervision of the Ministry of Industry (MOI) was reorganized as EIC under supervision of Prime Minister Office (PMO), which has enabled formulation and implementation of coherent investment promotion policy in GoE. As the decision making and overseeing function of EIC, Ethiopian Investment Board (EIB) was also set up and chaired by prime minister.

However, in Ethiopia, some sectors such as power, communication, banking, insurance, trading & shipping and forwarding are either reserved only for operation by Government entities or prohibited for foreign investment, which could act not only as entry barriers, but also as an impediments for investment promotion since the restriction may limit availability of quality and efficient services in such areas. In addition, as far as the possible entry areas for foreign investment are concerned, it is regulated by both negative list (prohibited sectors) and positive list (allowed sectors). EIC decides the approval of investment based on the positive list. However, as the positive list does not specify the details of each sector, some service sectors remain unclear whether foreign investment is allowed or not.

As for tax incentive scheme for investment promotion, GoE provides tax holidays and exemption of import duty for capital goods for some strategic sectors such as manufacturing, agriculture, agro-processing and power generation. The tax exemption period under the scheme is decided according to industrial sector. Additional exemption period is granted in accordance with the investment location. With more than 100% expansion of original invested amount or exports of more than 60% of the products, the exempted period will be further extended.

GoE also has the fiscal incentive scheme for export promotion such as tax exemption for import of raw materials for export purpose, Duty-Drawback Scheme, Voucher Scheme and Bonded Export Factory Scheme. However, some schemes have not been fully utilized due to their complicated structure and time consuming procedures for reconciliation.

GoE promulgated “Proclamation on Industrial Parks” (Proclamation No.886/2015) in April 2015 with a view to attract strategic industries from both foreign and domestic investors. The development of industrial parks aims to improve the issues of infrastructure, logistics, customs clearance, and environmental protection as well as linkages between large enterprises and small and medium enterprises (SMEs). GoE also has a plan to establish One Stop Service (OSS) in industrial parks for facilitating foreign investment.

6. Analysis of Investment Climate

The major issues for investment climate in Ethiopia are discussed below.

(1) Establishing Companies and Getting Investment License

Starting an investment project in Ethiopia, an investor is required to establish their legal status by commercial registration and to be issued an investment permit. While the investment permit can be renewed before the business is operational, the investor is further required to be issued a business license. The business license has to be renewed annually. Problems are observed both in the framework of the licenses and the issuance process. The level of required minimum capital for an investment permit to the income level is relatively high compared with other neighboring countries. The criteria for screening the applicants for the investment permit and business license are also not clear: some companies had difficulty in obtaining or renewal of licenses for reasons which were not stated on the official legal documents. Renewal of business license may be a further cumbersome process after the operation of the business. Periodic renewal with submission of documents including the certificate of tax clearance is a burden for investors.

In order to ease the situation for starting investment projects, EIC plans to establish OSS in industrial parks. Investment Climate Program by the Multi-Donor Initiative for Private Sector Development spearheaded by the International Finance Corporation (IFC) is supporting simplification and introduction of online transactions for business-related administrative processes.

(2) Labor and Human Resource Development

Labor Proclamation (Proclamation No.377/2003) comprehensively regulates labor issues. On the other hand, employment of expatriates and obtaining a visa for dispatch of short-term technical experts are problematic due to inconsistent interpretation in the department in charge and subjective discretion by the officials in charge. In addition, one year renewal process of working permit and the residential visa is cumbersome.

Due to the limited amount of labor with sufficient technical skills and knowledge, human resource development cost imposes a burden for investors. The skills and technical levels of training programs provided by industrial promotion institutes under MOI and other public vocational training institutions do not match with the needs of foreign investors. However, under Competitiveness and Job Creation Project, the World Bank helps GoE to provide customized training to acquire the skill and knowledge that enterprises in the industrial zones request.

(3) Foreign Exchange and Remittance

According to the above mentioned Investment Proclamation, foreign investors can freely make remittances such as profit, dividend, principle and interest for loans from overseas, royalty and fees from technical transfer agreement, etc. However, GoE's foreign exchange regime has not liberalized capital account, and transactions such as repatriation of profit and borrowing foreign currency loans require pre-approval from the National Bank of Ethiopia (NBE). In addition, foreign currency allocation for opening Letters of Credit (L/C) needs long time (1-3 months) depending on the foreign currency position of commercial banks. Furthermore, GoE has imposed certain restrictions on foreign currency possession for exporters. Such situation impedes smooth operation of private sector's business activities in Ethiopia.

Ethiopia is currently in the stage of growing economically where a large capital has been flowing into infrastructure development projects causing a big gap between demand and supply of foreign currency. Ethiopia's foreign currency income derives mainly from sources such as export of primary commodity and remittances from Ethiopian Diasporas overseas. Although both incomes show increasing trend, they will not contribute to significant improvement in the short term. In order to resolve demand-supply gaps, investors have to wait for GoE's infrastructure development projects to be completed and become operational in order to enter the "foreign currency earning stage". NBE is currently preparing a policy paper analyzing the pros and cons of present foreign exchange control system to recommend the future direction.

(4) Taxation and Accounting

Tax and accounting system in Ethiopia is under transitional period of reflecting global business practice. Although the laws and regulations for taxation exist, such factors as arbitrariness in application of rules and inexperienced officers at the Ethiopian Revenues and Customs Authority (ERCA) due to the high turnover cause uncertainty and long time for completion of the process.

Issues such as deductible expense, Value Added Tax (VAT) refund, tax audit and international taxation tends to put burdens on the investors.

Under the circumstance, in order to enhance legal development and capacity building, with the support of IFC, GoE has been implementing i) drafting new Income Tax Proclamation; ii) drafting new VAT Proclamation; iii) formulating independent regulation on transfer price and training for ERCA officials; iv) Preliminary survey for risk based tax audit; and v) formulating tax system for SMEs. In addition, training for increasing capacity for tax audit has been conducted with the support of the UK Department for International Development (DfID).

(5) Trade Logistics

The most serious problems in logistics in Ethiopia are long lead time and high cost for import of goods. Multimodal Transportation System (MTS) was introduced in order to enable customs clearance in Ethiopia as opposed to Unimodal system where the customs clearance for Ethiopia has to be done in Djibouti. Through MTS system, GoE has been trying to simplify customs clearance procedures and to reduce the dwell time of cargos in Djibouti. However, as state owned Ethiopian Shipping and Logistic Service Enterprise (ESLSE) is exclusively allowed for the shipping and forwarding services for MTS, some inefficiency is observed. Under these circumstances mentioned above, GoE has been preparing the National Logistics Strategy which is a comprehensive promotion policy for trade logistics sector supported by the United Nations Development Program (UNDP). In addition, some international donors like IFC have been implementing Investment Climate Program that aims to simplify trade-related administrative procedures by introduction of the Single Window System.

(6) Customs Duty and Customs Clearance

The Customs Proclamation (Proclamation No.859/2014) promulgated in 2014 aims to modernize customs duty and tax collection. However, some parts of significant reform have not been implemented since necessary regulations have not been issued related to important issues like customs valuation and advance ruling. In addition, incentive system for export promotion regulates 6 schemes including tax exemption, which is expected to reduce burden for customs clearance procedure as well as customs duty. However, in practice, not many traders have taken advantage of the incentive scheme.

Under the circumstance mentioned above, IFC and other donors have been supporting GoE for institutional development aiming at the streamlining areas such as drafting regulations for the Customs Proclamation, introducing the Single Window, capacity building for risk management, and developing standard operation procedures in ERCA.

(7) Electrical Power

Power supply has two critical issues: the quality of power supply and the participation of foreign private investors in the power sector. Regarding the former, a number of investment projects to set up generation plants, mainly hydropower, are formulated including on-going projects such as Grand Renaissance Dam project and some with financial commitment. While electricity tariff is controlled to be low, the quality of power supply needs to be improved. As for private participation in the power sector, the transmission and distribution is reserved only for government entities. On the other hand, GoE has been preparing for private sector participation starting with geothermal generation.

7. Analysis of Investment Promotion Agency

(1) Ethiopian Investment Commission（EIC）

EIC is the primary window institution for investment promotion and facilitation in Ethiopia. However, since its experience as an investment promotion agency is still limited with insufficient organizational capacity, its function and investor services have not been fully exercised. The following issues can be addressed: namely: i) Quality information needed by investors has not been provided to investors due to insufficient coordination and linkage with relevant authorities; ii) despite the intension of EIC to provide OSS function, the service is only limited to the initial stage of the investment and not aftercare for some cumbersome administrative procedures after the operational phases of the invested projects: and, iii) Policy advocacy coordinating effective dialogue with private sectors has not been realized yet.

In addition, as EIC is expected to expand its new function of regulating and overseeing industrial park operation, it should be noted that extensive efforts for capacity building is required.

EIC plans to undertake the following key capacity building partially with the support of the development partners. First, EIC will expand OSS functions by receiving representative officers from local governments and the Ministry of Agriculture. Second, EIC will provide OSS in industrial parks which can renew business licenses and working permits. Third, EIC will establish the Public Private Dialogue Unit to facilitate dialogues between GoE and private investors.

(2) Industrial Parks Development Corporation (IPDC)

IPDC is on the way to develop its organizational capacity as the developer of industrial parks. It has not completed the recruitment of experts in necessary technical areas. With limited experiences as a developer, IPDC is required to acquire skills and knowledge in various key areas such as planning, development, contract management, maintenance and services for tenants. Apart from the already operating Bole-Lemi I, GoE has plans for developing industrial parks in Hawassa and Kilinto with the support of the development partners such as the World Bank. On the other hand, rules and technical standards to regulate industrial parks are under preparation by EIC with the support of the World Bank since EIC is the regulatory body of industrial park development and operation. OSS functions are also to be operated by EIC and relevant authorities. Organizational reform of IPDC has been also proposed. At the same time, the World Bank will support organizational and technical capacity development.

8. Conclusion

In Ethiopia, EIC has been reorganized under PMO by strong leadership of prime minister and its organization will be augmented by adding the new functions of regulating and overseeing industrial parks. In addition, by the establishment of IPDC, GoE has been actively implementing industrial park development in various areas and has been exercising strong initiative in promoting investment. On the other hand, as far as some sectors like telecommunication and transportation are concerned, such strong state intervention has had negative impact on their markets in terms of high cost and inefficiency.

Ethiopia is still in the transitional period from agro-based economy to economy led by labor-intensive light industry like garment and leather. Therefore, the issues like high imports, shortage of foreign currency and insufficient infrastructure are the major concerns influencing the investment climate. In addition, since industrialization has just begun, securing stable and high quality raw materials for processing purpose is still a challenge for the country. Such issues can be expected to be improved in the future as the economy grows with institutional building and infrastructure development.

On the other hand, according to the interviews with foreign investors that are already operating in Ethiopia, during operation stage after obtaining investment license, many of them face difficulties in terms of dealing with license, work permits, taxation and customs clearance such as i) administrative procedure is unclear; and ii) cost and time for the procedure is high. Some foreign investors indicated a serious concern for the continuation or expansion of business operation in Ethiopia. GoE should pay more attention to the voice of such existing foreign investors in order to gain their confidence for further investment expansion, in addition to promoting greenfield investment.

GoE is required to tackle the following issues in order to improve investment climate and to increase capacity of investment promotion in Ethiopia.

(1) Labor

It is necessary to implement capacity enhancement of EIC in terms of strengthening OSS function. As for human resource development, GoE is required to augment training service which matches with investor needs.

(2) Foreign Exchange

In the future, when Ethiopia's position of foreign exchange reserve improves, GoE should consider revising the NBE's Directive to gradually deregulate the restriction of Retention Account A, which exporters can retain in foreign currency indefinitely from export proceeds. It is worth considering that GoE should also research foreign exchange deregulation process of other developing countries which used to have strict foreign exchange control policy to obtain policy guidance for Ethiopia.

(3) Taxation and Accounting

It is necessary to implement policy measures to increase transparency and predictability of tax administrative procedures. In this regard, GoE should develop clear rules and guidelines for most problematic area such as tax audit, VAT refund, deductible expense, etc. as well as capacity building of relevant officials. In addition, in order to improve tax administrative service for private businesses, GoE should consider expanding tax consultation window.

(4) Logistics

Upon the official approval of the National Logistics Strategy, priority policy areas are expected to be identified. The main pillars of the strategy are supposed to be institutional development, utilization of information and communication technology (ICT), infrastructure development, and development of logistics network along the major supply chains. GoE needs to implement infrastructure development and operational capacity building. The important areas for development may include establishing MTS with railway transportation, transport nodes of air cargoes and road transportation, and the network connecting major industrial areas and logistics hubs.

(5) Customs Duty and Customs Clearance

Institutional building and reform for customs duty has been implemented in GoE in order to promote streamlining of customs administration. With a view to responding to increasing logistics volume in line with the speed of economic development, policy measures need to be implemented to improve efficiency of customs operation in accordance with relevant policy such as export promotion. For example, at the time of opening railway system, construction of logistic and customs clearance flow will be required.

(6) Capacity Building of EIC

As mentioned earlier, EIC is expected to expand its functions such as regulating and overseeing industrial park operation and export promotion. In this regard, EIC should research the experience of other countries in supervision of industrial parks. Currently the World Bank is assisting GoE to develop rules and regulations for industrial park development. It is urgently required to formulate such legal framework based on in-depth coordination with relevant authorities as well as acquiring lessons from other countries in order to assure necessary quality of industrial parks.

(7) Capacity Building of IPDC

IPDC is required to enhance capacity of planning, operation and management of industrial parks as a developer. In line with the detailed rules and regulations supported by the World Bank, it is needed to pay particular attention to the progress and final contents of such legal framework as well as to coordination with relevant authorities

Data Collection Survey on Investment Promotion in the Democratic Republic of Congo Summary

1. General Background

The Democratic Republic of Congo (DRC) is located in the central Africa with the land size of 2.3 million km2, which makes the country the second largest one in Africa following Algeria. Though the DRC faces the Atlantic Ocean but its ocean line is only 40 km1. The DRC is surrounded by nine countries.

Source: UNHCR (2015) Democratic Republic of Congo New 26 Provincial Sub-Divisions

Figure 1 Map of the Democratic Republic of Congo

[1] CIA World Factbook, 2015

DRC has rich natural resources in its large land area and its consumer market is expected to expand due to the increase in population and expansion of middle class. However, the Eastern region is still fragile due to historical tribal conflicts, conflicts between armed groups over natural resources, and intervention by neighboring countries. The background information of the country is shown below.

Table 2 Country Outline

1	**Size**	2.3 million km² (2015)
2	**Population**	83.2 million people (2014)
3	**Capital**	Kinshasa
4	**Climate**	Three types of climate: rainforest climate, tropical climate, and alpine climate. The temperature varies from 15℃ to 35℃. DRC has the second largest rainforest in the world following Brazil. Some locations have over 2,000 mm precipitation per year.
5	**Language**	French (official language), Kicongo, Chilba, Lingála, Swahili.
6	**Religion**	Christian (mainly Catholic) 85%, Muslim 10%, Other traditional religion 5%.
7	**Politics**	Republic with Mr. Joseph Kabila as the president

Source: 1－2 and 4: Institut National de la Statistique (INS) (2014) Annuaire Statistique, 3 and 5-7: Ministry of Foreign Affairs (http://www.mofa.go.jp/mofaj/area/congomin/data.html)

Table 3 Main Economic Statistics

Item		Value	Year
1	Nominal GDP	40.2 billions	2013
2-1	Real GDP growth	8.5%	2013
2-2	Real GDP growth	7.5%	Average between 2011-2013
3	Consumer	1.2%	2013
4	Export value	11.6 billion USD	2013
5	Import value	10.8 billion USD	2013
6	Trade balance	0.8 billion USD	2013
7	Current account	-2.9 billion USD	2013 (estimate)
8	Financial account	-2.7 billion USD	2013 (estimate)
9	Foreign Direct Investment	1.7 billion USD	2013 (estimate)
10	Foreign reserve	1.8 billion USD	2013
11	Exchange rate (1USD)	919.7 CDF	2013 (estimate)

Source: Banque Centrale du Congo (BCC) (2013) Rapport Annuel

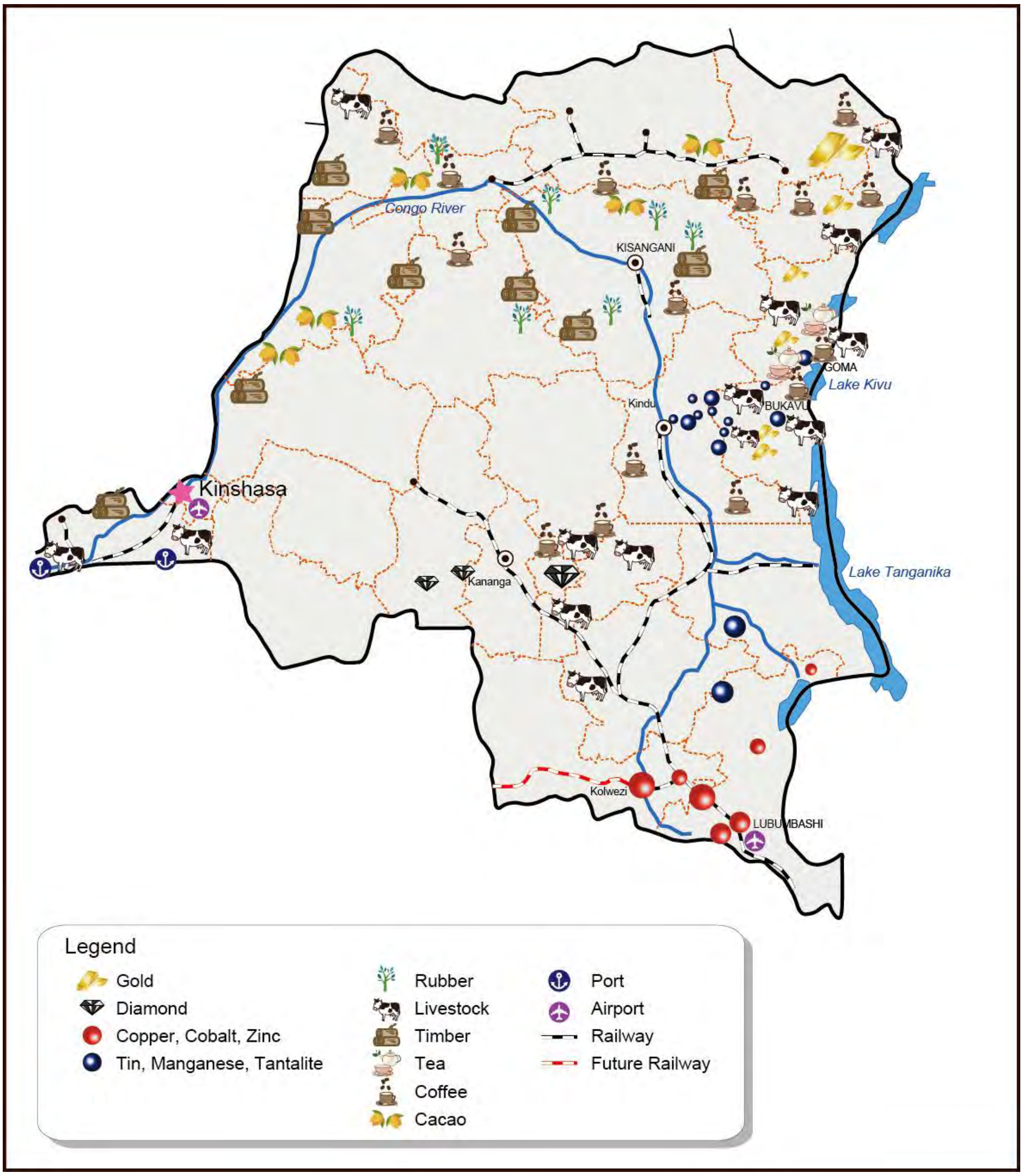
Table 4 Main Social Development Statistics

Item			Value		Year
1	Population growth		3.3	%	Average between 2010-2014
2	Life expectancy		58.7	Age	2014
3	Infant mortality rate	(per 1,000)	58	People	2013
4	Maternal motility rate	(per 100,000)	846	People	2013
5	Net enrolment of primary education	(boy)	69.4	%	2012
		(girl)	63.8	%	2012
6	Graduation rate of secondary education	(boy)	35.2	%	2012
		(girl)	18.0	%	2012
7	Adult literacy rate	(male)	91.2	%	2012/13
		(female)	73.6	%	2012/13

Source: 1: UNDP (2015) Human Development Report, 2-8: INS (2014) Annuaire Statistique

2. Investment potential

The production locations of major mineral, agro and forestry resources are as shown in the figure below.



Source: JICA Study Team based on BCC (2013) Rapport Annuel

Figure 2 Map of Mineral Resources and Agricultural Products in DRC

Mineral deposits in DRC are located in the vast area in Kivu in the Northeast area, Katanga in the Southeast, and Kasaï in the South. Also, various types of crops can be produced as the vast land provides different types of conditions suitable for different types of crops. However, problems of minerals are found in the fall of the price of mineral resources, shortage of the power necessary for smelters, and regulatory burdens. As for agriculture, irrigation, logistics, and transportation infrastructure has not been fully laid out yet in general. The farmers may also encounter difficulty of procuring adequate and cheap agro-inputs such as seeds and seedlings and fertilizers.

3. Legal Framework

Sixteen countries in West Africa are participated in the regionally harmonized legal system for business called "the Organization for the Harmonization of Business Laws in Africa (Organisation pour l'Hamonisation en Afrique du Droit des Affaires: OHADA)". By adopting the harmonized business laws, it is expected to increase the credibility in the international business. In 2012, DRC participated in OHADA and has adopted the harmonized business laws of OHADA as its domestic laws.

The Investment Code (Loi n° 004/2002) stipulates in Articles 23 to 27 in part 5 (Titre V) that: i) the investors' property rights are protected regardless of Congolese national or foreigners as guaranteed by the Constitution; ii) the property of the investors will not be nationalized or expropriated by newly established laws and decisions made by the sub-national authorities unless it is based on reasons for public benefit, and justifiable and equitable compensation is made; and the compensation should be made based on the market value of the asset.

In terms of dispute settlement, the Investment Code states that disputes between the Government of DRC and foreign nationals shall be settled based on the Convention of the International Centre for Investment Disputes (ICSID) and ICSID, or the rules of arbitration by the International Chamber of Commerce if it is not settled within 3 months after the day for the first appeal in writing of the negotiation is made. Also, DRC ratified the New York Convention which provides the rules and framework for arbitration of international commercial disputes.

4. Investment Background

(1) Type of companies and incorporation procedures

There are six types of companies for a foreign company to start business in DRC: namely Private Companies (Société en Nom Collectif (SNC)), Sleeping Partnerships (Société en Commandite Simple), Private Limited Companies (Société á Responsabilité Limitée (SARL)), Public Limited Companies (Société Anonyme (SA)), Branch, and Representative Office. The minimum capital when a public limited company is set up is 20,000 USD. The incorporation fee is 120 USD for a corporation and 40 USD for a sole proprietor. The DRC government established the One Stop Service for Starting Business (Guichet Unique de Creation D'Entreprise: GUCE) under the Ministry of Justice to facilitate all the incorporation processes including company registration and tax registration.

(2) Investment approval

When it comes to incentives, there are laws related to conditions and incentives for specific sectors and laws to regulate incentives for other sectors for investment promotion purpose. Under the Investment Code, National Investment Promotion Agency (Agence Nationale pour la Promotion des Investissements : ANAPI) has the authority to provide investment approval for investors. Article 8 of the Investment Code sets the following five conditions to obtain incentives under the Code.

1. To have incorporated under Congolese Law;
2. To ensure minimum investment of USD 200,000[2];
3. To comply with rules and regulations of environmental protection and natural reserves;
4. To train local staff for future promotion to the position of expert technicians, supervisors and executives; and
5. To ensure an added value of at least 35%[3].

When investors apply for investment approval, they have to provide information in application form such as i) general information; ii) technical information; iii) employment generation plan; and iv) financial plan. In addition, they have to submit a list of machinery and equipment (volume and valuation amount) to import for duty exemption procedure.

The fiscal incentives provided by the Investment Code are shown in the table below. The Investment Code defines the applicable duration according to the locations of projects and it varies from 3 to 5 years. The list of the goods for duty-free importation shall be stated by inter-ministerial decision (Arrêté Interministériel d'agrément) provided upon the approval of the granting of the incentives. In the Investment Code, there are no other non-fiscal incentives mentioned.

Table 5 Incentives by the Investment Code

Types of Incentives	Items
Fiscal Incentives	· Corporate tax exemption: 3 to 5 years. · Property tax exempted if it is in the project location.
Incentives on Import and Export Duty	· Export duty on the machinery and equipment for project as well as spare parts less than 10% of CIF value of the machinery is exempted. · Duty free import of second hand construction machinery, ships and airplane · Export duty exempted. · Import duty free for industrial inputs used for the project. · Allowance for the expenditure for training and environmental protection measures.

Source: Investment Code (Loi n° 004/2002) and the material prepared by ANAPI.

The import duty exemption is only applicable if the product is not manufactured in DRC or the price before tax of those produced in DRC are10% or more expensive than the imported one. Even it can

[2] However, the Article 2 h) specifies the minimum investment for Small and Medium Enterprises (SMEs) as USD 10,000.
[3] There is a room for negotiation of the sector to be invested in has a high potential.

be customs duty free, 2% of the import charge and the 16% of TVA are not exempted.

Apart from the incentives provided by the Investment Code, the incentives for the following sectors are also provided by separate laws.

Table 6 Sector-Specific Incentives in DRC

Industry	Major incentives
Agriculture (Farming Law)	· Export duty on the produce is exempted. · Import duty and other tax on import of agro-inputs are exempted. · Property tax on the agricultural production is exempted. · The tax and charges for the public services related to export of produce are limited to 1% of the value of the exported goods.
Mining （Mining Code）	· Reduced tax rate for withholding tax on dividend (10% whereas 20% for normal case) · Reduced tax rate for the extra tax on the income of expatriates (IERE, 10% whereas 25% for normal case) · Reduction of the import customs duty depending on the types of license (3 to 5%) · Export duty is exempted. · Duty free import for petroleum products and lubricants for the use of mining related activities. · Property tax is exempted. · Vehicles tax is exempted. · The tax and charges for the public services related to export of products are limited to 1% of the value of the exported goods.
Power (Décret 15/009 du 28 avril 2015)	· Import customs duty and TVA on equipment for power infrastructure are exempted. · Import duty for electricity is exempted. · Export duty for electricity is limited to 1%. * The duty exemption is applicable for 4 years.
Strategic Value Chain Industries	· TVA on the materials, equipments and services exempted. · Import duty on equipment and raw materials is exempted. · Special tariff on the electricity. * The duty exemption is applicable for 4 years.

Source: JICA Study Team based on the material prepared by ANAPI

(3) Restrictions on foreign investments

The areas where there are limitations on the entry of foreign investors are specified in the Investment Code (Loi n° 004/2002). Small-scale commercial activities and productions and services related to military activities are listed. Apart from these activities, investors are to be treated equally regardless of being domestic or foreign for granting incentives and protection of the rights. Foreign companies do not have limitations to participate in public procurement tendering at least in the legal framework.

It should, however, be noted that the entry of foreign investment into agriculture sector may face limitation due to limited access to the land concessions for agricultural use: the access to the land is limited only for Congolese nationals or investor whose majority is held by Congolese (the Farming Law, Loi n° 11/022 du 24 decembre 2011).

(4) Taxation and procedures

In the past legal entities doing business in the DRC were required to prepare proper accounting books and audited statutorily pursuant to the Congolese General Chart of Accounts, Plan Comptable Général Congolais. Starting with fiscal years in 2014 and all the years that follow since the nation joined OHADA in 2012, they shall meet the OHADA accounting rules and regulations. Each country is permitted to apply its own local rules regarding detailed enforcement regulations if not stipulated by OHADA, as long as they do not conflict with the overall policies of the OHADA legal system.

The tax authority, the Direction Générale des Impôts (DGI) consisting of Direction Générale des Douanes et Accises (DGA) and Direction Générale des Recettes Administratives, Judiciaires, Domaniales et de Participations (DGRAD) based on their area of jurisdiction, is under the Ministry of Finance as a competent authority and is authorized to oversee various tax-related matters (e.g., taxation, tax collection, refunds, and tax litigation). Although they do not exercise legislative power, there is some leeway for regional governments to decide tax rates on their own where they are not specified by law locally. Some authority for taxation and tax collection such as land and rental tax are delegated to regional governments. Main taxes levied on companies in DRC are shown below.

Table 7 Main tax burdens for companies

Tax	Rate (%)	Remarks
Corporate income tax	30, 35	The mining industry is subject to tax as prescribed in the Mining Code. For instance, in addition to the corporate income tax (rate: 30%), property tax and vehicle tax, which apply to materials and equipment, and tax on owners of rights to resources.
Branch office tax	35	
Withholding taxes:		
Dividends	20	10% for the mining industry
Interest	20	Tax exemption for the mining industry
Royalties	20	
Services	14	This withholding tax applies to payments for services provided to Congolese companies by foreign companies and individuals without a permanent establishment in DRC. The tax base is the gross amount of the applicable invoice.
Value-added tax (TVA)	16	This tax applies to various products and services when provided in or imported to DRC, not including duty-free articles.
Industrial promotion tax (TPI)	2	This tax is based on the total amount of the CIF values of imported raw materials plus customs tariff, and the sale price in DRC.
Taxes for employment and fees for social security		
Payroll tax	30	Fixed rate of 30% applies to Annual income exceeding CDF 22,956,000 Progressive tax rate of 0-40% to Annual income not exceeding CDF 22,956,000.
Foreign resident employee tax (IERE)	25	10% for the Mining industries

Tax	Rate (%)	Remarks
Contributions to Institut national de sécurité sociale (INSS)	-	Paid by employer: 9% of amount of compensation Paid by employee: 3.5% of amount of compensation
Contributions to Institut national de préparation professionnelle (INPP)	-	1-3% of amount of compensation
Contributions to Office National de l'Emploi (ONEM)	-	0.2% of amount of compensation

Tax	Rate (%)	Remarks
Main taxes and fees for imports		
Inspection fee (Frais de Cotrôle réglementaires á l'importation)	2% of CIF	Under the jurisdiction of OCC
Marine transport carriage Tax (impôt sur les marchandises importées par voie maritime)	0.59% of CIF	Under the jurisdiction of OGEFREM
Custom duty	0, 5, 10, 20% of CIF	Under the jurisdiction of DGDA
TVA	16% of CIF	
Precompte de l'impôt sur les bénéfices et profits (BIC)	2% of CIF	
Tax for industrial-boosting funds	2% of the sum of CIF and custom duties	Under the jurisdiction of FPI
Harbor loading and unloading fee[4]	Unknown[5]	Under the jurisdiction of SCPT
Items with export tax		
Coffee beans	1%	
Mineral resources or concentrate	5% or 10%	
Diamond	1.5% or 3%	
Petroleum, black pitch	10%	
Electricity	5%	
Wood (tax rate depends on unpeeled log and/or timber)	Free, 5%,or 10%	
Fresh water	5%	
Others		
Taxes determined by local governments	Decided by local government	Under the jurisdiction of local governments

Source: JICA Study Team based on various documents.

[4] In case of Matadi and Boma
[5] According to the interview to a logistics company, one 40-feet container costs 1,000-1,5000 USD.

(5) Land Acquisition and Registration of Property

Land is the property of the state and it has exclusive, non-transferable and unlimited nature. Since land ownership right belongs to the state, individuals and companies only have right to use (usufruct) land. Under the law, "General Concession" is aimed at corporations and foreigners, and maximum 25 year concession (which is renewable) is allowed.

(6) Labor system

The distinguishing feature of the DRC's labor system is its focus on protecting the rights of workers. In applying for labor permit, the authorities will send inspectors to verify the facts; in some cases the Ministry of Labor might withhold authorization if the company does not have good reason to need the labor. In addition, labor rules to be complied within the DRC are very strict with regard to dismissal of employees and, are usually beneficial to workers in legal disputes concerning employment regulations.

Foreign expatriates planning to work in the DRC must complete certain procedures such as obtaining a work permit from the Ministry of Labor and submitting the specified documents (e.g., application form, employer information, employment contract, certificate of employment) to the Immigration Administration. Types of available visas include standard resident visas (three years) for those employed in commerce and the professions (e.g., doctors and attorneys) and work visas (one to two years). In addition, employment of resident staff requires the employer to demonstrate that it cannot secure local personnel having the same levels of knowledge and experience. DRC has limits on the number of resident officers companies may employ, corresponding to their total numbers of employees in a company. It is estimated that foreign investors will need many representatives from headquarters in starting up a business, and requirements related to numbers of employees. The timing of transfer of responsibilities to local personnel is not applied strictly.

(7) Foreign Exchange and Remittance System

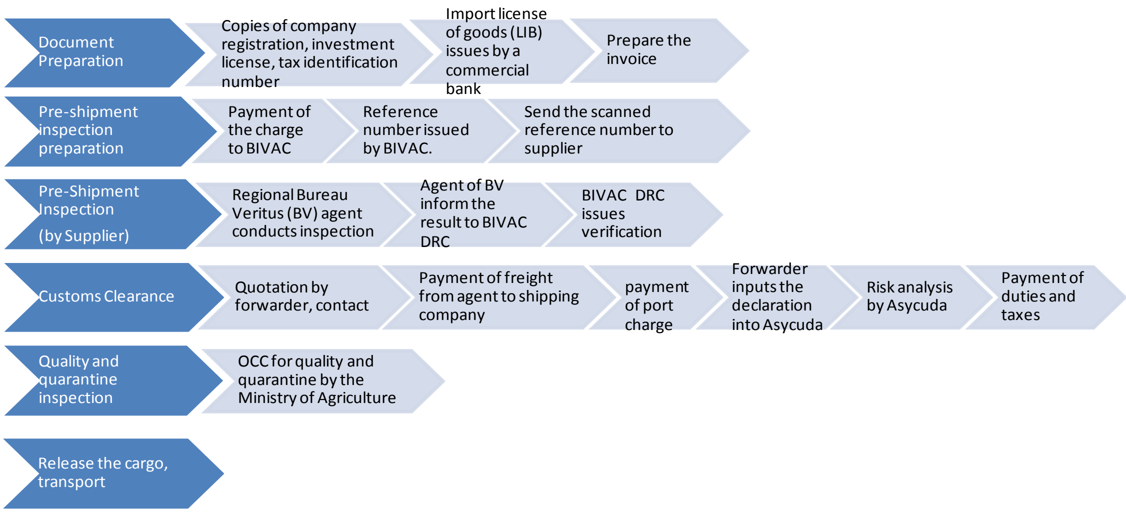
DRC has basically liberalized its foreign exchange system and money is freely convertible for any currency in terms of capital transaction and current transaction. In addition, as far as mining sector is concerned, according to the recent amendment of BCC regulation, exporters of mining products have to hold at least 40% of foreign currency earned by export proceeds at a bank account in DRC. As no limitation is imposed except for the above 40% amount, exporters can freely use the remaining amount for settlement of import of raw materials and capital goods. Furthermore, recently BCC has amended the above mentioned regulation to change remittance timing from within 30 days to 60 days after export transaction date (Article 32, Journal Officiel-28 mars 2014: La Reglementation du Change en RDC), which allows exporters to improve their cash flow since they used to have to transfer money before they collect proceeds from export transaction.

(8) Dissolution and Liquidation of A Company

As mentioned earlier, since its participation in OHADA, DRC has adopted Uniform Company Act which regulates dissolution and liquidation of corporations in Book 7 of Part 1. According to the Article 200, seven events are listed as grounds for dissolution of a company within 3 years. However, liquidation information of actual cases adopting the above mentioned improved system is difficult to obtain because the Uniform Company Act and Uniform Act Organizing Collective Proceedings for Wiping Off Debts have been adopted just recently and that not many cases have occurred yet.

(9) Trade and Customs Clearance

The figure below shows the flows of administrative procedures required for importation into DRC. Two administrative procedures (Electronic Carg Tracking Note for Import (FERI) [6] and pre-shipment inspections) require special attention.



Source: JICA Study Team based on the interviews with logistics companies.

Figure 3 Flows of Administrative Procedures for Importation

The numbers and times required for administrative procedures of exportation are relatively limited comparing with the importation. However, exportation of some products may require additional procedures such as acquisition of export licenses and quality controls by OCC.

[6] FERI is usually taken place at a loading point after BIVAC DRC issues verification in a pre-shipment inspection shown in Figure 3.

Table 8 Necessary Administrative Procedures for Exportation from DRC

Procedures	Tax and Charges	Responsible Agency
Export and Import Number	USD125	Ministry of Commerce
Import Authorization (for specific products)	-	Ministry of Economics
Phytosanitary certificates (agro, fisheries and forestry products)	-	Ministry of Agriculture
Export License (for specific products)	Decided by the ministries/ agencies in charge	Relevant agencies
Charges by OCC	1% of FOB value	OCC
FERI	-	OGREFEM

Source: JICA Study Team based on World Bank (2010), "Etude diagnostique sur l'integration du commerce" and interviews with logistics companies.

(10) Infrastructure (electricity, logistics, and economic zones)

Costs of electricity and logistics are shown as below. The costs in DRC are more expensive than its neighboring countries.

Table 9 Cost and Time of Getting Electricity in DRC, African and Asian Countries

	DRC	Kenya	Cambodia	Vietnam	SSA
Number of procedures	6	4	4	6	5.4
Time (day)	56	110	179	59	130
Cost (% to per capita GDP)	15,247	732	2,336	1,323	4,076
Reliability of supply and transparency of tariffs index (0-8)	1	0	2	3	

Source: World Bank, Doing Business 2016
Note: The cost does not mean tariff, but the sum of costs borne by arranging supply contracts and other documents, purchasing equipment and the fee for installation

Table 10 International Transportation Cost for Import to Kinshasa and Goma

	Sea Transport		Inland Transport		
		Cost (USD)		Distance (Km)	Cost (USD)
Western DRC (Kinshasa)	Asia (China, India)-Matadi	8000～8500	Matadi-Kinshasa	330	2000 to 3250
	Belgium - Matadi	4500			
Eastern DRC (Goma)	Asia-Dar es Salaam*1	2500	Dar es Salaam-Goma	1570	5000
East Africa	Asia-Mombasa*2	2000	Kenya (Mombasa-Nairobi)	530	1000
			Uganda (Mombasa-Kampala)	930	2500

Note: Price of a 40ft container.
*1 : Doubled the price of 20ft container.
*2 : Data of 2014. The ocean transport to East Africa is the average of those from various locations in Asia.
Source: JICA Study Team based on the interview with companies in DRC. Data for Goma, Kenya and Uganda is based on Shippers Council of East Africa "East Africa Logistics Performance Survey "(2014 and 2015).

The Government plans to set up one SEZ per province and it is currently in preparation of setting up a SEZ in Maluku in the province of Kinshasa as a pilot case. The law on special economic zones (SEZ) stipulates the definition of SEZ, developers, and operators and specifies the items to be stated in the contract with each party but the procedures of selecting developers and operators (including criteria and flow of appraisal) are to be specified in the separate regulations. At the time of the Survey, the incentives and the scheme for development are not clarified.

5. Support from ANAPI

The organization in charge of investment promotion in DRC is ANAPI (Agence Nationale pour la Promotion des Investissements). The Investment Code established ANAPI under the Ministry of Planning in 2002. The purpose of ANAPI is to promote both domestic and foreign investments and to approve investment projects under the Investment Code7. The support that ANAPI provides with potential/existing investors is written as below.

Table 11 Activities that ANAPI provides

	Activities of investment promotion agency	Implementation by ANAPI	ANAPI section in charge
Information service	Collecting and organizing information	Collecting legal and statistical information, and information about local partners	Sub-directorate of Communication
	Public relations	Developing website, preparing brochures, holding seminars	Sub-directorate of Communication
Liaison services	Support for market entry	Supporting tours of candidate sites, introducing local partners, setting up meetings with government agencies, company visits	Sub-directorate of Aftercare
	Support for starting up operation	Providing support with procedures to obtain permits, providing information on preferential tax treatment and procedures	Sub-directorate of Investment approval
	Follow-up	Monitoring of investments, accepting requests from investors	Sub-directorate of aftercare & strategy, research, and management energy

Source: JICA Study Team based on the documents from ANAPI

[7] Loi n° 004/2002 du 21 fevrier 2002 portant code des investissements, Titre II, Section I, Article 4. ANAPI will be asked to provide its opinions when it comes to the investment projects in the sector of mining, finance, and insurance if necessary.

Data Collection Survey on Investment Promotion in the Republic of Cameroon Summary

1. General Background

The Republic of Cameroon (Cameroon) is located in the central Africa with the land size of 475,000 km^2, which is 1.25 times larger than Japan. It is located next to Nigeria with the largest population in Africa in West and is surrounded by Chad in North West, the Central Republic of Africa in East, Congo Republic in South East, and Gabon and the Republic of Equatorial Guinea in South. Cameroon faces the Gulf of Guinea of the Atlantic Ocean in South West.

Source: Ministère des Affaires étrangères et du Développement international, 2016

Figure 1 Map of the Republic of Cameroon

Cameroon has rich potential in the field of minerals including oil, forest, hydroelectricity, agriculture, livestock, and fishery. Also, since Mr. Paul Biya elected as the president of the country under the democratized election in 1988, Cameroon enjoys relatively stable political situation. However, the northern Cameroon has been attacked by Boko Haram, one of Islamic militant groups based in the north-east Nigeria, which makes the area unstable. The outline of Cameroon is shown as below.

Table 1 Country Outline

1	**Size**	475,650km^2 (2010)
2	**Population**	21.143 million people (2013) (estimate)
3	**Capital**	Yaoundé
4	**Climate**	There are mainly 3 types of climate in Cameroon: tropical rainforest climate (coastal area and south), savanna climate (central), and step climate (north). Dry season in the north is July-August, but the one in south is January to February and March to October in the south is rainy season. Central has 2 dry seasons (June-August and November-March) and 1 rainy season (August-October)
5	**Language**	French, English (both are official languages), other tribal languages
6	**Religion**	Catholic, Protestant, Islam, and other traditional religions
7	**Politics**	Republic under Paul Biya as the president

Source: 1－2 and 4: Institut National de la Statistique (2013) Annuaire statistique du Cameroon、3 and 5－7: Ministryof Foreign Affairs in Japan (http://www.mofa.go.jp/mofaj/area/cameroon/data.html)

Table 2 Main Economic Statistics

Item		Index	Year
1	Nominal GDP	USD 32.1 billion	2014
2-1	Real GDP growth	5.9%	2014
2-2	Real GDP growth	5.4%	Average of 2012-2014
3	Inflation	2.7%	2015
4	Export	USD 5.76 billion	2014
5	Import	USD 6.5 billion	2014
6	FDI inflow	USD 0.5 billion	2014
7	Exchange rate (USD)	494.4FCFA	2014

Source: INS（2014） Annuaire Statistique du Cameroon、BEAC（2014） Annuaire Statistique du Cameroun

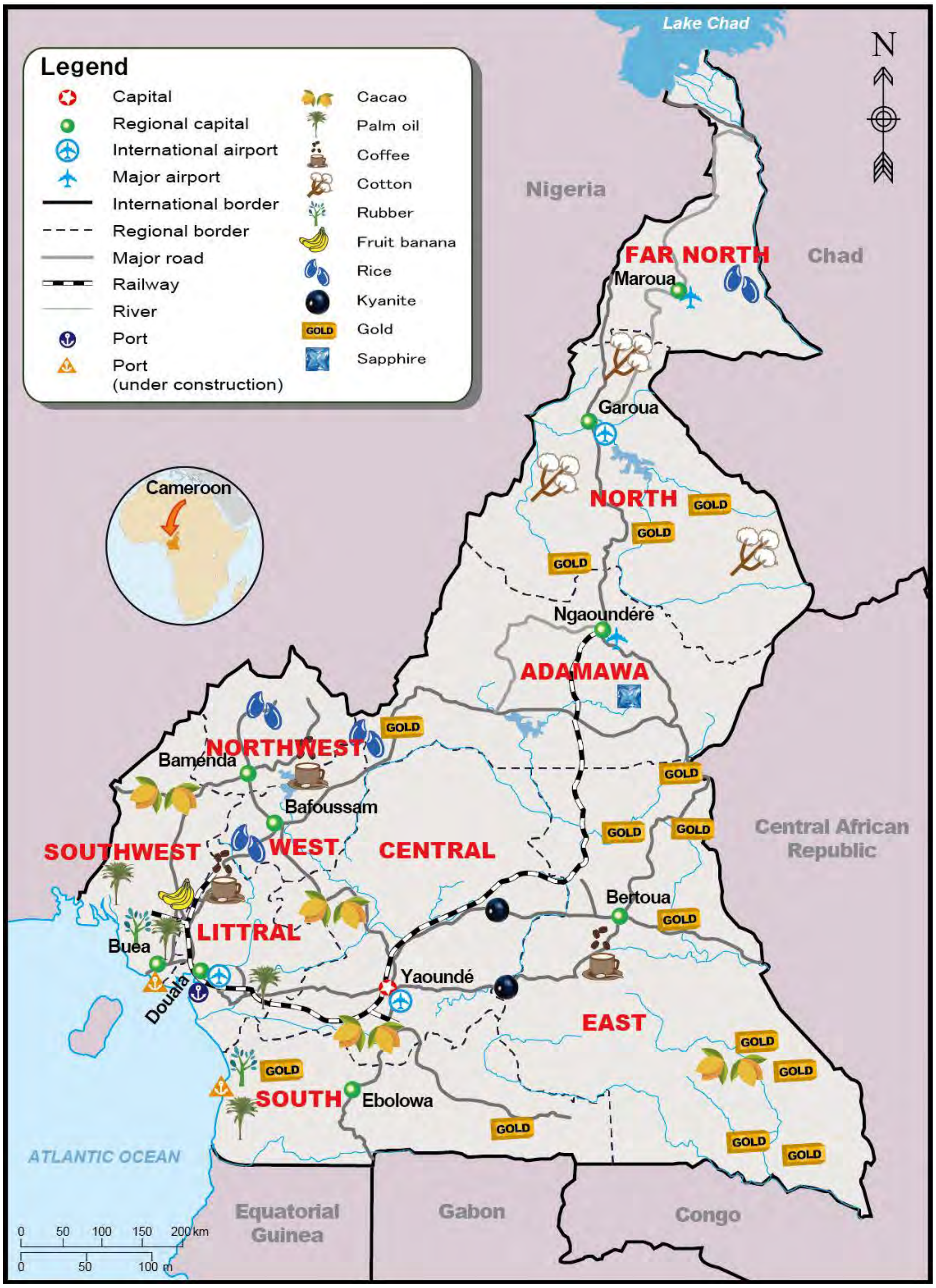
Table 3 Main Social Development Statistics

Item			Index	
1	Life expectancy		55.5	Years old
2	Infant mortality rate	(per 1,000)	60.8	people
3	Maternal mortality	(per 100,000)	590	people
4	Adult literacy		71.3	%
5	Net enrollment rate (primary school under both French and British systems)	(boy)	84.6	%
		(girl)	87.3	%
6	Continuance rate (from primary to secondary schools under both French and British systems)		75	%
7	Graduation rate in junior secondary education	French system	54.6	%
		British system	28.7	%

Source: 1-4：UNDP (2015) Human Development Report, 5-7：INS (2014) Annual statistical report

2. Investment Potential

The following figure indicates resource availability and major agricultural, forestry and fishery products producing areas.



Source: JICA Study Team based on various documents

Figure 1 Map of Mineral Resources and Agricultural Products in Cameroon

Cameroon's main industries are mining and agriculture and agricultural products processing followed by hydrocarbon resources (crude oil, natural gas etc.), mineral resources (bauxite), timber, cacao and coffee, cotton, banana which are also major exporting products. In some industries including aluminum, cotton and textile, the major state enterprises (often large-scale) take initiatives over structured supply chains of sales and productions. Establishments are concentrated in Douala and the four western regions (Littoral, Nord-Ouest/Northwest, l'Ouest/West and Sud/South) besides in the capital city Yaoundé.

3. Legal Framework

Cameroon is a member country from the early period of establishment of Organization for the Harmonization of Business Laws in Africa (OHADA)[8], stipulating common business related law by the Central and West African countries. The Law stipulates not only the legal requirements on business related areas but also procedures for dispute resolution, thereby measures for investor protection are clear. In line with such international framework, the Cameroon government joined OHADA in 1995 and has been promoting measures to increase legal and judicial reliability and safety for investors.

Investment Charter Law (Loi n° 2004/020) guarantees equal treatment of domestic and foreign investment. Section 10 stipulates free entrants in the production and services and the equal treatment of application of laws. In case of the investors from those countries which have the Bilateral Investment Treaties (BITs) with Cameroon, protection of investors' rights, expropriation by the state and the compensation are also regulated in respective BITs.

In terms of dispute settlement, the Section 10 of the Investment Charter Law (Loi n° 2004/020) states that arbitration of international commercial disputes and protection of investors are based on the New York Convention which provides the rules and framework for arbitration of international commercial disputes., the Convention of the International Centre for Investment Disputes (ICSID) and the rules of arbitration by the International Chamber of Commerce, and United Nations Commission for International Business Law (UNICITRAL). Cameroon is the signatory of the Multilateral Investment Guarantee Agency (MIGA).

4. Investment Background

(1) Type of companies and incorporation procedures

When establishing a company in Cameroon, one can choose from Société á Responsabilité Limitée (SARL) / Private Limited Companies, Société Anonyme (SA) / Public Limited Companies, Branch, and Bureau de Représentation / Representative Office. The minimum capital for setting up Société á Responsabilité Limitée (SARL) / Private Limited Companies and Société Anonyme (SA) / Public Limited Companies is 1 million FCFA and 10 million FCFA, respectively. In establishing a business,

[8] OHADA was established in October 1993, based on the Harmonization of Business Laws in Africa. Cameroon ratified the Law in October 1995.

corporate registration with the CFCE (Centres of Enterprise Creation Formalities / Centre de formarité de creation d’entreprises) is required regardless of the size of the business and whether it is funded by foreign or domestic capital, and the prerequisites and documents to be submitted are the same.

(2) Investment approval

Specific incentives for industries outside of the scope of the Investment Incentives Law (Loi nº 2013/004) are prescribed separately in sectoral codes (oil, mining, and gas etc.). The contact organization for providing incentives to large enterprises and foreign companies is API, while the contact organization for providing incentives to micro, small and medium enterprises is the APME.

Common incentives differ in accordance with investment size and sector, and investment approval is decided based on four eligibility criteria ‐ hiring a given number of Cameroonian nationals, share of exports to total turnover, utilizing national natural resources, and amount of value added.

Necessary documents for application are as follows. Although it is not specified in this Order, investor are required to obtain relevant licenses necessary for each type of business activity from pertinent ministries prior to applying for investment approval. API requires investors to submit copies of relevant licenses, together with the following application documents.

＜Required Documents＞

For a new business (enterprise): (i) Corporate information (its legal status, its company name, its headquarters and its address, the names, status and nationalities of its management team), (ii) A notarized expedition of its articles of incorporation, (iii) A list of partners or shareholders specifying the percentage of shares held by each, as well as their nationality, (iv) A certificate of incorporation of the company, (v) a feasibility study of the investment project, and (vi) An economic and financial study of the investment project.

For an existing business (enterprise): In addition to (i) to (vi), (vii) A copy of taxpayer’s card, (viii) A copy of patent, and (viiii) tax clearance certificate from the Tax Department.

The following table summarizes the major incentive measures under the Investment Incentives Law (Loi nº 2013/004).

Table 4 Major Incentives Regarding Tax and Customs under the Investment Incentives Law (Loi no 2013/004)

Establishment Phase, Maximum of 5 years
・ Exemption of registration fee on lease of building
・ Exemption of transfer tax on acquisition of land and building
・ Exemption of registration fee on equipment provision contract for construction of building and facility
・ Exemption of registration fee on concession agreement
・ Exemption of registration fee on capital injection and increase of capital
・ Exemption of VAT on services provided from abroad
・ Exemption of VAT and customs duties levied on import of facilities and materials related with investment project
・ Exemption of patent
・ Simplified custom clearance on facilities and materials related with investment project

Operational Phase, Maximum of 10 years	
Category A[9]	· 50% reduction of corporate income tax or tax on industrial and commercial profits for five (5) years. · Reduction of 25% of corporate tax or tax on industrial and commercial profits from the sixth to the tenth year. · Exemption from registration duties relating to credit facilities, loans, advances on current accounts, bonds, increments, reductions, and reimbursement for five (5) years. · Registration for free without perception of graduated stamp duties on acts relating to the increase, reduction, and the reimbursement share capital for five (5) years. · 50% reduction on registration duties on the deeds of transfer of ownership or deeds of possession of real estate or lease for five (5) years. · 50% reduction on tax on the income of movable capital (IRCM) during the sharing of bonuses or income for five (5) years. · Reduced rate of 5% on customs duties on the importation of equipment, building materials, tools, spare parts, intermediate products, supplies and consumables.
Category B[10]	· 50% reduction of corporate income tax or tax on industrial and commercial profits for five (5) years. · 25% reduction of corporate tax or tax on industrial and commercial profits from the sixth to the tenth year. · Exemption from registration fees related to loans, borrowings, overdraft provisions and guarantees for five (5) years · Registration for free without perception of graduated stamp duties on acts relating to the increase, reduction, reimbursement, and the liquidation of the social capital for ten (10) years. · 50% reduction on registration fees on the acts of transfer of ownership or benefit from real estate or lease for five (5) years. · 50% reduction on tax on the income of movable capital (IRCM) during the sharing of bonuses or income for five (5) years. · 25% reduction of the tax on the income of movable (IRCM) on the occasion of the distribution of income from the sixth to the tenth year. · Reduced rate of 5% on customs duties on the importation of equipment, building materials, tools, spare parts, intermediate products, supplies and consumables
Category C[11]	· 75% reduction of corporate income tax or tax on industrial and commercial profits for five (5) years. · 50% reduction of corporate tax or tax on industrial and commercial profits from the sixth to the tenth year. · Exemption from registration fees related to loans, borrowings, overdraft provisions

[9] Eligibility Criteria for Category A: Any company that is committed to investing over a period of five (5) years at most, an amount less than or equal to one (1) billion FCFA and complying to at least one of the criteria below (target sectors: industrial, tourism, handicraft, agricultural, livestock and fisheries sectors):

- Hiring at least one (1) job for every twenty (20) million FCFA
- Annual exports represent at least 25% of the total turnover excluding taxes
- Using national natural resources up to the level of at least 20% of the value of the inputs
- Generating an increase in added value of at least 30% for five years

[10] Eligibility Criteria for Category B: Any company that is committed to investing over a period of five (5) years at most, an amount more than one (1) billion FCFA and less than or equal to five (5) billion FCFA and complying to at least one of the criteria below (target sectors: industrial, tourism, handicraft, agricultural, livestock and fisheries, social housing, cultural sports, health and education sectors):

- Hiring at least one (1) job for every twenty (20) million FCFA
- Annual exports represent at least 25% of the total turnover excluding taxes
- Using national natural resources up to the level of at least 25% of the value of the inputs
- Generating an increase in added value of at least 25% for five years

[11] Eligibility Criteria for Category C: Any company that is committed to investing over a period of five (5) years at most, an amount more than five (5) billion FCFA and complying to at least one of the criteria below (target sectors: industrial, tourism, handicraft, agricultural, livestock and fisheries, social housing, cultural sports, health and education, and energy sectors):

- Hiring at least one (1) job for every twenty (20) million FCFA
- Annual exports represent at least 20% of the total turnover excluding taxes
- Using national natural resources up to the level of at least 25% of the value of the inputs
- Generating an increase in added value of at least 25% for five years

	and guarantees for ten (10) years · Registration for free without perception of graduated stamp duties on acts relating to the increase, reduction, reimbursement, and the liquidation of the social capital for ten (10) years. · 50% reduction on registration fees on the acts of transfer of ownership or benefit from real estate or lease for five (5) years. · 50% reduction on tax on the income of movable capital (IRCM) during the sharing of bonuses or income for five (5) years. · 25% reduction of the tax on the income of movable (IRCM) on the occasion of the distribution of income from the sixth to the tenth year. · Reduced rate of 5% on customs duties on the importation of equipment, building materials, tools, spare parts, intermediate products, supplies and consumables
Individual Incentives for Priority Sectors (Target Sectors: Agriculture, Fisheries, Livestock, Tourism, Housing, Industry, Energy, Water Supply, Regional Development and Decentralization, Environmental Protection, Handicraft, Technological Transfer, Research and Development, Export Promotion, Employment and Vocational Training)	
Following incentive measures are applied depending on target sectors. · Exemption of tax · Exemption of land tax · Simplified custom clearance · Exemption of registration fee · Exemption of export tax on domestic projects	

Source: JICA Study Team based on Investment Incentives Law No.2013/004, Order No.00000366/MINFI/SG/DGI/DGD, and information provided by API

Specific incentives for industries outside of the scope of the Investment Incentives Law (Loi nº 2013/004) are prescribed separately in sectoral codes.

Table 5 Major Incentives for Specific Sectors

Industry	Major incentives
Upstream activities regarding petroleum (Petroleum Code)	· Exemption of tax levied on profit and investor dividends · Exemption of customs duties and export tax · Exemption of tax levied on sales and VAT · Exemption of direct tax levied on petroleum related projects · Application of preferential tax rate of 5% on customs duties for specific facilities
Mining with granted licenses (Mining Code)	Investors who have been granted research license · Exemption of tax and customs duties levied on materials, equipments and spare parts necessary for investment facilities · Full exemption of tax and customs duties levied on lubricant · Exemption of registration fee regarding exploration projects · Exemption of corporate income tax, business tax and income tax on stock exchange as well as tax levied on salary payment to foreign countries Investors who have been granted exploitation license · Exemption of tax and customs duties on materials and equipments necessary for production, and capital goods · Exemption of tax and customs duties levied on materials and spare parts · Exemption of tax and customs duties levied on importation of materials and equipments used for constructing buildings · Full exemption of tax and customs duties levied on lubricant · Exemption of VAT · Installment payment for one year regarding registration fees on incorporation, renewal and increase of capital of a company

Industry	Major incentives
Sub-contractors and Suppliers (Mining Code)	・ Full exemption of customs duties levied on materials necessary for investment facilities, lubricant and spare parts ・ Exemption of tax and customs duties levied on materials and equipments necessary for production, construction of buildings, capital goods and spare parts
downstream activities regarding gas industry (Gas Code)	・ Opening foreign accounts ・ Exemption of all charges and fees (including sales tax and IT royalty) regarding transportation, distribution, storage, and consumption of natural gas for ten years ・ Exemption of registration fees on incorporation and increase of capital of a company ・ Exemption of registration fee on lease of buildings for investment projects ・ Exemption of registration fee on transfer of rights on ownership of land and buildings for investment projects and concession contracts on the deeds of transfer of ownership or deeds of possession of real estate or lease for five (5) years. ・ Exemption of registration fee on supply of materials and property development ・ Exemption of VAT on importation of capital goods ・ Exemption of registration fee on insurance contract ・ Deduction from taxable income for the next five years on depreciation and amortization, usually deducted for the first three years ・ Application of preferential tax rate of 5% on customs duties for materials and equipments, chemical products and spare parts

Source: JICA Study Team based on various documents

(3) Restrictions on foreign investments

According to API, the investor promotion agency, the Cameroon government has not prepared domestic laws and regulations regarding entry of foreign investment (such as negative list), and in principle, there is no limitation of investment except for manufacture of arms and illegal economic activities.

(4) Taxation and procedures

Organizations that do business in Cameroon are in principle obligated to settle their accounts after keeping accounting records pursuant to OHADA’s Accounting Act, and depending on the business type, to undergo an audit. Tax law is mainly stipulated in the General Tax Code / Code général des impôts, with the content of revisions being subsumed into the Financial Law / Loi de finance for each fiscal year, which is announced on a yearly basis. The relevant code includes not only substantive law but also partly includes procedural law, and there is a document called the Manual of Tax Procedures, which concerns tax collection. Within the geographic scope of CEMAC (Central African Economic and Monetary Community), an integration of tax codes in being planned, and the tax system is being amended to make it acceptable by international standards.

As the taxing authority, the DGI (Directorate General of Taxation / Direction Générale des Impôts), under the direction of the Ministry of Finance, has the authority to administer all tax-related matters (tax assessment, tax collection, refunds, tax lawsuits, etc.). The major taxes imposed on operating companies in Cameroon are shown in the Table below.

Table 6 Overview of Taxes Imposed on Companies in Cameroon

Type of Tax	Tax Rate (%)	Comments
Corporate tax	33	The statutory tax rate for companies is 30%, which becomes 33% with the addition of 10% of the imposed amount for the Council Tax.
Branch tax	33	The profits the branches earn are subject to the branch tax, in addition to a withholding tax (16.5%) on the after-tax profits. The tax rate is reduced for countries with which Cameroon has concluded tax treaties.
Withholding tax:		
Dividend	16.5	This is a 15% tax onto which the Council Surtax is added. If the dividends are received from subsidiaries of which the parent company holds at least 25% and their corporate registrations are in the CEMAC region, up to 90% of withholding tax can be exempted.
Interest	16.5	
Royalty	15	
Service	15	Assessed on technical and professional services performed by non-residents.
Value-added tax	19.25	Besides tax-exempt goods, this tax is imposed on all products and services upon their provision within Cameroon or upon their import into the country.
Taxes and fees to be paid when importing		
Pre-shipment instruction (PSI)	0.95% of CIF value	MINT is in charge
Cargo Tracking Note（Bordereau electrique de suivi des cargaisons: BESC）	Depending on the port of embarkation and product categories	CNCC is in charge
Import Declaration (Declaration d'import)		
Customs	5, 10, 20, 30 % of CIF value	DGD is in charge
Excise duty	25% or 12.5% of the sum of CIF value and duty.	DGI is in charge
VAT	19.25% of the sum of CIF value, duty and excises.	DGI is in charge
Local Tax (Centimes additionnels)	10% of TVA	DGI is in charge

Type of Tax	Tax Rate (%)	Comments
Information charge	0.45%	
Charge of user of GUCE	—	GUCE is in charge
Port handling charges	—	
Local Insurance	0.04% of FOB value	
Taxed items and rate		
Coffee	various types of charges	
Cacao	various types of charges	
Wood (depending on processing level	0, 2, 15%	Unprocessed timber has 15% of export duty.

Source: JICA Study Team based on various documents

(5) Land Acquisition and Registration of Property

According to the interview with the Ministere des Domaines, Du Cadastre et des Affaires Foncieres (MINDAF), there are three types of land in Cameroon: 1) Public Land; 2) State/Private Land; and 3) National Land, which are summarized in the following table.

Table 7 Summary of Land System in Cameroon

Types of Land	Feature	Remarks
Public Land	The Public Land is owned by the Government of Cameroon (GOC) and used for public benefit of Cameroonian people (eg. highway, border land, sea shore, river, etc.). If social benefit of a project is approved, land-use (lease) rights can be provided to investors.	Land certificate is not available and land is not registered.
State/Private Land	The State/Private Land is classified into 1) that owned by the state including state owned enterprises, 2) that owned by individual or private enterprise. In the former, similar with National Land case, lease agreement is executed between investors and land owners. There are some cases that state owned enterprise or state participates in a project in the form of capital in-kind as a joint venture partner and receives profit sharing. In the latter case, there are two types of transactions which are based on sale and purchase of land ownership and lease agreement.	Land certificate is available and land is registered.
National Land	The National Land includes the land which is not occupied by anybody excluding Public Land and Private Land, and also includes the land that has been traditionally occupied by local community prior to the above mentioned Ordonnance 1974. As far as transaction form is concerned, temporary concession will be provided to both domestic and foreign investors in the first 5 years. After completing 5 year concession period, permanent concession will be provided for those domestic investors who have good land usage record, but only land use by lease contract (1 to 17 years for short-term use and 18 to	Land certificate is not available and land is not registered.

Types of Land	Feature	Remarks
	99 years for long-term use) will be permitted for foreign investors. However, even domestic investors will not be allowed for permanent concession if the land size is huge. In addition, in such case, land area for lease agreement is only allowed gradual increase in accordance with business progress and total area is not allowed from the beginning.	

Source: JICA Study Team based on interview with MINDAF

Under the current land system, land registration and land certificate is issued by paper, which often causes conflicts related to land ownership due to incidents of double and triple overlapped registration.

(6) Labor system

Regardless of their size or nationalities, businesses undertaking activities in Cameroon are required to follow the obligations provided in the Labor Code. Workers from foreign countries, including foreign expatriates, are required to obtain a work permit from the Ministry of Labour and Social Security, submit the specified documents (application forms, employer information, employment contract, certificate of employment, etc.) to the immigration office, and carry out other prescribed procedures. Moreover, in order to prioritize full employment of Cameroonian citizens, hiring workers from foreign countries is restricted to positions of a certain level in designated fields and to those with specialized qualifications; and with regard to obtained qualifications and experience, employers are required to show that there are no local personnel available with the same level of knowledge and experience.

Policy priorities in the labor area include: 1) increasing the employment opportunities for young people, 2) securing appropriate places of employment, 3) migrating the informal economy to a formal economy, and 4) enhancing and expanding the scope of the social security system. These priorities embody the human resources development and employment strategies described in the GESP (Growth & Employment Strategy Paper). Measures implemented to achieve these include: 1) enhancing the social security system for workers, 2) developing work rules, 3) mandatory rise of the minimum wage, and 4) monitoring work environment by committees consisting of unions, employers, and employees. As a concrete example, to secure funding for enhancing social security, the proportional burden falling on managers and workers for social security was raised from 4.2% and 3%, respectively, to 4.2% for both managers and workers. The extra funds are apportioned as contributions toward the CNPS (National Social Insurance Fund).

(7) Foreign Exchange and Remittance System

Cameroon's financial sector has bank, capital market, insurance, leasing and micro finance, but its financial assets have been dominated by banking sector. At present, there 14 commercial banks which consist of: 5 local banks, 4 Pan-African regional banks; and 5 global banks such as Standard Chartered Bank and Société Général Banque.

In addition to banking sector, although there is a stock exchange in Douala, the market is not functioning due to very limited transaction as only 3 companies (one drinking water, 2 palm oil companies) have been listed in the exchange. Although leasing sector has only one company owned by Afriland bank, it is said to have high potential to grow as an alternative financial tool to banking business. Insurance sector has two companies (one owned by state and one owned by private) and IFC has made USD 5.7 million equity investment to Active Finances owned by French capital.

Cameroon has participated CEMAC since its establishment in 1994 and it has been adopting the Regulation for Harmonization of Foreign Exchange in CEMAC (Règlement n° 02/00/CEMAC/UMAC/CM du 29 avril 2000 Règlement portant harmonization de la réglementation des changes dans les Etats de la CEMAC: CEMAC Forex Regulation). CEMAC 6 member countries have pooled their foreign reserves and their common currency, FCFA is pegged against euro, which has fixed exchange rate (€0.001524=1 FCFA). In addition, the Central Bank of France guarantees the exchange of FCFA to euro.

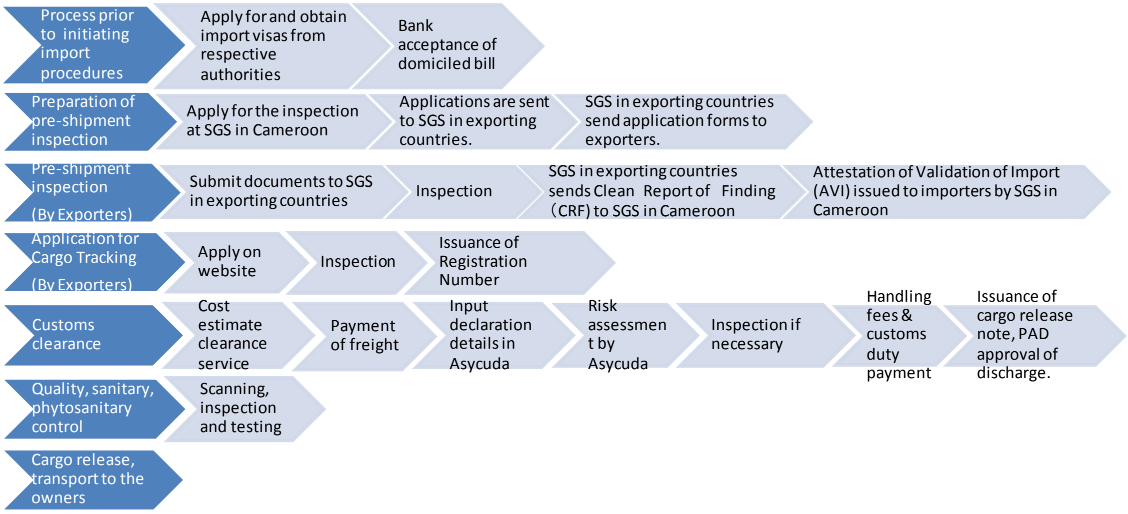
In case of current transaction (trade settlement, repatriation of dividend and interest, etc.), it is totally free without any requirement of prior application. However, it is required prior application for statistical purpose with related to import-export settlement. Also, In CEMAC member countries, capital transaction is principally free. However, it is required to file applications through Authorized Foreign Exchange Banks to check illegal transaction such as money laundering and terrorism support. In addition, in case transaction is related to certain borrowing & lending and foreign security related transaction exceeding 10 million FCFA, it is required to file applications to relevant administration office under the jurisdiction.

(8) Dissolution and Liquidation of a Company

A company operating in Cameroon must follow the procedures in OHADA rules in liquidating its business. Article 200 of the rules gives seven grounds for dissolution. According to a major accounting firm, no particular issues have arisen in either liquidation or downsizing during business restructuring as long as Cameroon’s legal requirements were followed in the process, based on decision-making in business operations.

(9) Trade and Customs Clearance

The figure below shows the flows of administrative procedures required for importation into Cameroon. Administrative procedures require attention to export/import registration, cargo tracking note, and pre-shipment inception as they require registrations in advance.



Source: JICA Study Team based on various documents.

Figure 2 Flows of Administrative procedures for Importation

Though much less procedures are involved, exportation also involves some administrative process. It requires the Export Registration. Prior permission is required for exporting some designated agricultural products.

Table 8 Necessary Procedures for Export from Cameroon

Process	Ministry in Charge
Export License	MINCOMMERCE
Sanitary and phytosanitary certificates	MINADER
Payment of special charges (for specific products)	Ministries in charge of products
BESC	CNCC

Source: JICA Study Team based on various documents

(10) Infrastructure (electricity, logistics, and economic zones)

The access to electricity is evaluated in comparison with neighboring countries as indicated in the table below.

Table9 Comparison of Time and Cost of Getting Electricity

	Cameroon		Nigeria	Ghana	Côte d'Ivoire	Sub-Saharan Africa
	2017	2016				
Procedures (number)	5	4	9	4	8	5.1
Time (days)	64	64	195.2	79	55.5	115.4
Cost (% in GDP per capita)	1,597.4	1,528.9	442.8	1,265.8	2,589.5	3,711.1
Reliability of supply and transparence of tariffs index (0-8)	3	0	0	0	5.0	0.5
Reference: Power tariff surveyed under Doing Business (¢ /kwh)	15.7	22	20.1	19.3	13.9	—

Source: World Bank, Doing Business 2017, 2016
Note: Cost refers to the cost of subscribing the electricity including the subscription contract, documentary requirement, purchase of equipment and payment for the necessary electric works.

Table 10 Import Transport Cost for Imports to Douala and Other Countries

Country	Ports of embarkation-nearest ports	Cost (USD)
Cameroon*	Japan－Douala	4,200
	Europe－Douala	1,700
Nigeria	Yokohama－Lagos	2,400
Côte d'Ivoire	Yokohama－Abidjan	4,396
South Africa	Yokohama－Durban	2,200
Kenya	Yokohama－Mombasa	4,478
Kenya	Yokohama－Mombasa	4,478

Note: Cost per 40ft Container.
Source: JICA Study Team based on interviews and JETRO website (Comparison of Investment Cost).

Cameroon introduced an industrial free zones regime in 1990[12]. The area for only one company can be approved as an industrial free zone and the area is called special industrial free zone. When the area for more than one company is approved as an industrial free zone, it is called an industrial free zone. The criteria to be approved as either industrial free zone or special industrial free zone are:

i) All the goods and services have to be exported[13]
ii) There is no negative impact on the environment
iii) Goods and services are not dangerous goods (e.g. weapon and gunpowder), substance which has negative impacts on human beings and other animals and plants, and illegal products
iv) Rules defined in Ordonnance N° 90/001 du 29 janvier 1990 have to be followed

In addition, the SEZ law (Loi n° 2013/011 du 16 décembre 2013 Régissant les zones économiques au Cameroun) was enacted in 2013 and APZE (Agence de promotion des zones économiques) was legally established under MINEPAT[14]. As of September 2016, however, APZE hasn't secured the land and staff for operation yet.

5. Support from API

The contact organization for providing incentives to large enterprises and foreign companies is API. According to the decrees, the responsibility of API is as follows.

- Create a positive image of Cameroon as an investment destination
- Improve business environment in Cameroon
- Suggest measures to attract investors to Cameroon
- Publicize information on investment opportunities and advantages of investing in Cameroon
- Establish a database of investments which investors can access
- Assist investors to operate in Cameroon

[12] Ordonnance N° 90/001 du 29 janvier 1990 créant le régime de la Zone Franche au Cameroun
[13]
[14] Décret n° 2015/178 du 06 avril 2015 pour organization et fonctionnement de l'Agence de promotion des zones économiques

API has a website (http://investincameroon.net/en/) and leaflets both in French and English as basic PR tools. Also, API provides penetration assistance and operation support based on request from investors, though API's virtual investment promotion activities are primarily concentrated to investment approval process.

In addition, API conducts an individual interview to investors and listens to their opinions. API summarizes problems and things to be improved. API presents its policy recommendations to the Prime Minister's Office through its Director-General and implements the efforts to lead up to the formulation of measures to improve business environment. According to API, the directionality that API seeks as an investment promotion agency in the future is to become a collaborator for foreign investors and large enterprises in the all phases of "penetration assistance", "company formation", "operation support", and "monitoring and aftercare" and to provide the one-stop service that unitarily assumes duties.

However, the organizational structure and annual activity plan of API are not properly implemented due to lack of budget and staff. Therefore, the organization reinforcement presupposes the arrangement of API's authorization right and each ministry's official duties. In addition, the following measures are significant: (i) expansion of budget and deployed work force; (ii) improvement of service provision function; and (iii) establishment of management administration system.

6. Conclusion

Under the long-term Biya administration, Cameroon has maintained political and social stability. However, unpredictable future prospects due to the aging President and future transition are regarded by the business community as significant risk factors in the future. Regardless of such situations, the resource of the competitiveness of Cameroon, which is part of its investment potentials, includes the diverse natural environments existing in the country with mineral, forestry, and other natural resources endowments as well as existing agricultural production. Also, the country has population of 24 million which has recorded a growth rate of 2.5% per annum in recent years and the continuous growth of both domestic market and the labor force are expected.

The Government of Cameroon has developed basic set of policies and legal documents to facilitate private investment. Some key issues such as non-discrimination between domestic and foreign investors, investor protection as well as the provision of incentives are already encompassed in the key laws. In interviews with enterprises, however, the informal sector was raised as a problem. While the formal sector is vulnerable from harassment by tax officers who are pressurized with raising revenue, the informal sector evades paying tax. Where the entry into an industry is easy, informal players start business and take some share of formal business. In order to solve the issues, the Government has set up one-stop center company registration. Support to SMEs is also provided. These measures aim at reduction of the burden for establishing companies and continuous operation of SMEs.

Before direct investment, investors tend to start from trade and sales through their agents in order to be familiarized with the market. After knowing the market with the projection of raising profits, they may gradually consider further investment. The investors further shift the sites of production or service provision from their country of origin or third countries to the countries where they sell the products and services. In Cameroon, for example, a motorcycle manufacturing facility was under preparation for the assembling instead of importing the complete goods.

As suggestions for promoting foreign investment, the strategy for improving competitiveness as an investment destination of the targeted sectors, which are not clearly identified in policies in Cameroon, can be first developed, while the general business environment is to be improved in order to build up broad-based and private sector-led production or service provision basis. Also, the strategy for investment promotion and improvement of business environment may be more effective through the fruitful public and private dialogues. Such dialogues can provide more information on detailed and critical business issues as well as structural issues of industries which cannot be captured in the aspects covered by Doing Business.

As for the development infrastructure, with the newly developing infrastructure such as the ports in Kribi and Limbe, reduction of the time and cost should be promoted. Also, the implementing bodies in the Government have not been established, though the Government of Cameroon has completed preparation of the basic legal framework for setting up the special economic zones (SEZs). Infrastructure development may be largely promoted through the strengthening private sector participation and partnership. As infrastructure projects tend to be large-scale, it is important to manage the risks. Formulation of the viable projects, quick decision making, and easy and fast process of administrative requirements may be contribute to increase the predictability of the project implementation process and management so that the risks can be reduced.

While each has its significance and targeted impact, the diversity may not be effective as they are not functioning as they are expected. Therefore, it may be advisable to streamline the promotion schemes and organizations in charge and to concentrate on some key mechanisms for resource allocation. In case that it is difficult to manage organizationally, the coordination among the institutions with necessary information sharing and delegations may be necessary.

Data Collection Survey on Investment Promotion in the Republic of Rwanda Summary

1. General Background

The Republic of Rwanda (Rwanda) is located in East Africa. The land size is 26,338 km^2, which is 1.4 times larger than Shikoku Region of Japan. The population density is the highest in Africa. It is a landlocked country surrounded by Uganda in North, Tanzania in East, Burundi in South, and the Democratic Republic of Congo (DRC). It has many hilly areas and is known as "the land of a thousand hills".

Source: JICA Study Team

Figure 1 Map of the Republic of Rwanda

An outline of the county is shown below.

Table 1 Country Outline

1	**Size**	26,338 km^2 (2010)
2	**Population**	12 million (2014)
3	**Capital**	Kigali
4	**Climate**	Although Rwanda is near the equator, it is in the temperate zone for its high altitude above sea level. There are two rainy seasons, between February and May, and September and December.
5	**Language**	Kinyarwanda, English (became an official language and a medium of education in 2009), French
6	**Religion**	Christianity (Catholic, Protestant), Islam
7	**Politics**	Republic under Mr. Paul Kagame as the president

Source: Ministry of Foreign Affairs in Japan (http://www.mofa.go.jp/mofaj/area/rwanda/index.html)

Table 2　Main Economic Statistics

Item		Index	Year
1	Nominal GDP	USD 82.7 billion	2015
2	Real GDP growth	6.9%	2015
3	Inflation	4.5%	2015
4	Export	USD 0.72 billion	2014
5	Import	USD 19.9 billion	2014
6	FDI inflow	USD 0.47 billion	2015
7	Exchange rate (USD)	RWF 721.8	2015

Source: Ministry of Foreign Affairs in Japan (http://www.mofa.go.jp/mofaj/area/rwanda/index.html), UNCAD stats

Table 3　Main Social Development Statistics

Index			Value		Year
1	Life expectancy		66.7	years old	2015
2	Infant mortality rate	(per 1,000 person)	32	Persons	2014/15
3	Maternal mortality rate	(per 100,000 births)	210	Persons	2014/15
4	Adult literacy rate		70.5	%	2015
5	Net primary education enrollment rate	(boy)	97.3	%	2016
		(girl)	98.0	%	2016
6	Transition rate from primary education to lower secondary education	(boy)	75.0	%	2014
		(girl)	70.7	%	2014
7	Completion rate of lower secondary education	(boy)	93.0	%	2009
		(girl)	90.9	%	2009
8	Transition rate from lower to upper secondary education	(boy)	81.2	%	2014
		(girl)	96.4	%	2014

Source: 1-3, 6, 8: NISR (2016) Statistical Yearbook 2016, 4: UNESCO Institute for Statistics (2016) http://uis.unesco.org/en/country/rw, 5: Ministry of Education (2016) 2016 Education Statistical yearbook, 7: Ministry of Education (2013) Education Sector Strategic Plan 2013/14 – 2017/18

2. Investment Potential

The following are key factors for investors when investors examine Rwanda as their investment destination:

Regional integration through the participation in the regional economic communities such as East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA) is expected to provide Rwanda i) access to the wider markets, ii) access to resources such as human resources capital and raw materials, and iii) quality improvement in systems through the clarification and standardization of rules. Foreign investors in Rwanda eye on not only the Rwandan market but also neighbouring countries including DRC. On the other hand, it is necessary to consider competition and distribution of roles with existing industrial clusters in Kenya, Tanzania, and Uganda which have advantages in cost of power, logistics, etc. and closer access to big markets.

The private sector is still developing in terms of its economic size and capacity. The public sector still plays a major role in economic activities through public procurement etc. Costs of power and transportation are high in Rwanda comparing with its neighbouring counties, though the wage is relatively low. On the other hand, the preferential market access through such arrangements as the African Grown and Opportunity Act (AGOA) of USA and Everything but Arms (EBA) of EU, and the generalized system of preferences (GSP) provides advantage for Rwanda.

In addition to good governance, the Government is improving the business environment and implementing policies for industrial development. Moreover, some investment projects were derived from donors' cooperation projects. While these projects may start as the part of the support for improving socio-economic situation of the country, the private sector investment can be stimulated through such assistance in case it works as such measures as risk mitigation or provision of seed finance. Investment potential can be summarized as follows:

Table 4 Cases of Investment Potential

Potential	Overview	Examples of industries
Products for the domestic and regional markets	Sectors where business is developed with introduction of automation (equipment) which requires large-scale investments. The market share is secured through differentiation through value addition to existing products or introduction of new products. The regional market is also target.	Food processing, packaging, construction materials, etc.
Strategic industries in government policies	Strategic sectors in main policies for economic development, industrial development and trade promotion. The Government takes aggressive promotion policies. This includes PPP infrastructure development.	ICT, construction materials, apparel, MICE, infrastructure development, etc.

Source: JICA Study Team

3. Major Policies for Investment Promotion and Policy Formulation

Rwanda has set the goal of becoming a middle-income country by 2020 in its long-term policy, Vision 2020, and has formulated a five-year implementation plan and policies for industry, trade, export promotion, and small and medium enterprise development, ICT, tourism, etc. They show the initiative of the private sector and the utilisation of the private sector's capital and know-how as implementation policies.

Characteristics of the formulation of investment policy and investment promotion policy may be see in the use of the World Bank Group's Doing Business indicators and performance management of encompassing not only government entities but also related private sector organisations. In Doing Business, mainly the Doing Business Unit of Rwanda Development Board (RDB) has studied the composition of the indicators and coordinated and monitored systems and operation for improvement in ministries concerned. In each ministry, staff members make performance-based contracts to ensure the planned achievement.

For accountability in policy formulation, private-public dialogues by the Government, the private sector and other relevant actors such as donors are held. Such opportunities have led to some fruitful policies while there are limitations on dialogues on an equal footing due to the private sector's capacity.

4. Legal System

The 2005 Investment Code (Law N° 26/2005 of 17/12/2005 Relating to Investment and Export Promotion and Facilitation) was revised to the 2015 Investment Code (Law N° 06/2015 of 28/03/2015 Relating to Investment Promotion and Facilitation). The 2015 Investment Code is aligned with the EAC rules and regulations, and streamlined with the COMESA guidelines. It lays down general provisions of investment promotion, registration procedures, role of RDB in investment promotion and facilitation, change/suspension or termination of investment operations, cancellation of an investment certificate, and transitional period from the 2005 Code to the 2015 Code etc. The 2015 Investment Code takes a more targeted approach to priority sectors and stipulate incentives in its Annex. The main contents of the 2015 Code are as follows.

Table 5 2015 Investment Code

Items	Contents	Applicable Provisions
General provisions	Purpose of the 2015 Code and definitions of terms are provided.	Article 1-2
Guarantees to the investor, priority economic sector for investment	Openness to investment regardless of the origin of the investor (non-discrimination between foreign and local investors), and priority economic sectors (export, industrial manufacturing, energy, transport, ICT, financial services, and construction of low-cost housing) are defined.	Article 3-5
Investor rights and protection	Protection of the investor's capital and assets, protection of intellectual property rights in relation to investment, repatriation of capital and assets, dispute settlement are stipulated.	Article 6-9
Registration procedures	Investment registration procedures and required documents etc. are stipulated. Timeframe for issuance for investment certificate is also defined – within two working days from the date of receipt of the application by RDB (in case of no deficiency).	Article 10-12
Obligation of registered investor	Obligations of a registered investor are defined.	Article 13
Role of RDB	The role of RDB in investment promotion and facilitation is defined.	Article 14
Change, suspension or termination of investment operations	Issues related with change, suspension or termination of investment operations are stipulated.	Article 15-17
Cancellation of an investment certificate	Issues related with cancellation of an investment certificate are stipulated.	Article 18-21
Transitional and final provisions	Issues related with transitional period from the 2005 Code to the 2015 Code are stipulated.	Article 22-25
Inventive	Specific incentives of a certified investor are stipulated.	Annex

Source: JICA Study Team based on the 2015 Investment Code

In Rwanda, the legal system pertaining investment covers basic matters, such as national treatment and investor protection. Major pillars of investment promotion are i) reduction of investment and operation costs through improving the business environment, ii) investment promotion through industrial and export promotion policies, and iii) tax incentives for private investment.

As a legal system towards public and private partnerships in infrastructure development, public works and services, the PPP Law (Law N°14/2016 of 02/05/2016 Governing Public Private Partnership) was enacted in 2016. PPP projects mainly in power are under implementation.

5. Business Environment

(1) Establishing Businesses

Organizations running a business in Rwanda are required to abide by Rwandan companies law, Law N° 07/2009 of 27/04/2009 Relating to Companies. In practice, the investor can register the corporation online or go to RDB Office of the Registrar General or a regional office to register. The RDB's Office of the Registrar General handles all applications for registering the establishment of a company and has jurisdiction over matters relating to entry, management and deletion of corporate data in the register. The procedures required for business activities are completed by registering the company at the office. In short, entry in the register, a tax identification number (TIN) from the Rwanda Revenue Authority (RRA) and a social security number from the Rwanda Social Security Board (RSSB) can all be obtained with applications submitted at one time. It takes approximately 6 hours to complete the process with adequately prepared documentation.

(2) Investment Approval

Legal system in Rwanda with respect to investment approval is stipulated in the 2015 Investment Code in an integrated fashion. There is no separate law that prescribes sector specific investment provisions, and the 2015 Investment Code and its ANNEX define all the investment incentives. Investment approval in Rwanda means to acquire certificate to receive investment incentives.

After establishing a business and obtaining relevant licenses necessary for each type of business activity from pertinent ministries, investors apply for investment approval to RDB to obtain investment certificate. Necessary procedures and decision making for investment approval are undertaken in One Stop Centre (OSC) located in the ground floor of RDB building. Concrete procedures are summarized below.

<Investment Approval Process within RDB>
1） Investors submit application form and necessary documents to OSC in RDB (on-line application is also possible).
2） OSC Division Manager assigns review team to review the application (review team is set up from each OSC support desk in accordance with the contents of investment project).
3） After each officer reviews the application and come up with review results, consultation is conducted within the review team.
4） OSC Division Manager makes final decisions for approval.
* According to Article 12 of the 2015 Investment Code, investment certificate is issued within 2 working days in case of no deficiency.

Necessary documents for application are as follows.

<Required Documents>
1） Certificate of legal personality of the business company.
2） Business plan regarding the investment project.
3） Project EIA certificate issued in accordance with relevant laws.
4） Projected number of employees and categories of employments.
5） Proof of payment of registration fee (USD 500).
6） License granted by the business sector in which he/she intends to operate.
Source: 2015 Investment Code, Article 11

(3) Tax and Procedures for Paying Tax

The income of organisations that run businesses in Rwanda is taxed on income from Rwandan sources. In principle, expenses incurred in the execution of business in the 1 January to 31 December tax year are deductible for taxation purposes. The Rwanda Revenue Authority (RRA) is the tax authority, which presides over all items relating to taxation business (taxation, tax collection, refunds, tax suits, etc.) and is under the jurisdiction of the Ministry of Finance and Economic Planning (MINECOFIN). Taxation laws are posted on the RRA website and implementation laws and procedural laws exist for every tax item. For example, with regard to corporate income tax, Law N°. 16/2005 of 18/08/2005 2005 on direct taxes on income (hereinafter, referred to as “Direct Tax Law”) is the basis law for taxation, and there are Ministerial Orders and Commissioner General Rules as procedural laws. The main taxes imposed on corporations without any preferential tax arrangements are shown below.

Table 6 Overview of Taxes Imposed on Operating Companies in Rwanda

Tax item	Tax rate (%)	Remarks
Corporate income tax	30	A reduced tax rate (20%, 25%, 28%) is applied to newly listed companies for five years according to the amount of issued shares. Small and micro companies in the tax law must pay a certain amount of corporate tax according to sales volume.
Branch tax	30	The profits the branches earn are subject to the branch tax. The tax rate is reduced for countries with which Rwanda has concluded tax treaties.
Withholding tax：		
Dividend	15	Withholding tax on dividends received by residents of Rwanda or EAC countries from companies listed on the stock exchange is 5% for tax purposes.
Interest	15	
Royalties	15	
Services	15	Imposed on technical services and professional services provided by non-residents
Value-added tax	18	Imposed on all products and services, with the exception of tax-free goods, when provided in or imported into Rwanda.

Source: JICA Study Team based on the results of local interviews

(4) Land Acquisition and Registration

Legal framework of land administration system is based on Organic Land Law N° 8/2005 of 14/07/2005 (revised by Law N°03/2013 of 16/06/2013, hereinafter referred as “the Land Law”) which has regulated the use and management of land in Rwanda. Other land related laws and orders were also enacted in order to implement land policy.

Land governance in Rwanda falls under the responsibility of the Ministry of Natural Resources (MINIRENA), the Rwanda Natural Resources Authority (RNRA), the Office of Registrar of Land Title, the District Land Bureau and the Sector Land Managers. MINIRENA is responsible for the administration, planning and allocation of land. RNRA is responsible for land registration.

Land in Rwanda is categorized in two types, i.e. public land and private land. The former has 5 types of land. The outline of land system can be summarised as the following table.

Table 7 Outline of Land System in Rwanda

No.	Type of Land	Content	Remark
1.Public Land		Land owned by public institutions	
1)	State Land in Public Domain	The land is owned by state and used for public interests of Rwandan national. It is not transferable.	e.g. lake, river, national parks, national road, etc.
2)	Local Land in Public Domain	The land is owned by local government and used for public interests of local residents. It is not transferable.	
3)	State Land in Private Domain	The land is owned by state and it is transferable.	e.g. vacant land, confiscated land, etc.

No.	Type of Land	Content	Remark
4)	Local Land in Private Domain	The land is owned by local government and it is transferable.	
5)	Public Institution Land	The land is owned by public institutions as ministries and universities and it is transferable.	
2. Private Land		The land is owned by individuals or companies.	

Source: JICA Study Team based on interview with RNRA

(5) Labour Issues

The main legal basis for labour-related regulations in Rwanda is N° 13/2009 of 27/05/2009 Law regulating labour in Rwanda and detailed enforcement regulations. The content covers general principles, labour unions, types of employment, remuneration, labour conditions, employment of foreign workers, etc. The Ministry of Public Service and Labour (MIFOTRA) has jurisdiction. Guidelines for skill development and a National Employment Programme have been created and various policies are implemented.

Rwanda has a framework for priority employment of a certain number of Rwandan personnel and a future shift to local employment of highly professional human resources is called for. If the investment condition for employing foreigners prescribed in the 2015 Investment Code is not met, a written explanation of not employing such human resources. Employment and provision of training for Rwandan nationals are stipulated in the 2015 Investment Code as conditions for receiving tax benefits, and under the Direct Tax Law, on the premise of the foreign investor meeting certain conditions, a lower tax rate than the statutory tax rate is applied depending on the number of employees.

(6) Finance and Foreign Exchange

Rwanda has a liberal monetary policy and no foreign exchange control over current or capital transaction and complies with the conditions of IMF Article VIII which guarantees not imposing foreign exchange control as a countermeasure for adjustment of international balance of payment. The basic law and regulation, investors can freely make foreign exchange transactions through authorized foreign exchange bank to transfer profit/ dividend or to settle export and import transactions. The control over current transaction and capital transaction in Rwanda is summarised in the following table.

Table 8 Summary of Foreign Exchange Control in Rwanda

Content of Transaction	Necessary Conditions
1) Current Transaction	・ No restriction is imposed on current transaction such as trade settlement, repatriation of dividend or interest to overseas, and no there is obligation to make prior application before transaction. However, foreign currency denominated payment needs to be done through authorized foreign exchange bank with submission of supporting documents. ・ Exporters are obliged to repatriate export proceeds within three months from the date of physical departure of the goods.
2) Capital Transaction	・ Although no restriction is imposed on capital transaction, remittance over USD 10,000 is required to report to competent authority through authorized foreign exchange bank to check against illegal money laundering and terrorist fund. ・ In case of borrowing loans from overseas, borrower has to submit predetermined format through commercial bank.

Source: JICA Study Team based on various materials

(7) Trade and Customs Related Issues

Rwanda is a member of the EAC Customs Union. Therefore, its customs related rules and regulation is based on the rules of the customs union, namely, East African Community Customs Management Act (EACCMA) and East African Community Customs Management Regulations. The customs related arrangement such as bonded and duty reduction/exemption for industrial and trade promotion are also required to follow the EAC rules. It includes Export Processing Zones and Special Economic Zone (SEZ) schemes.

1) Procedures Prior to Export

The restricted items for export are listed in the Second Schedule of the EAC Customs Management Act (EACCMA). Exportation of some products may require prior registration as an exporter. Some are as shown in the table below.

Table 9 Prior Procedures for Export from Rwanda

	Procedures	Organizations in Charge
Agriculture products (Not processed)	Certificates of quarantine	Rwanda Animal Livestock Inspection and Certification Services (RALIS) (MINAGRI)
Coffee, tea	Export license Certification of Quality MINAGRI if for sanitary, phytosanitary (SPS) certificates	NAEB (MINAGRI)
Minerals	Mining Export License and Certified Training Chain by Rwanda Natural Resource Authority and International Conference of the Great Lakes Region	RNRA

Source: Trade Mark East Africa/PSF, Export Handbook

2) Procedures for Import

Important of some products may require import license and/or tested results of the quality standards. Application and issuing process of an import license may be integrated in the Rwanda Electronic Single Window (ReSW) for some products such as pharmaceuticals, though not all. The progress may be influenced by the degree of the transition from paper-based and electronic/on-line processing of specific authorities. For example, animal quarantine and phytosanitary certificates were under process of transition to on-line based with the support from Trademark East Africa (TMEA). However, the progress was not able to be confirmed during the Survey.

Table 10 Necessary Documents for Export and Import in Rwanda

Export	Import
i) Commercial invoice ii) Export Declaration iii) Packing list iv) Sanitary and phytosanitary certificates v) Certificate of origin vi) Export license vii) Release order	i) Importer License ii) Import Declaration iii) B/L or Air Way Bill iv) Packing list v) Release order vi) Other necessary permits (quarantine etc.)

Source: JICA Study Team based on RRA websites and Doing Business 2017.

(8) Infrastructure (Power, Transportation and Industrial Sites)

The cost of electricity and logistics are as shown in the tables below.

Table 11 Comparison of Time and Cost of Getting Electricity

	Rwanda	Kenya	Uganda	Cambodia	Sub-Saharan Africa
Procedures (number)	4	3	6	4	5.1
Time (days)	34	95	66	179	115.4
Cost (% in GDP per capita)	2,722.6	642.0	8,449.0	2,173.3	3,711.1
Reliability of supply and transparence of tariffs index (0-8)	0	0	4	3	0.5
Ref: Power tariff surveyed by Doing Business	17.9	17.6	22.7	17.8	—

Source: JICA Study Team based on the data of World Bank, Doing Business 2017

Table 12 Import Transport Cost for Imports to Rwanda and Other Countries

Country	Ports of embarkation-nearest ports	Cost (USD)	Inland transportation	Cost (USD)
Rwanda	Yokohama-Dar es Salaam	4,788	Dar es Salaam-Kigali	4,000-5,000
	Istanbul-Dar es Salaam	2,000	Mombasa-Kigali	4,500-5,000
South Africa	Yokohama-Durban	2,200	—	—
Kenya (Nairobi)	Yokohama-Mombasa	4,478	Mombasa-Nairobi	1,000

Note: Price per 40ft container.
Source: JICA Study Team based on the interviews, JETRO website, and Shippers Council of Eastern Africa、East Africa Logistics Performance Survey2015.

2010 Special Economic Zone (SEZ) Policy and following Law N°05/2011 of 21/03/2011 Regulating Special Economic Zones (SEZ Law) are the institutional base for the SEZ scheme in Rwanda. Based on the SEZ Law, Special Economic Zones Regulatory Authority of Rwanda (SEZAR) was established. Currently, the first SEZ, Kigali SEZ has been operation and now developing the phase 2. Due to the limited volume of the tasks, SEZAR are still operating in RDB as a part of RDB utilising some services by RDB.

Table 13 Major Points in 2010 SEZ Policy

Issues	Directions
Conditions for tenants	・ No strict performance requirements for tenants
Zone development, operation and management	・ Various types of PPP arrangement to be applied ・ Private-sector-lead development
Land title	・ SEZ development is regarded as public interest ・ Following current national land policy, foreigners will only be allowed to have 99-year lease hold of land.
Incentive	・ Supply of quality infrastructure, smooth and simplified administrative process through OSC ・ Corporate tax for SEZ developers, operators and users (tenants) is limited to 15%.
Regulatory institution	・ Establishment of Special Economic Zone Authority of Rwanda (SEZAR) ・ One stop service provision delegate to RDB

Source: GOR (2010), Special Economic Zone Policy

6. Investment Promotion Agency

Rwanda’s investment promotion agency is the Rwanda Development Board (RDB). The main missions are as follows:

- To fast-track development activities and facilitate the Government and the private sector to undertake an active role
- To promote local and foreign direct investments in Rwanda
- To promote exports to regional and international markets of goods and services with added value
- To participate in initiating and implementing policies and strategies in matters relating to tourism and conservation of national parks and other protected areas in matters relating to tourism, and advise the Government on the promotion of the tourism sector
- To participate in initiating and implementing policies and strategies in the field of information and communication technology (ICT) and advise the Government on the promotion of the sector
- To provide guidelines, analyse project proposals and follow up the implementation of government decisions in line with public and private investments
- To carry out privatization programs, monitor them and advise the Government accordingly crystalize
- To promote entrepreneurship and support the creation and development of private enterprises

- To initiate, implement and follow up the activities relating to modernization, harnessing partnership and registering trading companies and businesses, secured transactions, intellectual property rights and the rights to initiate, exercise and cause business activities cessation
- To promote investment in capacity building and mobilize the private sector for employees' skill development programs in order to improve efficiency and competitiveness
- To facilitate and help investors meet environmental standards
- To cooperate and collaborate with other regional and international institutions having similar missions
- To advise the Government on all activities which can fast-track development in Rwanda

The main media of RDB's information provision and investment promotion activities are an English website, brochures, and the like. PR tools are reviewed biannually and updated when necessary.

RDB offers a series of investment services from penetration assistance through monitoring and aftercare. The following are the main services:

<Investor Services Provided by RDB>
Penetration Assistance: i) assisting foreign investors to obtain visas and work permits, ii) providing information regarding the investment climate etc. Operation Support: iii) providing information regarding business activities, and assisting investors to acquire relevant licenses and land, iv) assisting investors to obtain investment approval (covered by Law N° 06/2015 of 28/03/2015), v) providing support to secure necessary infrastructure facilities (power and water) for business activities. Monitoring and Aftercare: vi) confirming the progress of business plans through visits to business sites, vii) monitoring compliance with requirements for agreed incentives, (viii) providing support for problem solving.

The one stop centre (OSC) is located on the ground floor of RDB. Its responsibility and number of officers etc. at each desk are as follows. OSC's official working hour is from 7:00 am to 5:00 pm. (Application can be submitted 24-hours through on-line system.)

Table 14 Support Desks and their Responsibilities

Support Desk	Responsibility	Relevant Authority and Number of Officers
Migration	Issues related with visas and work permits	Officers who belong to Migration Department, President's Office are deployed at all times. (two officers)
RRA	Issues related with tax and tax incentives	RRA officers are deployed at all times. (one officer from 7:00am to 4:00pm, and one officer from 4:00pm to midnight) * Two officers are deployed in shift in order to respond to on-line application
EIA	Issues related with EIA	Formerly, officers from Rwanda Environment Management Authority were deployed at all times but now authority has been delegated to RDB, and RDB officers are deployed. (six officers)

Support Desk	Responsibility	Relevant Authority and Number of Officers
Utilities	Issues related with power and water	Power: an officer from Rwanda Energy Group is deployed at all times. (one officer) Water: an officer from Water and Sanitation Corporation is deployed at all times. (one officer)
RSB	Issues related with standards	An officer form RSB is deployed at all times. (one officer)

Source: JICA Study Team based on interview survey with RDB

7. Conclusion

Rwanda has realized outstanding economic growth and laying out the basis for development since the time after the Genocide in 1994 with its strong leadership. Rwanda is now in the phase of upgrading industrial structure for further development. While the vision setting and performance monitoring system within the government system proves its capability, it is also observed that the private sector as a driving force for the further economic development has yet to be developed with strong leading industries.

Based on the analysis of potential market size accessible from Rwanda and production and logistics costs, a few potential types of investment can be identified. The predominant cases are those which target first the Rwandan market viewing the regional market as the future potentials. This type of the investment of the manufacturing sector locates the final process of production in Rwanda. It is also relatively technology-intensive investment with new technology in order to obtain quality competitiveness. The logistics costs for imported raw materials are covered by the higher quality. In order to minimize the risks, some utilized the support of donor and international organizations.

Despite the high score of Doing Business, it is also observed that the investors can encounter various problems due to the limited capacity both in domestic private sectors and government agencies which provide services or regulate the industry. Such issues may fall outside of the mandate of RDB as they are often the issues specific to the specific sectors. The extent of the coverage of RDB aftercare expected by investors and the actual mandates and capacity of RDB may have some gap. Therefore, it is necessary to have optimal coordinating mechanism with the various relevant institutions. Good communication with the investors in terms of the extent of what RDB can do is also important part of customer care not only for the investors to cope with their problems effectively but also for RDB and other government institutions to maintain their reputation as service providers.