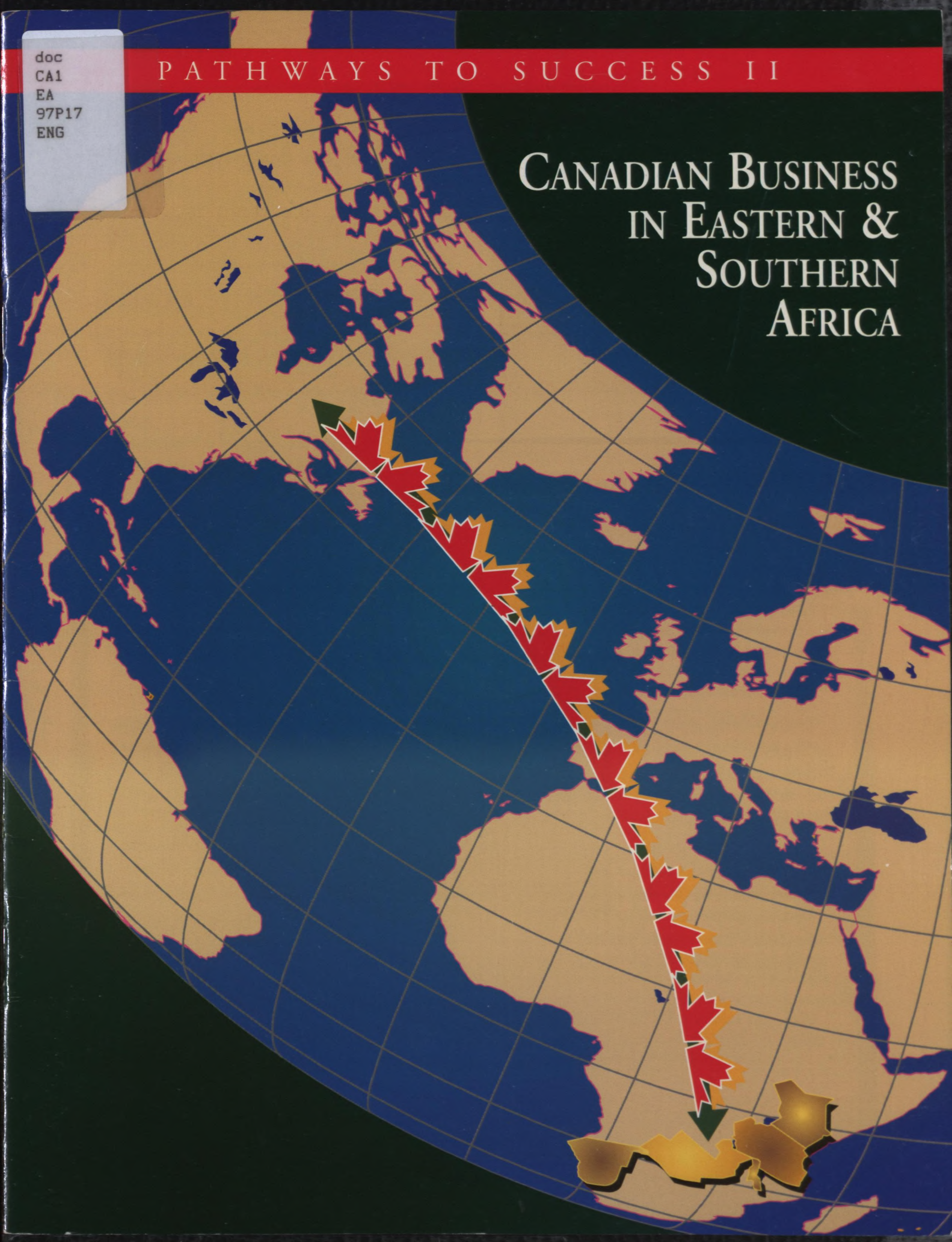
PATHWAYS TO SUCCESS II

# CANADIAN BUSINESS IN EASTERN & SOUTHERN AFRICA



# GLOSSARY OF ACRONYMS

| | |
|---|---|
| ACP-EU | African, Caribbean, Pacific state signatories to the Lomé Conventions with the European Union |
| ADB | African Development Bank |
| BOOT | Build, Own, Operate, Transfer |
| CABSA | Canadian Alliance for Business in Southern Africa |
| CIDA | Canadian International Development Agency |
| CMA | Common Monetary Area (Currencies for Namibia, Lesotho and Swaziland are pegged to the South African Rand) |
| COMESA | Common Market for Eastern and Southern Africa |
| DFAIT | Department of Foreign Affairs and International Trade |
| EAC | East Africa Cooperation (Kenya, Tanzania, Uganda) |
| EPZ | Export Processing Zone |
| GDP | Gross Domestic Product |
| IDRC | International Development Research Centre |
| IFIs | International Financial Institutions |
| MIGA | Multilateral Investment Guarantee Agency (World Bank) |
| OAU | Organization of African Unity |
| SACU | Southern African Customs Union (South Africa, Namibia, Botswana, Lesotho, and Swaziland) |
| SADC | Southern African Development Community |
| SAP | Structural Adjustment Programme (of WB/IMF) |
| SME | Small- and Medium-sized Enterprises |
| UN | United Nations |
| WB/IMF | World Bank / International Monetary Fund |
| WTO | World Trade Organization (formerly GATT) |

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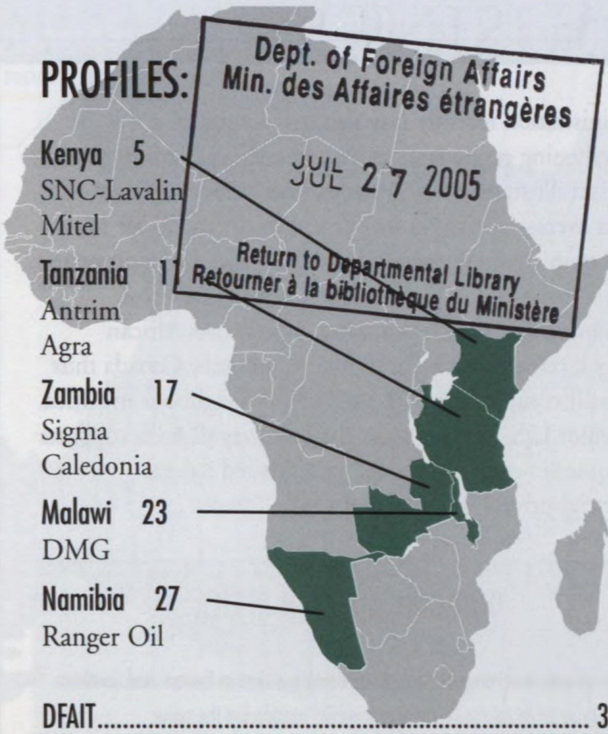







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# Foreword

It is with great pleasure that I introduce to you the second edition of *Pathways to Success*. This "sequel" is a direct result of the positive feedback generated by the first effort that focused on Canadian company successes in South Africa. With the support of our Team Canada partners, and featuring the activities of Canadian firms, this selection of case studies accentuates the changing nature of Africa and its potential for Canadian exports.

Kenya, Tanzania, Zambia, Malawi and Namibia have emerged as exciting, diversified markets for Canadian products and investment. Canadian exports to these countries have more than doubled in recent years, surpassing $200 million in 1996. Two-way trade, once dominated by aid-related food transactions, now features the sale of manufactured products and services. Canadian companies have set up dozens of joint ventures to penetrate local markets, creating jobs both in Canada and the region.

These nations are among the growing number of African countries that have made crucial, often difficult, adjustments to their macroeconomic policy to improve the climate for business and foreign investment. All five maintain active investment promotion agencies and are serious about attracting quality business partners. I am confident that the changing economic landscape of these countries will lead to opportunities for Canadian firms in sectors where we are without equal.

This guidebook offers you the invaluable perspective of Canadian companies that have tried new things, developed new markets, and created new partnerships. We are grateful for the cooperation of the organizations profiled in these pages. We encourage you to take advantage of their insights and consider the wider horizons of Eastern and Southern Africa.

Sergio Marchi
Minister for International Trade
Canada

# THE NEW AFRICA AND CANADIAN BUSINESS

## The New Africa

Traditionally, a mention of Africa invoked a conceptual geo-political entity characterized by little more than conflict, poverty, and disease. While this viewpoint always exaggerated rather than explained, it is particularly less relevant in the 1990s. As governments and knowledgeable companies know, there are actually two Africas, and it is the stable, economically viable Africa that is emerging and overtaking those strife-torn remnants.

A combination of factors led to this emerging Africa. The end of the Cold War lessened external pressures on the continent (and reduced the skewed direction and intent of foreign aid). Long running civil wars in Angola, Ethiopia, Mozambique, and Namibia ended. South Africa transformed from pariah to partner. And across the continent, responsive, elected governments became more common than not. Leaders began to make the difficult choices necessary to revamp economies saddled by inefficiency and lethargy, economies hardly conducive to long-term domestic or foreign investment.

Those hard choices are now beginning to pay off. Poverty and unemployment remain prevalent throughout Africa, but the macroeconomic environment for dealing with these problems is in place. The statistics speak for themselves. In 1996, Sub-Saharan Africa boasted 4.4% GDP growth, with Southern Africa averaging 6%: for the first time in recent memory, every SADC country saw its economy expand. Eastern African states – Eritrea, Ethiopia, Uganda, and Kenya – also surpassed the continent's growth average.

## Team Canada and Expanding Regional Efforts

DFAIT and a host of other Canadian government departments and agencies (some of which are profiled in this booklet) formed the Southern and Eastern Africa Regional Action Plan (SEARAP) in 1996 to coordinate Canada's efforts to increase trade and investment flows with the region. In early 1997, SEARAP met again – in Johannesburg – to assess its role and to decide where further efforts were needed. Meetings with a number of Canadian companies active in the region formed a key part of the process with discussions as to how SEARAP could best assist their efforts. This private-public sector cooperation is increasingly typical of how Team Canada works overseas.

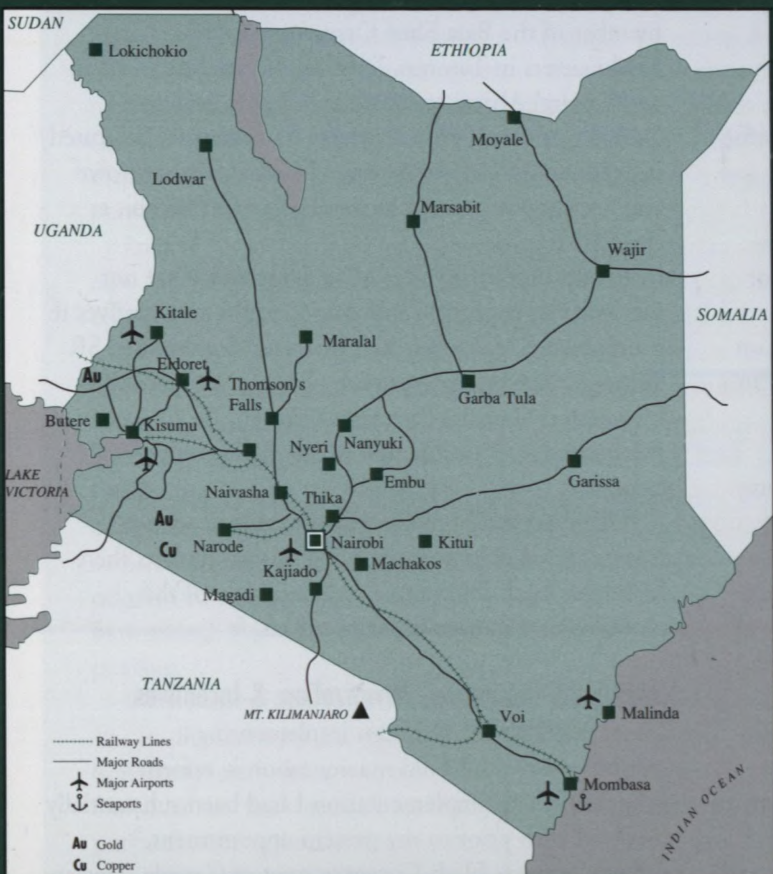
By comparison, the U.S. is also placing a strong emphasis on increasing trade and investment with Africa. The Clinton Administration recently unveiled a five-point plan for strengthening economic ties with liberalizing African states. One fact illustrates why: American businesses receive a higher average return on investment in Africa (about 17-18%) than any other region including Asia. The Corporate Council on Africa, which includes some of the most prominent U.S. companies, actively promotes African linkages, trade missions, and policy proposals. Canada thus faces stiff competition with its southern neighbour in Africa, but senior U.S. executives do envy the way Canada supports its businesses overseas through coordinated federal-provincial-private sector efforts.

## DOING BUSINESS IN AFRICA

Trade officials and company executives doing business in Eastern and Southern Africa have some advice for other companies considering the same:

- Nearly all of Eastern and Southern Africa is emerging economically and attracting foreign investment with market-oriented policies and reforms.
- Doing business in the region, by international standards, is made easier by two key advantages: English is the common business language in all but a few countries and the foundations of business law and operations are similar to Canadian practice.
- Corruption is much less prevalent than in the past, with many governments striving to make their approval, etc., processes as transparent as possible.
- Lack of regional and country knowledge is the biggest deterrent to locating business opportunity. In most cases, finding a good local partner is a requirement for success.
- A medium-to-long-term outlook is necessary for any endeavour. This is as true for developing new export markets as it is for winning engineering contracts or making greenfield or other direct investments.
- Individual countries offer different competitive advantages and incentive schemes, but are linked through one or more regional organizations: SADC, COMESA, or SACU.
- The region can access major export markets in Europe, Asia, and North America via increasingly efficient transportation links and preferential trade agreements.
- Canada has a good reputation in the region, but Canadian companies are under-represented and losing out to U.S., European, Asian, and South African companies who are more aggressively targeting opportunity in Africa.
- Significant opportunities are to be found in telecommunications, transportation, mining (including exploration and consulting), oil and gas, energy, agri-food, education and training, and infrastructure development. However, companies should not overlook the manufacturing, tourism, and service sectors.

# KENYA




| | |
|---|---|
| **Official Name:** | **Republic of Kenya** |
| **Area:** | **582,647 sq. km** |
| **Population:** | **28 million (1994 est.)** |
| **Pop. Growth:** | **3.0%** |
| **Official Language:** | **English (Swahili common)** |
| **Int. Organizations:** | **UN, Commonwealth, OAU, ADB, ACP-EU Lome Convention, COMESA, EAC, MIGA** |
| **GDP Growth:** | **4.6% (1996)** |
| **Debt:** | **US$7.3 Bn (1994)** |
| **Currency:** | **Kenya Shilling (KSh)** |
| **Forex:** | **$1 Canadian = 42 KSh (July 1997)** |
| **Inflation:** | **12% (1996)** |
| **Agriculture:** | **25% of GDP / 75% of labour force** |
| **Main Exports:** | **Tea, coffee, horticulture, petroleum products, cement, hides and skins** |
| **Main Imports:** | **Industrial machinery, transport equipment, crude oil, iron and steel, consumer goods** |
| **Telecom:** | **Approx. 1 mainline per 100 people / mobile system operational** |

Kenya is a country which is well known to most Canadians. The two countries have enjoyed cordial relations and strong links at various levels for many years. On matters related to development, Kenya continues to enjoy Canadian generosity through various development programs funded by both the federal government and Non-Governmental Organizations.

In an effort to strengthen investor confidence in the economy, the Kenyan Government has undertaken far-reaching economic and political reforms. From 1997 onwards, the Government's monetary and fiscal policy aims at ensuring the target inflation rate of 0-5% is achieved for the good of the economy.

The Government is also keen to ensure that interest rates and tariffs remain as low as possible. Attractive Corporate Tax holidays have been introduced, while company tax rates have also been coming down. Other economic reforms implemented so far include removal of price controls, removal of import controls, abolition of exchange controls, and deregulation of all economic sectors, most importantly power and telecom.

Kenya has an excellent climate and tourism attractions such as wildlife, scenic fauna and flora. The country has well developed infrastructural facilities which include airports for international and domestic air transport, the deepwater sea port of Mombasa, an extensive road network and railways.

Exports from Kenya have preferential access to world markets under a number of special access and duty reduction programmes. Kenya is a member of the East African Co-operation (EAC) and the Common Market for Eastern and Southern Africa (COMESA) which have a market size of over 300 million people. The potential for profitable investment by Canadians is great within this set.

Since independence in 1963, Kenya has enjoyed uninterrupted political stability. This, with the pragmatic economic approach that the Government has followed to encourage foreign and local investment, has led to remarkable development in many sectors.

Hassan Bagha, High Commissioner

Kenya High Commission
415 Laurier Avenue East
Ottawa, Ontario K1N 6R4
Tel: (613) 563-1773 Fax: (613) 233-6599

# KENYA

Kenya boasts one of the most sophisticated economies in Africa, with comparatively well-developed industrial, petrochemical, financial services, and agri-business sectors. The port of Mombasa is one of the most active in Africa – supporting both container traffic as well as imports of crude petroleum – and the magnitude of Kenya's tourist trade is well known. Impressively, this level of economic development has been accomplished without the benefit of either oil or significant mineral resources.

Since independence the economy has been based on three fundamental sectors: agriculture, tourism, and an industrial sector centred around import substitution. Gradually, the state, though always a proponent of private enterprise, took on a major role in the economy, building up an extensive array of parastatals and controlling essential food and cash crop marketing operations. While economic growth has generally been positive since independence, there have been periods of stagnation and decline due to factors like crop failures, low commodity prices, and bureaucratic inertia. Government policy in the 1990s is aimed at reducing boom and bust cycles, broadening the economic base, freeing up the private sector, and attracting significant foreign investment.

Although the overall level of Canadian trade with and investment in Kenya remains modest, there are several significant Canadian companies operating there. Among them is the Bata Shoe Company in Limuru which is a member of the Bata Shoe Organization with headquarters in Toronto. Diversey Wyandotte (Eastern and Central Africa), a subsidiary of chemical and cleaning products giant Diversey Corporation, is located in Nairobi. SNC-Lavalin, one of Canada's best known engineering firms, has a regional office in Nairobi, as does Air Canada.

In addition, many Canadian firms which are not resident in Kenya have appointed local representatives to promote and look after their interests. Bombardier, SR Telecom, Newbridge Networks, Mitel, NorTel, Bell Helicopters Canada, Pratt and Whitney, N. D. Lea International, Wardrop, and others fall into this category.

This diverse mix of Canadian businesses either investing in Kenya or developing export markets there highlights both the relative sophistication of the economy and its significant potential.

*Then Secretary of State (Latin America and Africa) Christine Stewart calls home from an SR Telecom installation in rural Kenya. In March 1997 she led a Canadian telecom trade mission to Kenya and South Africa. (photo courtesy of SR Telecom)*

## Investment Promotion, Privatization, & Incentives

"Since 1992 Kenya has been implementing a comprehensive and bold macroeconomic reform program, whose implementation I had been substantially involved with prior to my present appointment," explains Kenya's High Commissioner to Canada, Hassan Bagha, former Director of Fiscal and Monetary Policy in the Ministry of Finance. He is keenly aware of the tough choices and positive changes Kenya has made to unlock the full potential of its economy.

The pragmatic approach adopted by the government to liberalize and deregulate the economy, often under the auspices of WB/IMF Structural Adjustment Programmes, has included the devaluation of the Kenyan shilling and the ending of foreign exchange controls; removal of import and price controls; increasing fiscal discipline; liberalizing the marketing of food and cash crops; privatizing parastatals; implementing attractive duty and tax-related incentives for investment; and prudent monetary policy. Indications are that the country is on the right track: inflation, running at 100% in 1993, is now down around (and often below) 10%, while growth has surged from 0.1% in 1993 to 4.6% in 1996.

Attracting foreign investment is a major focus

**SNC-LAVALIN**, the well-known engineering and construction giant based in Montreal, set up a regional business development office in Nairobi in 1997. This office covers East Africa from Eritrea to Tanzania, plus the Indian Ocean islands including Madagascar and Mauritius. Although the company has been active in Africa for years – involved in projects ranging from pipelines to airports and aluminum smelters – current trends of strong economic growth and stability displayed by many countries in the region required a more permanent presence.

Roland Arsenault, the new Vice-President for East Africa and new Nairobi resident, is quick to point out that setting up an office is just the first step in what is a long-term commitment.

"The ingredients for doing business in the region are present" he says, but the contracts SNC-Lavalin commonly undertake can have an extensive bidding process, complicated financing arrangements, and consequently a lead time of years, not weeks or months. In these circumstances, any company must be dedicated to a long-term strategy with sufficient resources to cover investments in overcoming initial administrative hurdles, marketing, research, travel, and networking that are necessary long before cash-flow turns positive.

Why Nairobi? Arsenault says it was not a difficult choice: "It is the centre of gravity of regional business and transportation." Telecommunications are mostly reliable and the business services sector is highly developed. Kenya's political stability and economic prospects also came into play, as SNC-Lavalin completed a number of important projects in Kenya over the last 15 years and sees further opportunity on the horizon.

The company's success completing megaprojects on time and on (or under) budget belies the traditional belief that this level of performance is just not possible in Africa, and increases its chances of winning further tenders. For example, in February 1997 SNC-Lavalin completed construction of a new international airport in Northwestern Kenya at Eldoret, only 24 months after winning the US$50 million-plus contract to design and build it. During the construction phase, qualified Kenyan sub-contractors were employed with most of the raw material and heavy machinery sourced locally. Before the end of the year the Kenya Airports Authority will complete testing and officially open its newest airport.

And what about living in Nairobi? Arsenault has lived in Africa for most of the last 20 years and describes Nairobi as both attractive and challenging. While usual safety precautions are necessary, Nairobi's security situation is comparable to other cities in Africa, the United States, and Europe.

of these reforms. In addition, a Foreign Investment Protection Act is in place and Kenya is a signatory to the World Bank's International Centre for the Settlement of Investment Disputes. The Investment Promotion Centre in Nairobi – striving to be a "one-stop shop" for potential investors – is there to help both local and foreign businesses investigate opportunity, learn about and benefit from incentives, and facilitate project implementation. The Export Promotion Council also deals with international business inquiries related to import/export, incentives, and joint ventures.

Over the last few years the range of incentives Kenya can offer potential investors has increased dramatically. The end of import licensing and foreign exchange control were important, but now the Export Processing Zones Authority and Manufacturing Under Bond schemes can include exemptions from import duty on most machinery and raw materials, a VAT Remission Scheme, tax holidays, improved investment and capital allowances, exemption from withholding taxes, and no restrictions on management or technical arrangements. A number of international agreements ensure Kenyan exports preferential treatment and market access.

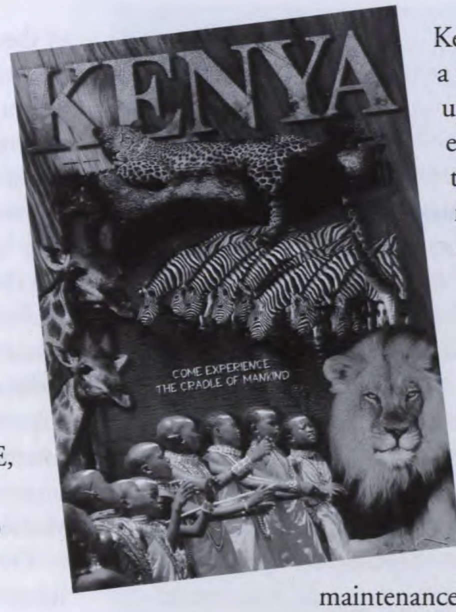
Privatization and the Nairobi Stock Exchange offer two further, related avenues of investing. The Parastatal Reform Committee continues its often difficult work planning the divestiture of state-owned enterprises, ranging from marketing boards to tourism, industry, and once troubled Kenya Airways (in which Dutch airline KLM took a stake in 1996). What can make the process easier in Kenya versus other countries in the region is the existence of a mature equity market, namely the Nairobi Stock Exchange.

## The Nairobi Stock Exchange

The Nairobi Stock Exchange (NSE) dates back to 1954, and now has a market capitalization that ranks third in Sub-Saharan Africa at over $2 billion (US).

Sixty-plus listings, 20 member brokerage firms, and looser regulations on foreign participation since 1995 ensure an active exchange, though high domestic interest rates divert some monies away from equities. Ongoing privatization of parastatals adds new listings on a regular basis.

There are still limits on the total percentage foreigners can own of Kenyan companies listed on the NSE, but there are no restrictions on repatriation of capital and profits, no capital gains tax, and a low dividend withholding tax of 10%.




## Challenges & Opportunity

Compared to most of Sub-Saharan Africa, Kenya is in an enviable position. Compared to the Asian "Tigers" and some other emerging economies in Latin America and Eastern Europe, Kenya lags in terms of global competitiveness. The reforms discussed above are working through the system and creating an environment for a major economic breakthrough, but immediate challenges lie ahead.

Some basic infrastructure, like roads, rail, telecom, and electricity production, are in need of revitalization. Parts of the rail network in East Africa, for instance, date back 100 years, while increasing urbanization and hence demand is straining Nairobi's electricity supply and municipal services. Cheap, unskilled labour, plentiful throughout Africa, is not nearly as attractive as a reasonably priced, educated and skilled workforce. Kenya does have both, but needs to emphasize education and skills training to a greater degree. These challenges are currently being addressed with help from IFIs and international donors, and also through the creative application of private sector solutions like BOOT. Unique opportunities are opening up for investors to tackle these challenges and make a profit.

The energy sector, for one, is now open to private investors. Independent power producers can now generate power and sell it to the national grid. Direct foreign investment is also being sought to augment the water supply in urban areas on a commercial basis. Oil pipelines are in need of rehabilitation and extension, and the oil refinery at Mombasa needs upgrading.

The breakup and partial divestiture of the Kenya Posts and Telecommunications Corporation into Telkom Kenya, Postal Corporation of Kenya, and a regulatory authority promises to open up opportunities in the crucial telecom equipment and services sector. This, in turn, will impact on the growing and related voice/data communications and computer sectors, the infrastructure of the 21st century.

Beyond infrastructure, opportunities abound for the investor or joint-venture seeker as well as importers, exporters, prospectors, service providers, and consultants. In the transportation sector, there is a market for aircraft and parts, aviation facilities upgrading, and maintenance; railroad and rolling stock upgrading; integrated container transport systems; and road transport equipment. The annual pharmaceutical and medical equipment market is over $150 million (US) per year, most of which is imported. Exploration by a Canadian company, Tiomin Resources, has resulted in a major discovery of titanium and zircon bearing sands along the coast, perhaps marking the beginning of a minerals exploration boom in Kenya.

The agricultural sector – including horticulture, ranching, and fishing – remains the backbone of the economy. Areas of investment exist in the diversification and expansion of the agricultural sector through accelerated food and industrial crops production, growth in non-traditional exports, and agro-processing. Kenya also has excess milling capacity which could be utilized for the regional market. In industry the shift is towards export-oriented manufacturing with priorities in electronics, chemicals, and fertilizers, though many components and raw materials for these products are still imported. Overall, there is great potential in value-added processing and manufacturing via EPZ incentives, for both the regional market and overseas.

Lastly, one cannot overlook the vastness of Kenya's tourism industry, still the largest foreign exchange earner with over 800,000 visitors per year. Privatization, a renewed emphasis on international marketing, and increasing coordination with its EAC partners Tanzania and Uganda are all part of the competitive struggle to keep visitors from going elsewhere.

Canadian businesses have the skills, expertise, products, services, capital, and international orientation to appreciate the potential Kenya has to offer. As an export market, import source, joint-venture partner, or as a gateway to the region, Kenya may surprise you.

Competing in the global export market, especially for hi-tech manufacturers, is a daunting task. To cope with global logistics, some Canadian companies – such as telecom giants NorTel, Newbridge Networks, and Mitel – centre their African marketing and sales operations in the U.K. as part of a "Europe, Middle East, and Africa" export division or subsidiary. This eliminates the time difference problem and secures easy access to direct flights to every major African city.

Mitel Telecom Limited (U.K.), a wholly owned subsidiary of **Mitel Corporation** of Kanata, Ontario, is a case in point. Over $1 billion in annual sales and products in over 80 countries proves Mitel Corporation knows how to penetrate emerging markets. Its main business, state-of-the-art Private Automatic Branch Exchange (PBX) and switching systems, led Mitel early on to acquire its own semiconductor manufacturing capability. This enables Mitel to design and produce dedicated integrated circuits to its exact specifications.

Steve Carmo, Regional Manager for Sub-Saharan Africa, points out that "Mitel prefers to cover African export markets via established in-country channels. This is achieved by identifying suitable local companies and working closely with them to tackle important issues like sales, installation, and ongoing system maintenance."

For hi-tech export manufacturers, Mitel's experience has shown that this in-country approach can work better than a regional one, ensuring local knowledge about specific markets and creating a genuine "feel good" factor for customers. The key is to find an aggressive, compatible local partner and cultivate a close working relationship. In Kenya for six years, Mitel switched partners two years ago when a previous relationship did not seem to be progressing. The new local partner, in fact, approached Mitel directly regarding a requirement for a specific project – a 1,200 line system for the Kenya Port Authority – and this led to a fruitful alliance.

As well as the Kenya Port Authority project in Mombasa, new contracts included a system for the country's premier publishing group, a 1,500 line system for the Eldoret District Health Authority, and many other corporate installations. "This is a good example of why going for the biggest and wealthiest distributor is not always the best policy: smaller enterprises are hungrier, more proactive, and infinitely more flexible," explains Carmo.

Over the last few years, Carmo has witnessed positive economic trends in Kenya generating a tremendous improvement in the flow of finance – both private and IFI – and trade. Some obstacles for manufacturing exporters remain, such as importation tariffs, custom procedures, limited availability of hard currency, lack of a lease or rent framework in the financial sector, and, in some cases, established local competition that avoids duties and shipping lead times. However, the telecom sector, among others, is burgeoning in East Africa as nearly every country strives to increase telecom access on the continent with the lowest density of phone lines per capita. And a good local partner can create that necessary pathway to successful penetration of a previously overlooked market.

## CONTACTS IN KENYA:

**Canadian High Commission**
PO Box 30481, Nairobi
Tel: (254-2) 214-804
Fax: (254-2) 226-987 / 216-485

**Investment Promotion Centre**
Executive Chairman
PO Box 55704, Nairobi
Tel: (254-2) 221-401/4
Fax: (254-2) 336-663

**Parastatal Reform Committee**
Tel: (254-2) 222-127

**The Export Promotion Council**
The Chief Executive
PO Box 40247, Nairobi
Tel: (254-2) 228-534/8
Fax: (254-2) 218-013 / 228-539

**Nairobi Stock Exchange**
PO Box 43633, Nairobi
Tel: (254-2) 230-692
Fax: (254-2) 224-200

**East Africa Association**
Tel: (254-2) 21B-317

**Export Processing Zones Authority**
Chief Executive
PO Box 50563, Nairobi
Tel: (254-2) 712-800/6
Fax: (254-2) 713-704
Email: epza_hq@arcc.permanet.org

**Kenyan Association of Manufacturers**
PO Box 30225, Nairobi
Tel: (254-2) 746-005/7
Fax: (254-2) 746-028

BRIEFING NOTE

# REGIONAL ECONOMIC ORGANIZATIONS

**EASTERN AFRICAN CO-OPERATION (EAC)**

Kenya, Tanzania, and Uganda formed the East African Community in the late 1960s as a quasi-federal arrangement covering customs, transportation, posts and telecom, universities, and monetary policy. By the 1970s relations among the countries became strained and the Community was dissolved in 1977.

During the 1980s, new leadership and economic direction brought the three former partners closer. By the mid-1990s all three countries were implementing similar economic liberalization measures, and a new sense of co-operation emerged. In March 1996, the Secretariat of the Commission for East African Co-operation (EAC) was established at Arusha in Tanzania.

The main focus of EAC is to promote trade and investment through regional policy harmonization, including the recent introduction of a common passport and plans for a Common External Tarriff by 1999. The EAC Secretariat comprises only 30 professionals, not the bloated bureaucracy of times past.

**THE COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA):**

The 1994 successor to the Preferential Trade Area (PTA) for Eastern and Southern Africa, COMESA aims to continue the work begun by PTA towards economic co-operation and integration, with an ultimate goal of a regional common market. Its Secretariat is based in Lusaka, Zambia.

While there have been rumblings that COMESA and SADC are rival organizations that duplicate membership and functions – the recent withdrawals of Mozambique and Lesotho in favour of SADC and failure to attract South Africa as a member have not helped matters – the April 1997 "Second Summit of the COMESA Authority" seemed to reconfirm commitment to the organization by the remaining twenty members (ranging from Eritrea to Namibia).

If COMESA can concentrate on the core functions of tariff reduction, transport facilitation, and trade and customs harmonization, it may move some way towards its broader goal of sustainable regional economic growth and development.

**SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC):**

The successor to the Southern African Development Co-ordination Conference originally aimed at reducing dependence on South Africa, SADC now comprises twelve countries including South Africa and, most recently, Mauritius. Its Secretariat is based in Gaborone, Botswana.

While the ultimate goals of SADC and COMESA are similar – economic development through integration – SADC takes a different approach. SADC tackles specific sectors, and one country with relevant capabilities assumes leadership for each sector. For instance, South Africa heads up the finance and investment coordinating unit, while major oil producer Angola heads up the energy portfolio, and Zambia coordinates mining.

During SADC's annual Consultative Conference held February 1997, the main theme of "Productivity – The Key To Sustainable Development" focused attention on two specific sectors: finance and investment, and trade and industry. SADC has both promoters and detractors, but progress in terms of policy co-ordination has been made in a number of sectors without the creation of a huge bureaucracy.

# TANZANIA


| | |
|---|---|
| **Official Name:** | **United Republic of Tanzania** |
| **Area:** | **945,166 sq. km** |
| **Population:** | **30.2 million (1995 est.)** |
| **Pop. Growth:** | **3% (plus)** |
| **Official Language:** | **Kiswahili (English is the common business language)** |
| **Int. Organizations:** | **UN, Commonwealth, OAU, ADB, ACP-EU Lome Conventions, SADC, COMESA, EAC, MIGA** |
| **GDP Growth:** | **4.5% (1996 est.)** |
| **Debt:** | **US$7.5 Bn (1993)** |
| **Currency:** | **Tanzanian Shilling (TSh)** |
| **Forex:** | **$1 Canadian = 454 TSh (July 1997)** |
| **Inflation:** | **13% (1996)** |
| **Agriculture:** | **approx. 50% of GDP/80% of labour force** |
| **Main Exports:** | **Coffee, cotton, tobacco, cashew nuts, tea, diamonds, textiles & light manufactured goods** |
| **Main Imports:** | **Machinery, transport equipment, consumer goods, petroleum products** |
| **Telecom:** | **<1 mainline per 100 people / two competing cellular networks recently launched** |

It has been said that a true friend is someone who knows your problems and believes in your future. Canada is such a friend to Tanzania. For three-and-a-half decades now, Canada has supported Tanzania in our development.

With the enactment of an Investment Promotion and Protection Act in 1990, we are pleased to see Canada-Tanzania relations maturing from a donor-recipient relationship to a more rewarding and sustainable relationship involving promotion of investment and trade for mutual benefit.

Investment opportunities exist in energy and mining, tourism, agriculture and fishery, transport and communications, manufacturing and agro-processing, construction and equipment, finance and banking.

Canadian companies are active in many sectors of the Tanzanian economy, most significantly in the energy and mining sector. This is in line with our objective to restructure the economy by diversifying sources of foreign exchange. Endowed with natural gas, gold, diamonds, nickel/cobalt, iron ore, coal, caustic soda, phosphate, kaolin, gemstones and alexandrite, Tanzania is "elephant country". We very much value the Canadian input towards realizing that potential. A double taxation agreement has been signed between the two countries.

Government efforts to restore macroeconomic balances are beginning to bear fruit. Inflation, which was at 23% a year ago, is now down to 13% and expected to reach a single digit within one year. As a consequence, interest rates are also coming down.

Now government is devoting increasing attention to microeconomics, or measures to increase efficiency and productivity improvement, which is the foundation for sustainable economic growth.

Welcome to Tanzania. Invest in Tanzania and grow with us. Vacation in Tanzania and reward yourself with unsurpassed memories of Mount Kilimanjaro, Serengeti, Ngorongoro Crater, and Zanzibar. As Tanzania strives to develop, therein lies great opportunities for Canadian companies.

Fadhil D. Mbaga, High Commissioner

High Commission of the United Republic of Tanzania
50 Range Road, Ottawa, Ontario K1N 8J4
Tel: (613) 232-1500/1509 Fax: (613) 232-5184

# TANZANIA

Contemporary Tanzania is truly a land of burgeoning opportunity. The government of President Benjamin Mkapa – elected in late 1995 – has breathed new life into a stable country bursting with natural resources and potential but saddled by the legacy of its failed post-independence adherence to socialism.

Tanzania is a large country with eight neighbours, straddling the divide between Eastern and Southern Africa. It belongs to SADC while its EAC partners, Kenya and Uganda, do not. Its tourism potential, already important, remains vastly underdeveloped, while its decades dormant mining sector is just now springing to life. Although Tanzania remains one of the poorest countries in the world, with very low per capita income and high population growth, it offers longstanding political stability including two peaceful presidential transitions within the last twelve years. As well, levels of crime and violence are very low. All this despite widespread poverty and an assortment of ethnic backgrounds that appear to cause problems in other African states. Most agree this stability is the most positive legacy of President Julius Nyerere's years in office.

The current government wants to build on these strengths by growing the economy through liberalization, privatization, bureaucratic reform, and foreign investment. Infrastructure redevelopment – especially roads, highways, water filtration and distribution, telecom, and energy – is a key part of this process.

Tanzania's main port at Dar es Salaam conveniently sits along the sea-lanes from Europe, the Arabian Peninsula, and Asia to the Cape of Good Hope, acting as a gateway to many of the landlocked countries of the region. It is an old port needing some modernization – recent dredging to allow 40,000 tonne ships access at any tide is a start – but a performance contract with the government has energized the Tanzania Harbours Authority. Well-worn rail and road links exist from the port to neighbouring countries but generally require refurbishing. While the building of the new capital, Dodoma, proceeds, Dar es Salaam, Arusha, and Mwanza continue to experience rapid growth including major construction projects ranging from office towers to hotel redevelopment. These strains on services and transportation facilities give further incentive to tackle infrastructure projects creatively, with BOOT options considered across a number of sectors.

*The port of Dar es Salaam: gateway to the region*

"Canada's reputation in Tanzania is exemplary," says Prime Minister Frederick Sumaye, citing Canada's long-term commitment to development assistance and training, and, more recently, Canadian business efforts in mining and energy. Historically, the strong Canadian link included a large CIDA program, military training (especially air force training related to Canadian-supplied aircraft), university training of Tanzanian students in Canada, and close ties through the Commonwealth. The current trend of increasing Canadian private sector involvement not only builds on this close relationship but also strengthens it.

### Investment Promotion, Incentives, & Privatization

There was a time in Tanzania when "business" and "foreign investment" were dirty words. Bureaucrats developed a deep-seated mistrust of private sector initiative. Today, "business" is no longer out, and "foreign investment" is definitely in: even former President Nyerere – the father of African socialism – has repented the past and accepted the new economic direction. The last to be converted remain some of the front-line bureaucrats, worried about jobs as their grip on the economy is loosened.

Between 1992 (when IFI assistance was halted) and 1996, Tanzania sought to convince the World Bank, the IMF, and donors that it was taking the necessary steps to eliminate corruption and bureaucratic inertia while creating the conditions for economic growth and foreign investment. These efforts culminated with two significant events in November 1996. First, the IMF approved a new enhanced structural adjustment facility loan of US$234 million. Second, President Mkapa personally guaranteed the 400-plus foreign investors and over 200 local project promoters at the "Tanzania International Investor and Technology Forum" of his government's commitment to economic reform. The renewed support of IFIs provided the confidence the international community was looking for that the government was moving in the right direction.

For instance, the National Investment Promotion and Protection Act, in place since 1990, had not lived up to expectations. In response, the government introduced the new Tanzania Investment Act in 1997 to ensure other legislation did not override promises to investors. A comprehensive "Investor Roadmap" study was undertaken to delineate the steps faced by foreign investors to enable streamlining of the process. The Investment Promotion Centre (IPC), once criticized by foreign investors (and even the President) as inefficient, now reports directly to the President on a quarterly basis. When the investment incentive scheme of the new legislation becomes law, the revitalized IPC will be in an even better position to promote and assist foreign investment.

The promised new investment scheme includes extended tax holidays with reduced corporate tax after the holiday, training deductibility, the option to bring in up to five expatriate workers, only ten percent withholding tax on dividends or royalties, duties and sales tax remission on imported capital

THE PACE OF CHANGE in Tanzania's economic and regulatory environment over the last few years has attracted many new entrants to the minerals and energy sector. **Antrim International**, a privately owned Calgary-based petroleum exploration and development company, is one of many Canadian companies now active in Tanzania. The company principals with experience in Africa were always aware of Tanzania's potential, but the recent shifts in economic policy and political direction convinced them that the time was ripe.

Antrim, unlike many others, is searching for oil and gas, not gold, diamonds, nickel, or cobalt. As Tanzania is not yet an oil producer, the import strain on the economy is immense: up to 20% of the annual import bill is for fuel. Since the 1950s international oil companies have undertaken onshore and offshore exploration activities, and although the geologic potential is acknowledged no economically viable wells have been drilled. However, significant natural gas fields have been discovered, including Songo Songo. And over forty years of exploration activity have produced a substantial seismic and related information database that is held by the Tanzanian Petroleum Development Corporation (TPDC), with some of the data compiled under a long-term CIDA project covering East Africa.

While nearly every sector in the liberalizing Tanzania economy is open to foreign investment, the petroleum sector is one that simply cannot be developed without foreign involvement. Under an act dating from 1980, the TPDC can enter into a Production Sharing Agreement (PSA) with an oil company to grant exclusive rights to explore for and produce petroleum, the precise terms of which are open to negotiation under a framework that offers some flexibility. Antrim Resources (Tanzania) Ltd. signed its PSA in January 1997, providing for an initial exploration period of 4 years and encompassing a 14,000 sq. km area onshore and offshore Pemba and Zanzibar Islands that existing data show to include several large prospects. Antrim initially signed a Letter of Agreement within 10 days of launching negotiations with the TPDC in April 1996. Negotiations for the PSA – a very detailed agreement requiring endorsement at cabinet level – followed and were successfully completed within a reasonable period. Antrim's president, Stephen Greer, reports that during and after the negotiations both TPDC and Ministry of Energy and Minerals staff were eager to provide assistance and were readily accessible.

"It is obvious the TPDC is highly motivated to encourage exploration for oil and gas in Tanzania and we believe the country will eventually become a significant oil producer. We hope Antrim can play a role in achieving that important goal," says Greer. He adds that on the Canadian side, support from the Canadian High Commission in Dar es Salaam and Ottawa-based Trade Commissioners has and continues to be invaluable.

Antrim is currently evaluating the seismic, well, and reservoir data over its block and will be reprocessing some of the seismic data to further define the subsurface structures. In addition, 400 km of additional seismic data will be acquired beginning the fall of 1997 to enable final evaluation of the initial prospects. Only then can Antrim begin exploration drilling. The process is long, thorough, and expensive, but the ultimate reward for both the company and Tanzania could be immense.

equipment, priority allocation of land (i.e. within 30 days of application), and additional EPZ incentives. The extent of incentives differs from industry to industry depending on government priorities, but there are very few sectors not covered.

Also attracting investment is the privatization of Tanzania's massive public sector, totalling 380 parastatals. By the middle of 1997 over half the divestments were accomplished, with positive results. For instance, a large chunk of profitable Tanzania Breweries was sold to giant South African Breweries. Revenue from the brewery to the government is now three times what it was before privatization. Other industries and public utilities, many less than profitable, are also up for commercialization. In addition, the BOOT option is on the table to facilitate new expansion: the potentially huge Songo Songo Island natural gas to electricity conversion project is a case in point. Two Calgary-based giants, Ocelot Energy and TransCanada Pipelines, formed Songas (together with Tanzanian government agencies) to implement this US$300 million dollar venture and will retain operating control for the first 20 years.

## Challenges & Opportunities

Tanzanian politicians and officials admit there is a lot of work to be done to make their country a competitive site for foreign investment. Basic infrastructure needs upgrading, transportation and telecommunication links, while improving, need to be made more efficient and reliable, the tax regime needs streamlining, and lack of domestic capital restricts local participation in larger joint venture projects. Although government offices have not jumped into any fast lane of model efficiency, tangible improvements in service from those offices most relevant to foreign investors, like the IPC and the Ministry for Energy and Minerals, have indeed occurred.

In the meantime, the boom in the mining and tourism sectors has pushed along some infrastructure development, as roads are constructed to outlying areas, first rate hotels and lodges are built, and telecom links are established between mining and tourism areas, Dar, and the outside world. (For instance, two highly sophisticated digital cell phone systems are in operation, and despite keen competition and expansion, they cannot keep up to current demand.) It is hoped that the increase in mining-related and tourism traffic will raise the country's international profile to the point where investment's impact is felt across the entire economy.

In 1996, Tanzania was already the fourth most actively explored country in Africa, with over fifty international mining companies in operation including a number of Canadian companies. For instance, Sutton Resources is actively working to bring its estimated 5 million oz. gold resource at Bulyanhulu into production while continuing exploration efforts elsewhere. Pangea and Tan Range are at advanced stages of exploration, often working cooperatively with local artisanal miners. And in the energy field, Antrim International and a new venture called Can-Op – which includes former Prime Minister and External Affairs Minister Joe Clark – are actively exploring for oil and gas. Within a decade, Tanzania may have up to four large gold mines in operation and begin producing oil for the first time. New production of gemstones, nickel, copper, cobalt and industrial minerals like graphite will likely occur as well. These developments are testament to the attention paid to make the environment for mining as attractive as possible.

Two lingering challenges remain, one natural and the other historical. First, as Prime Minister Sumaye points out, "Unpredictable and inadequate rainfall, which affects agriculture," cannot be easily overcome. In early 1997, for instance, drought and then a surfeit of heavy rain hit parts of the country. Agriculture, still the livelihood of most Tanzanians, is rain-fed, so unpredictable rainfall is a major impediment to what is otherwise a fertile country. As well, Dar's water distribution system is in need of repair: it's estimated that the main pipeline suffers 30-40% leakage before it reaches the city, with further loss throughout the local system. Agri-food production and processing, along with rural irrigation and urban water infrastructure, are opportunities open to Canadian companies.

The second (historically rooted but more malleable) problem is what some have called the "Arusha Syndrome." Years of public sector and top-down direction have curtailed private initiative and skewed the work-reward equation, especially in the civil service. However, entrepreneurialism is a growth industry, noticeable in both formal and informal settings, and the "Arusha Syndrome" is withering away. This means that Canadian companies can increasingly find opportunities, partners, and the workforce they need for ventures in fields as diverse as manufacturing, tourism, fisheries, energy, mining, transportation, telecom, training, and services.

## CONTACTS IN TANZANIA:

**Canadian High Commission**
**PO Box 1022, Dar es Salaam**
**Tel: (255-51) 112832-5 / 112837 / 112863 / 112865-6**
**Fax: (255-51) 116896 / 116897**


As Tanzania strives to develop its mineral and energy resources and revitalize its basic infrastructure, **AGRA Earth and Environmental (Africa) Ltd.** (or AEE-A) is well-positioned to benefit from the opportunities opened up by work in these fields. In fact, it already has a large number of successfully completed projects under its belt.

This Tanzanian registered company – established in 1991 and previously known as Hardy BBT – is owned by AGRA Industries Ltd. and works in association with AGRA Earth and Environmental Ltd (AEE), the global engineering consulting firm with 155 offices in 22 countries, headquartered in Calgary. The Tanzanian staff can access the resources of this global network on a project-by-project basis, and can conversely be called upon to assist projects outside Tanzania.

AEE-A undertakes surface and groundwater, mining, energy, and environmental projects, all pivotal growing sectors in Tanzania and other developing African economies. In previous decades the clients for these types of projects were nearly always governments, aid agencies, and IFIs, with the money provided by donors or IFIs. However, the market for engineering consulting work in contemporary Africa is increasingly complex, with more cooperative financing including local and international private capital and lending in the mix. A good example are the environmental impact assessments done by AEE-A on the Ocelot-TransCanada (OTC) consortium's Songo Songo gas pipeline project, with OTC and World Bank funding. A number of projects in the burgeoning mining sector have been completely private sector financed.

One effect of blended and private sector financing is more targeted, relevant, and sustainable project development where expertise, professionalism, and a track-record in the region are crucial to winning business. Because of this emphasis on sustainability, training and technological transfer are two capabilities that can tip the balance during the bidding process.

CIDA's long-term presence in Tanzania did, in fact, facilitate a number of infrastructure projects over the years and encouraged Canadian participation. For many Canadian companies currently working in Africa, CIDA proved a catalyst for developing an ongoing African revenue stream. Over the last ten years, AEE-A worked under contract for CIDA on three water management projects in Tanzania, as well as with CIDA INC on studies related to Songo Songo. More recently, AEE-A bid on the pipeline design for Songo Songo, where only private sector capital and IFI lending are involved. And AEE is currently working in Ethiopia on a massive water supply project for the city of Addis Ababa.

Bright Naimani, the Tanzanian engineer who manages the Dar es Salaam office, has witnessed some dramatic changes in his country over the last few years, though he admits the transition from old statist economics to a market-driven model cannot happen overnight. (His computers still suffer from occasional, usually brief, power black-outs.) But as the government sets its sights on attracting foreign investment and the mining sector expands, infrastructure deficiencies are addressed, and new energy supplies are tapped, Tanzania is poised to offer tremendous opportunity to companies across a wide spectrum. Naimani and AGRA Earth and Environmental (Africa) are optimistic they will continue to play a significant role in developing that opportunity, as their capabilities mirror the key sectors marking Tanzania's current needs and future growth.

**Tanzanian Investment Promotion Centre**
**PO Box 938, Dar es Salaam**
**Tel: (255-51) 113365 / 37264**
**Fax: (255-51) 112761**

**Tanzanian Chamber of Commerce, Industry and Agriculture**
**PO Box 9713, Dar es Salaam**
**Tel: (255-51) 31424 / 31947**
**Fax: (255-51) 30898**

**Director General, Tanzanian Board of External Trade**
**PO Box 5402, Dar es Salaam**
**Tel: (255-51) 111385 Fax: (255-51) 117752**

**A stock exchange is to be launched during 1997.**
**The two contacts below should be able to provide more information:**
**The Chief Executive Officer, Capital Markets and Securities Authority, or**
**The Coordinator, Dar es Salaam Stock Exchange Company Ltd.**
**PO Box 75713, Dar es Salaam**
**Tel: (255-51) 113903 Fax: (255-51) 113846**

BRIEFING NOTE

## MINING IN AFRICA

South Africa aside, Africa's mineral wealth lay dormant for decades. However, recent signs that Africa may revitalize itself are linked to the development of its mineral potential. In the early 1990s only a few foreign mining and exploration companies were active in Africa; now there are hundreds.

West Africa is leading the way as significant gold deposits are brought into production. The first African-based mining house outside South Africa, Ashanti Goldfields of Ghana, is mining a 60 million ounce deposit at Obuasi and is aggressively pursuing new mineral opportunities as far afield as Zimbabwe.

South African mining houses, Australian mining and exploration companies, and aggressive Canadian 'Juniors' are all searching for world class deposits in Africa. Examples of projects in advanced stages are Anglo American Corporation's Sadiola gold project in Mali — originally brought to light by Iamgold of Canada — and Gold Fields of South Africa's Tarkwa project in Ghana.

East Africa has also attracted lots of exploration investment. Tanzania alone is host to more than 50 mining companies: it is anticipated that up to eight new gold mines, including a project to mine the 5 million ounce resource at Bulyanhulu by Canada's Sutton Resources, could open in the near future.

The revival of the central African Copperbelt that runs through Zambia and Zaire illustrates why more of Africa's mineral potential may be brought to account. Zambia is privatizing its largest state asset, Zambia Consolidated Copper Mines, which in spite of falling production (700 000 tons a year in the 1970s compared with half that today) still accounts for 90% of export earnings. It is anticipated that the privatization exercise will restore debt ridden and inefficient operations and, along with the development of new reserves, boost the country's copper production levels. In Zaire, the decline of Mobutu's regime and the hope of a more democratic and investor-friendly environment have sent mining companies scrambling for some of the world's richest copper and cobalt assets.

Another example of Africa's mineral resources coming to light is Angola, where significant diamond resources that have been inaccessible due to over 20 years of warfare are likely to be mined at last, and used to achieve prosperity instead of fuelling conflict.

Progress in minerals development in Africa will probably continue to be erratic, punctuated by political uncertainty, but it will continue since the mineral wealth is undoubtedly there and is one of Africa's best chances for rapid development.

By Antonio Ruffini (Editor, ***African Mining***)
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PO Box 48420, Roosevelt Park, 2129, Johannesburg, South Africa
Tel & Fax: (27 11) 888-1727 Email: pcran@icon.co.za
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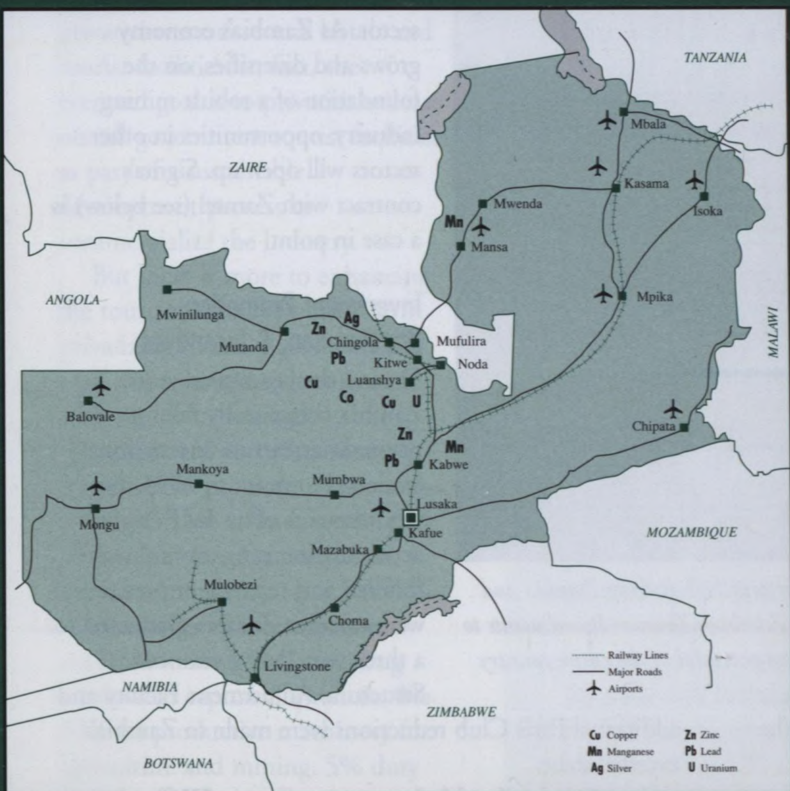
# ZAMBIA




| | |
|---|---|
| **Official Name:** | **Republic of Zambia** |
| **Area:** | **752,610 sq. km** |
| **Population:** | **9.2 million (1994 est.)** |
| **Pop. Growth:** | **3.1%** |
| **Official Language:** | **English** |
| **Int. Organizations:** | **UN, Commonwealth, OAU, ADB, ACP-EU Lome Convention, SADC, COMESA, MIGA** |
| **GDP Growth:** | **6.4% (1996)** |
| **Debt:** | **US$6.2 Bn (1993 )** |
| **Currency:** | **Zambian Kwacha (K)** |
| **Forex:** | **$1 Canadian = 954 K (July 1997)** |
| **Inflation:** | **35% (1996)** |
| **Agriculture:** | **25% of GDP / 66% of labour force** |
| **Main Exports:** | **Copper, cobalt, zinc, lead** |
| **Main Imports:** | **Machinery, transport equipment, fuels, consumer goods** |
| **Telecom:** | **Approx. 1 mainline per 100 people / cellular system operational** |

The High Commission of the Republic of Zambia welcomes the publication of *Pathways to Success II.* It meets a definite need to provide information on the widespread positive changes occurring in Zambia. It is clear that the opportunities beckoning in our country are significant, diverse, and exciting.

A multi-party democracy since 1991, Zambia has a tradition of political stability with guarantees of individual and property rights. The government of President Frederick Chiluba, recently elected to a second term, is committed to a far-reaching program of economic reform with emphasis on private enterprise-led growth unhampered by red tape, as the government's role in the economy dramatically moves away from major participation to a facilitator of an enabling business environment.

For most of its history, Zambia has been known for its copper, and, to a lessor extent, its hydroelectricity exports. These two sectors remain fundamental but are only the tip of the iceberg when it comes to contemporary opportunities for investment.

Additional mineral exploration and production of Zambia's abundant resources will likely remain a fixture of the economy for the foreseeable future.

The rich soil and temperate climate – combined with the relative underdevelopment of the agri-food sector – make everything from farming and ranching to horticulture and agro-processing attractive, viable ventures. Tourism is experiencing a major upsurge as expansive and unspoiled natural endowments are recognized, revitalized, and effectively promoted.

The potential for export manufacturing is immense, as raw materials, skilled labour, enticing incentives, inexpensive electricity, efficient transportation and communication networks, financial services, and a growing regional market are all in place.

Privatization is opening up a wide variety of opportunities in these sectors, as well as in telecom and basic infrastructure development.

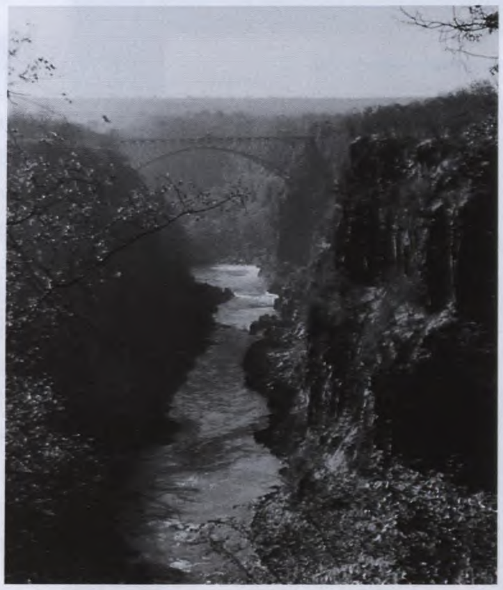
Canadian companies have expertise in many of these fields, and we encourage you to visit and seriously investigate what Zambia has to offer.

High Commission of the Republic of Zambia
2419 Massachusetts Ave. N.W.
Washington, D.C. 20008
Tel: (202) 265-9717 Fax: (202) 332-0826

# ZAMBIA

Strategically situated at the hub of Southern and Central Africa, land-locked Zambia shares borders with eight neighbours and sits atop one of the richest copper deposits in the world. While sufficient water supplies are a constant concern for many African states, Zambia is blessed with a vast river network that accounts for 45% of Sub-Saharan Africa's water. Overall, the mineral, agricultural, tourism, and hydroelectric potential of Zambia is immense.

However, Zambia's economic fortunes have long been tied to that single export commodity: copper. This preoccupation and dependence on copper exports overshadowed other potential mineral developments, and impacted negatively on the agricultural sector.



*The bridge at Victoria Falls linking Zambia and Zimbabwe. The Zambian Tourism Board wants to unlock the tourism potential of the entire country.*

In the late 1960s the government took a majority interest in the copper industry once dominated by British and South African mining houses, and in 1982 the companies were merged to become Zambia Consolidated Copper Mines (ZCCM), the major player ever since. The collapse in copper prices in the 1970s and 1980s hit Zambia hard and resulted in declining production and export earnings, as well as diminishing capacity as re-investments could not keep up with industry and maintenance requirements.

Expanding government involvement in many facets of the economy throughout the 1970s and 1980s also negatively influenced economic performance. The new government of President Frederick Chiluba, first elected in 1991, reversed this trend by pushing through a number of economic reforms. Exchange controls were eliminated in 1992, the banking system was liberalized, and a large number of parastatal enterprises were privatized.

Canada's relationship with Zambia goes back decades, dominated by development aid and Commonwealth issues. Now aid is being overshadowed by trade (Canada's main import from Zambia is slag from copper mines to extract cobalt) and by Canadian companies' exploration and investment in the mineral sector. As Zambia's economy grows and diversifies, on the foundation of a robust mining industry, opportunities in other sectors will open up. Sigma's contract with Zamtel (see below) is a case in point.

## Investment Promotion, Privatization, & Incentives

During the last fifteen years Zambia occasionally fell into debt payment arrears to international lenders. However, in 1995 the requirements of an IMF "rights accumulation programme" were fulfilled and repayment pressures were eased as Zambia graduated to a three year IMF Enhanced Structural Adjustment Facility and additional Paris Club reductions were made to Zambia's external debt.

In 1996 the Zambia Investment Centre (ZIC) was judged the fourth best investment promotions agency in Africa and the Middle East by the second annual Corporate Location/Coopers & Lybrand ratings. Its aim is to be a "one-stop shop" for foreign investors, facilitating inward investor missions, assisting and advising on proposed projects, and issuing investment certificates which ease the process of bringing in foreign staff. Recently, ZIC launched phase one of its Joint Venture Programme, designed to focus on bringing together compatible local and foreign companies. Phase two of the programme will see ZIC offer an expanded range of services related to this objective.

Privatization remains a key thrust of Zambia's liberalization efforts. The Zambian Privatization Agency has been very active over the last few years, and companies like Anglo American and Unilever have snapped up divested parastatals. ZCCM is undergoing an extensive two stage divestment process which should be completed during 1998. Many of the companies listed on the Lusaka Stock Exchange are divested parastatals.

As part of the extensive privatization programme, and in the hopes of further increasing tourism industry revenue – which nearly doubled from 1995 to 1996 and now accounts for more than half of all non-metal export earnings – the government has sold or leased to private investors several hotels and tourist facilities. In fact, the eventual goal is to privatize or lease out all government tourist facilities as part of a sustainable development process to commercialize the industry.

But there is more to enhancing the tourism sector than just privatizing its main assets. Major road improvements, attention to training, an increasingly active tourism board abroad, and new incentives to promote private sector investment are a fundamental part of Zambia's five-year national tourism strategy.

A number of incentives are available to investors, including accelerated capital allowances, 0% duty on productive machinery for agriculture and mining, 5% duty on other productive machinery and raw materials, 15% tax on farming and income from non-mineral exports (rather than 35%), and a rural enterprise tax deduction of one-seventh off the normal rate.

## Revitalizing Mining

Zambia's vast mineral potential extends beyond copper, though its copper and related cobalt resources receive most of the attention. Gemstones, for instance, are under-exploited. As the process of privatizing ZCCM goes on, international mining companies are detecting opportunity and a number of these companies are Canadian.

The impetus for this contemporary interest in Zambian mining is a result of a number of factors, including the new Mines and Minerals Act (1995),

ZAMBIA has always been known for its Copperbelt, but cobalt is becoming the metal of the 1990s and **Caledonia Mining Corporation** wants to become a major producer of both. The Oakville, Ontario, company operates gold mines in Spain and South Africa, with development and exploration underway for gold and diamonds in Scotland, South Africa, and Canada. However, Caledonia considers Zambia an important area of its world-wide exploration program, with cobalt, copper, and diamond deposits the focus of its efforts.

Caledonia originally became interested in Zambia about 2 years ago, encouraged by senior company officials who had some previous experience in the region. They knew about the huge potential offered by Zambia's mineral resources, and the passing of a new mining act in 1995 persuaded Caledonia to seriously investigate that potential: within a year a total of five licenses for mineral exploration were granted, covering approximately 5,500 sq. km. Zambia's mining ministry receives good reviews from Caledonia and other Canadian mining companies for its professionalism and its eagerness to attract international investment.

Although the infrastructure in the main mining areas is quite developed, during 1996 the company built a 40 km gravel road to access the Nama area (employing over 300 local people) and it regularly employs about 150 Zambians and 5 foreign staff. To show its support for the local police, Caledonia donated communications equipment to beef up security in the Copperbelt Province which shares a border with Zaire.

By early 1997, Caledonia's exploration operations over its vast license areas led to a number of promising discoveries. A vast cobalt deposit in oxide form at the 180 sq. km Nama license area – a nearly 1 billion tonne resource with a grade estimate of 0.029% cobalt equivalent – is of low grade but near the surface. Metallurgical test work and pre-feasibility studies for production are underway. Another license area, Kadola, looks promising in terms of copper and cobalt, and in May 1997 Caledonia signed a letter of intent with Cyprus Amax Zambia Corporation, a subsidiary of Denver-based mining giant Cyprus Amax Minerals, to finance further exploration in that license. (Cyprus is also the first foreign company to have its bid accepted as part of the ZCCM privatization program, acquiring a conditional 80% stake in the Kansanshi copper mine in the Copperbelt.) Also in the Kadola region is the Eureka copper-gold prospect.

Joint ventures are common in the mining business and Caledonia remains open to future partnerships to explore and develop its other Zambian properties. While African mining activities and potential are gradually becoming as accepted in North American investment circles as European circles, raising money for any overseas mining venture will likely be more difficult in Canada after the Bre-X fiasco. Joint ventures with experienced companies can be an important way to ensure exploration and development work can continue, and this can increase investor confidence along the way.

Down the road, Caledonia is optimistic that Zambia will become a major component of its production and profit base.

**SIGMA** (formerly Canac Telecom), a leading edge telecommunications software company based in Toronto, signed a contract with Zambia's national telecom provider, Zamtel, in 1996 and is currently implementing it. The contract is purely commercial, without financing from development agencies or IFIs. Sigma's contract with Zamtel is evidence of the opportunities beckoning in the region for hi-tech Canadian firms willing to consider new markets.

Sigma predominantly serviced North American telecom and banking clients before it purchased Canac Telecom from Canac International in 1996. Canac International sold its telecom division as it refocused efforts on its core transportation consulting business. Through this calculated acquisition, Sigma inherited international commitments in Africa and Europe, including the delivery of the Zamtel contract.

How any Canadian company ended up in the bidding process for the Zamtel work is another story entirely. Through TEMIC – the Telecommunications Executive Management Institution of Canada – Canada's telecom industry runs periodic professional seminars related to various aspects of the telecom business. Funded by corporate members and the Canadian government, TEMIC has opened doors for Canadian telecom companies across the globe. The seminars specifically address the needs of senior telecom managers, engineers, and officials from the developing world. It was at such a seminar in 1994 that a Canac Telecom presentation made a favorable first impression on Zambian telecom staff.

Shortly thereafter, with Zamtel needing to modernize its telephone billing capability, Canac was invited to respond to a Request for Quotations in early 1995. After extensive evaluations of the technical and financial submissions of a number of companies, Canac was awarded the project and negotiations began to finalize the contract to install the TELCASE Service Order and BIlling System. As with any large project there were obstacles to overcome in the negotiations: schedules were fine tuned, legal agreements needed to be reviewed and reworked by both company's lawyers, and financing details agreed and finalized. By February 1996 ink was put to paper with Zamtel and by the end of 1996 Sigma contracted with Canac to implement the Zamtel project.

With completion scheduled for mid-1997, the TELCASE Service Order and BIlling System now being installed will compliment the existing Zamtel computer network used to collect telephone toll traffic and modernize the processing through to customer billing and collection. The Zamtel staff are very capable and have a good understanding of computer systems as evidenced by their successful program of self maintenance on their existing hardware.

Technology transfer is always a significant issue when installing a computer system. To help with this transfer, Sigma is conducting training for Zamtel staff in train-the-trainer format. The training program will cover all segments including operating system, database management system, application software, hardware operations and end user training. In this way the fully trained trainers will be able to initially train the Zamtel end users, and also be available to conduct their own courses for any new staff or provide their own retraining courses where necessary.

For the Sigma staff, working in Zambia is a challenge due to the change in climate, food, culture and work environment. However, they have been welcomed by the management and employees of Zamtel who have provided assistance to Sigma whenever possible.

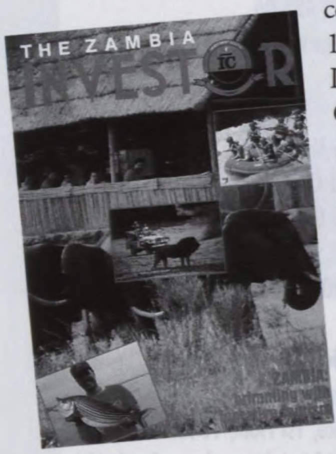
With a foot firmly planted in the region, Sigma is eyeing potential in Tanzania, Uganda, and Malawi, as well as elsewhere in Africa.

privatization, and other market liberalization efforts. Canadian companies like Noranda, Caledonia, Falconbridge, Teck, Indochina Goldfields, First Quantum, and Colossal Resources have either been involved in bidding on ZCCM assets or have other mining projects underway. A host of related suppliers and consultants – including Champion Road Machinery, McElhanney Consulting Services, Agra Earth and Environmental, and Albarrie Environmental Services – are also benefiting from the re-emerging mining sector.

One particularly interesting story is that of Vancouver-based Colossal Resources. In 1995 Colossal acquired a majority interest in not a mine or property, but 8.5 million tonnes of the Nkana Slag Dump. By purchasing 60% of Qasim Mining Enterprises, a private Zambian company that initially made the deal with ZCCM for access to the stockpile, Colossal secured what is probably the largest proven cobalt deposit in the world. Using modern processing methods at its new Kabwe Mineral Processing Plant, the company can extract both cobalt and copper from the slag left after 60 years of copper smelting in the area. To enable advanced processing Colossal purchased a company in South Africa and now operates a modern hydrometallurgical processing plant near Johannesburg.

### Lusaka Stock Exchange

Not nearly as highly capitalized as Johannesburg nor as active as Namibia, the youthful Lusaka Stock Exchange (LuSE) is still an important indicator of Zambia's increasing market orientation as well as a potentially important way to raise money or invest in privatized companies. Operational from 1994 with help from the International Finance Corporation and the World Bank, the LuSE's listed companies now include ZCCM, Rothmans, Standard Chartered Bank, Bata Shoes, Zambia Sugar, Zambia Breweries, and Trans Zambezi Industries. Listed companies receive an added benefit: corporate tax 5% less than the 35% standard rate. And unlike some other stock exchanges in Africa, there are no restrictions on foreign investment.




### Challenges & Opportunity

Zambia is making tough adjustments to make its economy more efficient and more attractive to foreign investors. Outside the mining and telecom sectors, however, the economy remains relatively small and unsophisticated. With continued assistance from IFIs and donors, the rehabilitation of infrastructure should help provide the groundwork for a growing economy and increasing employment. Inflation and interest rates, both running unacceptably high, are obstacles to local investment but access to foreign equity and loans can overcome this hurdle.

Opportunities exist not only for Canadian exports and investment in mining (exploration, production, and suppliers), but also in the energy, telecom, transportation, tourism, manufacturing, forest products, agri-business – including horticulture – plus the education, training and consulting service sectors. Recently, for instance, the Association of Canadian Community Colleges won a World Bank-funded consulting contract as part of the Zambia Education Rehabilitation Project.

## CONTACTS IN ZAMBIA

**Canadian High Commission**
PO Box 31313, Lusaka
Tel: (260-1) 250-833
Fax: (260-1) 254-176

**Zambian Investment Centre**
4th Floor, Ndeke House
PO Box 34580, Lusaka
Tel: (260-1) 255-241 / 43 Fax: (260-1) 252-130 / 33 / 52
Email: invest@zamnet.zm
Website: http://www.zamnet.zm/zamnet/zambus/zic/zichome.html

**Zambia Chamber of Commerce and Industry**
PO Box 30844, Lusaka
Tel: (260-1) 252-369
Fax: (260-1) 252-483

**Lusaka Stock Exchange Ltd.**
1st Floor, Stock Exchange Building, Cairo Road
PO Box 34523, Lusaka
Tel: (260-1) 228-391 / 537 / 594
Fax: (260-1) 225-969

**Ministry of Commerce, Trade and Industry**
PO Box 31968, Lusaka
Tel: (260-1) 22 83 01-09
Fax: (260-1) 22 66 73

**Zambia Privatization Agency**
PO Box 30189, Lusaka
Tel: (260-1) 22 38 59
Fax: (260-1) 22 52 70

**Ministry of Finance and Economic Development**
PO Box 50062, Lusaka
Tel: (260-1) 250 544 / 254
Fax: (260-1) 252 915

**Zambia Revenue and Taxation Authority**
Revenue House
PO Box 35710, Lusaka
Tel: (260-1) 22 37 54 / 22 92 14-18
Fax: (260-1) 222 717

BRIEFING NOTE

# REFERENCE CENTRE

## HELPFUL CONTACTS IN CANADA:

**Canadian Government Website:**
http://canada.gc.ca

**Industry Canada Business Website:**
http://strategis.ic.gc.ca

**Agriculture and Agri-Food Canada, International Markets Bureau**
Tel: (613) 759-7632
Fax: (613) 759-7506
http://aceis.agr.ca

**Alliance of Manufacturers and Exporters Canada**
http://www.the-alliance.org

**Export Development Corporation**
Tel: 1-800-532-2220
http://www.edc.ca

**Canadian Commercial Corporation**
Tel: (613) 996-0034
http://www.ccc.ca

## OTHER CANADIAN DIPLOMATIC AND TRADE MISSIONS:

**African Development Bank Liaison Canadian Embassy**
B.P. 4104, Abidjan 01, Cote d'Ivoire
Tel: (225) 21-20-09
Fax: (225) 22-05-30

**Angola**
Mr. Allan Cain
Consulate of Canada
113 Rei Katyavala Street,
Luanda, Angola
Tel: (244-2) 34-83-71
Fax: (244-2) 39-34-45
Email: dwang@angonet.gn.apc.org

**Botswana**
Ms. Debra Leonard
Consulate of Canada
PO Box 1009, Gaborone, Botswana
Tel: (267) 30-44-11
Fax: (267) 30-44-11

## RELEVANT ONLINE INFORMATION:

http://mbendi.co.za
http://www.sadcexpo.com
http://www.worldbank.org
http://www.africaonline.com
http://www.zamnet.zm
http://www.zimweb.com
http://www.iafrica.com
http://www.republicofnamibia.com

You can access all these links (and more) directly from the AfriCan Access website: http://www.africanaccess.com

**Ethiopia**
Canadian Embassy
Old Airport Area,
Higher 23, Kebele 12, House No. 122,
Addis Ababa, Ethiopia
Mail: PO Box 1130,
Addis Ababa, Ethiopia
Tel: (2511) 71 30 22
Fax: (2511) 71 30 33

**Lesotho**
Mr. Zalisiwonga Mini Bam
Consulate of Canada
Maseru Book Centre Kingsway, 1st Floor
Maseru, Lesotho
Mail: PO Box 1165
Maseru, Lesotho
Tel: (011-266) 325632
Fax: (011-266) 316462

**Madagascar**
Mr. Serge Pierre Lachapelle
Consulate of Canada
c/o QIT-Madagascar Minerals Ltd.
Villa Paule Androhibe, Lot II-M62C
Antananarivo 101, Madagascar
Mail: PO Box 4003
Antananarivo 101, Madagascar
Tel: (261-2) 425-59 / 423-22
Fax: (261-2) 425-06
Email: qmmtnr@bow.dts.mg

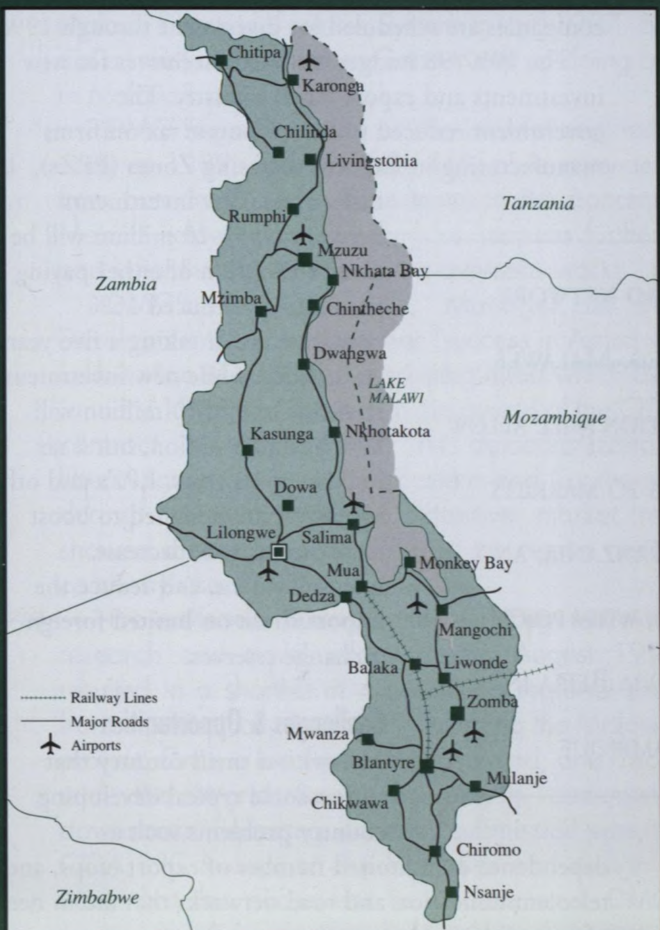
**Mauritius**
Mr. Philippe Marc Birger
Consulate of Canada
c/o Blanche Birger Co. Ltd.
PO Box 209, Port Louis, Mauritius
Tel: (230) 208-0821 Fax: (230) 208-3391

**South Africa**
Canadian Trade Office
Cradock Place, 1st Floor, 10 Arnold Street,
Rosebank 2196, Johannesburg, South Africa
Mail: PO Box 1394, Parklands 2121,
Johannesburg, South Africa
Tel: (27-11) 442-3130
Fax: (27-11) 442-3325
Email: jburg@pret01. x400.gc.ca
Website: http://www.canada.co.za

**Uganda**
Mr. Donald Campbell
Consulate of Canada
4 Ternan Avenue (off Sezibwa Road)
Nakasero, Kampala, Uganda
Mail: PO Box 20115, Kampala, Uganda
Tel: (256-0) 41 258-141
Fax: (256-0) 41 234-518
Email: cancons@starcom.co.ug

**Zimbabwe**
Canadian High Commission
45 Baines Avenue, Harare, Zimbabwe
Mail: PO Box 1430, Harare, Zimbabwe
Tel: (2634) 733-881 Fax: (2634) 732-917

# MALAWI




| | |
|---|---|
| **Official Name:** | **Republic of Malawi** |
| **Area:** | **118,484 sq. km** |
| **Population:** | **11 million (1997 est.)** |
| **Pop. Growth:** | **3.3%** |
| **Official Languages:** | **English and Chichewa** |
| **Int. Organizations:** | **UN, Commonwealth, OAU, ADB, ACP-EU Lome Convention, SADC, COMESA, MIGA** |
| **GDP Growth:** | **10.3% (1996 )** |
| **Debt:** | **US$1.8 Bn (1993)** |
| **Currency:** | **Malawi Kwacha (K)** |
| **Forex:** | **$1 Canadian = 11.1 kwacha (July 1997)** |
| **Inflation:** | **7% (1996)** |
| **Agriculture:** | **approx. 50% of GDP/80% of labour force** |
| **Main Exports:** | **Tobacco, tea, sugar, beans, peas** |
| **Main Imports:** | **Petroleum products, capital equipment, industrial inputs, consumer goods** |
| **Telecom:** | **<1 mainline per 100 people<br>Cellular system operational** |

Malawi, popularly known as the Warm Heart of Africa on account of its friendly and hospitable people, is bordered by Tanzania to the North, Mozambique to the East and South-West, and Zambia to the West.

The general elections in May 1994 marked an end to three decades of one party rule, and ushered in both a new Constitution and a democratically elected government. The Constitution of a modern democratic Malawi guarantees its 11 million people all fundamental human rights and freedoms.

The United Democratic Front (UDF) government, which is headed by His Excellency President Bakili Muluzi, has implemented a wide range of bold economic policies to good effect. In 1995 real gross domestic product (GDP) grew by 9.0 per cent; reversing the decline of 11.6 per cent recorded in 1994. In 1996 the economy registered unprecedented growth of 10.3 per cent. Prospects for 1997 look good.

However, the Government realizes that a vibrant private sector is a sine qua non for sustainable social economic development. In this regard, promotion of foreign investment is, therefore, not an option but an imperative and a top priority. To this end, the Government has put in place a comprehensive and competitive package of investment incentives and tax concessions which confer far-reaching comparative advantage on foreign investors (for details please contact the nearest Diplomatic Mission for Malawi). Investing in Malawi is indeed a "Smart Choice".

I invite you to visit Malawi, a country of unparalleled and wondrous beauty. While there, after relaxing on the golden sands of Lake Malawi and enjoying the breathtaking panoramic vista from Nyika and Zomba Plateaux, may I suggest that you take full advantage of the excellent trade and investment opportunities.

B.M. Msaka, High Commissioner

Malawi High Commission
7 Clemow Avenue, Ottawa, Ontario K1S 2A9
Tel: (613) 236-8931 Fax: (613) 236-1054

# MALAWI

In a continent of tremendous beauty and infinite tourist attractions, Malawi possesses its own spectacular allure. South African newlyweds, among others, flock to the shores of Lake Malawi to honeymoon, attracted by the landlocked country's 500 km of lake front, friendly population, immense range of wildlife, and reasonable prices.

Politically stable and democratic, Malawi remains one of the most agriculturally-dependent economies in Sub-Saharan Africa, with tobacco, tea, and sugar accounting for well over 80% of export earnings. However, the new government has attempted to reverse this overdependence on agriculture by improving the climate for business, revitalizing and diversifying its economy, and attracting foreign investment. To date, Canadian trade and investment in Malawi has been limited, but Canadian companies in particular are invited to explore Malawi's emerging opportunities.

AS THE ROAD NETWORK IS ENHANCED, MALAWI'S CENTRAL LOCATION WILL ALLOW EASY ACCESS TO MARKETS IN ZAMBIA, TANZANIA, AND ZIMBABWE, WITH PORT FACILITIES VIA BEIRA IN MOZAMBIQUE

## Investment Promotion, Privatization, & Incentives

Malawi has pursued a series of World Bank/IMF reform programmes since the early 1980s, with a new Economic and Structural Reform Programme in effect from 1995 through 1998. Over the last two years alone, the government of President Muluzi abolished controls on prices, imports, and foreign exchange, and it continues working towards tighter fiscal discipline. Consequently, economic growth in 1996 surpassed 10%.

The Malawi Investment Promotion Agency (MIPA), with World Bank support, compiled an extensive blueprint and reference guide in 1994 outlining all the steps and approvals necessary during the investment process. "Roadmap: a guide to the investment process in Malawi" is available from the High Commission in Ottawa or MIPA directly.

A Privatization Commission continues the process of divesting state-owned enterprises in sectors ranging from tourism, aviation, and financial services to agriculture and packaging. Up to 80 additional companies are scheduled for divestment through 1998.

The 1997/98 budget included incentives for new investments and export-based industry. The government reduced to 0% corporate tax on firms manufacturing in Export Processing Zones (EPZs). In other areas, new investments between US$5-10 million will be given the option of either paying a permanently reduced 15% corporate tax or taking a five year tax holiday, while new investments in excess of US$10 million will have a similar option, but a tax holiday of 10 years. EPZs and other incentives are designed to boost local production, decrease unemployment, and reduce the import strain on limited foreign exchange reserves.

## Challenges & Opportunities

Malawi is a small country that suffers some typical developing country problems such as dependence on a limited number of export crops, and telecommunication and road networks that are in need of attention.

However, within these drawbacks – addressed in a 1997 World Bank report on "accelerating growth in Malawi" – are found opportunities. International Financial Institutions (IFIs) and development agencies continue to fund projects as Malawi successfully liberalizes its economy. For instance, the road infrastructure is currently being improved with European Union and World Bank assistance for maintenance, rehabilitation, and expenditure management. As the road network is enhanced, Malawi's central location will allow easy access to markets in Zambia, Tanzania, and Zimbabwe, with port facilities via Beira in Mozambique. Water and power infrastructure, also in need of upgrading, is another key area of IFI activity.

The telecommunications sector is ready for revamping due to increasing demand: a new cellular system is taking some of the load off the constrained land-line system and better internet connectivity is in

**DESIGN MANAGEMENT GROUP** (DMG), an engineering consulting firm based in Gander, Newfoundland, successfully completed a CIDA INC-funded feasibility and preliminary design project for Malawi's National Water System in mid-1997. But how did a small company from Gander end up doing business in Malawi?

DMG began focusing on the international market as early as 1989, and now fully 46% of its revenue comes from outside Canada. Experience in the Bahamas and Mexico helped pave the way for ventures further afield and whet the appetite for more overseas work.

DMG's Terry Parson's, Manager of Business Development, emphasizes that "success in Africa was the culmination of a focused marketing effort which began in January 1995 and resulted in the award of the CIDA INC contract in May 1996." As democratization and liberalization swept across Eastern and Southern Africa during the early 1990s, extensive market research showed a number of countries in the region needed the company's services.

Project leader Suzanne Hurley, P.Eng, led exhaustive research and travel efforts during August 1995 that resulted in a shortlist of 4 promising regional projects – from a preliminary list of 22 – including the Malawi water project. Once a local partner was found, and discussions with the World Bank showed its commitment to downstream financing, a formal submission was made to CIDA INC to support the feasibility and design phase. Now that this phase has been completed, DMG is in position to play a major role during implementation.

"Working with CIDA INC, CIDA Bilateral, the Trade Commissioner Service, and the IFIs has provided DMG with the additional background necessary to tackle the international marketplace," says Hurley. Professionalism, focus, extensive market research, and knowledge of the region are all necessary precursors, however, to benefiting from the services and programs of CIDA, DFAIT, and IFIs.

And what about working in Malawi? DMG staff have nothing but good things to say about their local partner and the National Water Department, and Hurley adds "there is a general feeling that the country has tremendous potential, as indeed do a number of surrounding countries."

As the company prepares to implement its feasibility and design work, DMG's commitment to market research has definitely paid off.

the offing. In fact, the Commercial Bank of Malawi recently introduced some online banking services, the first Malawian institution to do so.

Other areas of emerging opportunity include the mining sector – with reserves of coal, bauxite, graphite, uranium, vermiculite, phosphates, and glass sand, etc., almost completely undeveloped – tourism, and export-oriented agri-food processing and manufacturing.


## CONTACTS IN MALAWI:

**Honourary Consul for Canada**
**Mr. Kassam Okhai**
**Accord Centre, Kamuzu Highway**
**PO Box 51902**
**Blantyre-Limbe**
**Tel: (265) 645-441**
**Fax: (265) 645-004 / 652-298**

**Malawi Investment Promotion Agency**
**Aquarius House**
**Private Bag 302**
**Lilongwe 3**
**Tel: (265) 780-800**
**Fax: (265) 781-781**

**Malawi Development Corporation**
**MDC House**
**PO Box 566**
**Blantyre**
**Tel: (265) 620-100**
**Fax: (265) 620-584**

BRIEFING NOTE

# MOZAMBIQUE & ANGOLA

Over the past twelve months the governments of Mozambique and Angola have made significant progress to advance peace and economic stability. There is little doubt the two former Portuguese colonies will play a vital role in the economic growth of Southern Africa.

The installation of a Unity and National Reconciliation Government in Angola, sworn in on 11 April 1997, has cleared the way for many foreign companies to enter the market and embark upon investment projects. In anticipation of a political settlement, numerous foreign mining houses, including Canada's SouthernEra Resources and DiamondWorks, have already commenced operations. The showcase Catoca diamond project, involving Brazilian and Russian companies and scheduled to go into production this year, is set to earn the Angolan government huge revenues.

Underpinning the country's economy is the petroleum industry. Having come through many years of conflict relatively unscathed, this sector is set for remarkable growth. Production is currently at 550 000 barrels per day. Test results carried out by Elf Aquitaine of France on the recently discovered Girassol Field are leading analysts to believe the find could become the country's most productive single deep-water well. Industry experts estimate reserves in excess of one billion barrels.

However, decades of war have left much of the population in a state of poverty. The impending return of 300 000 refugees, a collapse of essential infrastructure in all major cities, and an almost non-existent manufacturing sector are immediate problems facing the new government.

In the case of Mozambique, political stability and sound fiscal governance has seen the country attain macroeconomic stability. During his February 1997 visit to Mozambique, World Bank President James Wolfensohn described the country's progress as remarkable. The Bank, which has a substantial operations portfolio for Mozambique, approved its third economic recovery credit of US$100 million in February. World Bank projects in the health, education, and transport sectors have attracted many major international contractors and consultants to bid for lucrative contracts. The proximity of Mozambique has made the country a priority for many South African companies.

The success of Mozambique's privatization programme is seen as a model for other African states pursuing free market economics. Over four hundred state enterprises have undergone privatization since Mozambique embarked upon a Structural Adjustment Programme in 1987. Receiving much media attention at present is the impending establishment of a 245 000 tonnes per year aluminium smelter on the outskirts of the capital city Maputo, with Canadian engineering giant SNC Lavalin likely playing a major role. The project is regarded as pivotal to boosting economic activity within the Maputo Corridor, a geographic belt extending into South Africa. The Pande Gas Development, spearheaded by the US company ENRON, is also regarded as a landmark project.

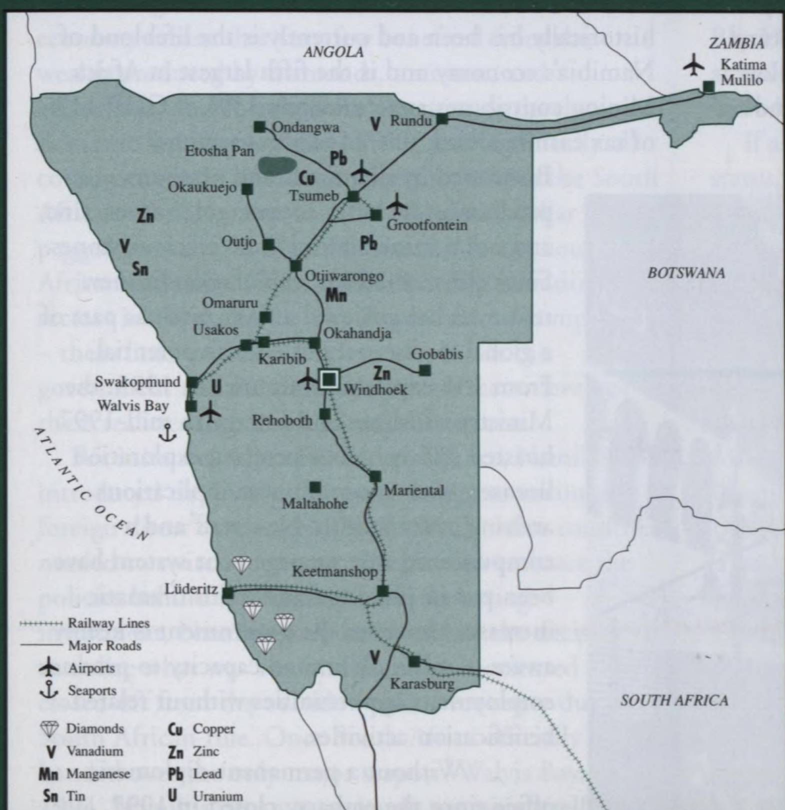
A strong international presence in both Mozambique and Angola confirms the wide-spread interest these markets are attracting. Although excessive bureaucracy and an unfamiliarity with language and business practices may deter certain companies, the opportunities cannot be ignored.

By Andrew Maggs

*Andrew Maggs is head of THE AFRICA DESK, a private consultancy specializing in the provision of foreign market business intelligence. The firm is represented in Maputo (Mozambique) and Luanda (Angola) and offers a dedicated service to track business opportunities in these markets.*

*Tel: (27 11) 442-4714 Fax: (27 11) 447-6097*
*Email: amaggs@iafrica.com*

# NAMIBIA




| | |
|---|---|
| **Official Name:** | **Republic of Namibia** |
| **Area:** | **824,269 sq. km** |
| **Population:** | **2 million (1994 est.)** |
| **Pop. Growth:** | **3.0%** |
| **Official Language:** | **English** |
| **Int. Organizations:** | **UN, Commonwealth, OAU, ADB, ACP-EU Lome Convention, SADC, COMESA, SACU, CMA, MIGA** |
| **GDP Growth:** | **2.6% (1996)** |
| **Debt:** | **US$693.4 million (1996)** |
| **Currency:** | **Namibian Dollar (N$) / Pegged to SA Rand** |
| **Forex:** | **$1 Canadian = 3.3 N$ (July 1997)** |
| **Inflation:** | **8% (1996)** |
| **Agriculture:** | **<10% of GDP / 33% of labour force** |
| **Main Exports:** | **Diamonds, uranium, copper, fish products, beef, farm products** |
| **Main Imports:** | **Machinery, transport equipment, industrial inputs, consumer goods** |
| **Telecom:** | **4.5 mainlines per 100 people<br>Cellular system operational** |

Namibia is a young country that became independent in 1990. Canada supported the goal of independence through the United Nations prior to the transitional period of 1989-90, and sent a contingent of peacekeepers and police to assist during our first democratic elections. Now, we invite Canadian companies to explore what we have to offer.

Namibia enjoys economic and political stability, world class infrastructure of every type including a modern and efficient harbour, and a state-of-the-art fibre optic telephone network supported by a growing cellular telephone system. The economy is firmly based on free enterprise and private initiative and the government regards the private business sector as the engine of economic growth.

With this in mind, an economic policy framework has been designed to stimulate private sector development by continuous improvement of the fiscal regime, provision of an attractive incentives scheme and Export Processing Zones, upgrading of the port of Walvis Bay, and the creation of industrial and SME parks to energize commercial and industrial activity.

Namibia is also a large country that is home to several phenomenal natural attractions – ranging from the world's oldest desert, the Namib, to spectacular game reserves like Etosha Park – and room exists for quality improvements in tourism services as the government looks at commercializing resorts.

Other specific sectors of opportunity include water and energy – especially as the availability of water is a constant concern – value-added manufacturing, agricultural and fish processing, oil and gas exploration, low-cost housing, and telecommunications.

We invite you to visit and invest in Namibia, a vast land of tremendous opportunities.

Embassy of the Republic of Namibia
1605 New Hampshire Ave. N.W.
Washington, D. C. 20009
Tel: (202) 986-2007 Fax: (202) 986-2042

# NAMIBIA

Namibia is a young, large, hot, and mostly dry country with massive mineral and other natural resources. Its small population of about two million people is clustered mostly in a few large towns and along the northern border with Angola. Socio-politically speaking, Namibia operates one of the most modern and progressive constitutions in the world and is known for its political stability and openness. Its economy is robust and growing, its fiscal direction is predictable, its infrastructure is well developed and acts as a gateway to Southern Africa, and recent government efforts to foster economic diversification and foreign investment are bearing fruit. Namibia, by all accounts, has made the right choices since independence in 1990.

*Namibia's capital, Windhoek, is a modern, growing city catering to both international business and the tourist trade.*

Emphasis is currently being placed on export manufacturing, mining, and tourism, and it is hoped the maturing Namibian Stock Exchange will spark increased investment in commerialized state enterprises and new issues. These sectors should produce more formal sector employment and provide the long-term foundation for sustained economic growth. They also offer exceptional opportunities.

Mining is of particular importance. Though in relative terms a sector in decline, the mining sector historically has been and currently is the lifeblood of Namibia's economy and is the fifth largest in Africa. Mining contributes approximately 13% of GDP, 11% of tax earnings, and 50% of export earnings.

Buttressed by diamonds and uranium, production includes copper, gold, silver, zinc, and other minerals and semi-precious stones. Since the mid-1990s, exploration for new resources has achieved a fever pitch as part of a global re-discovery of Africa's potential. From 135 exploration licenses in 1995, the Ministry of Mines and Energy in mid-1997 boasted 385 issued or pending exploration licenses, with about 20 new applications arriving every month! New staff and a computerized title management system have been put in place to handle this dramatic increase. However, the government is keenly aware of mining's limited capacity to produce employment opportunities without related benefication activities.

Without a permanent diplomatic office since the embassy closed in 1992, Canada is not a major player in Namibia, but neither is Canada a stranger. It actively participated in the process that lead to independence and then contributed soldiers, police, and observers to the United Nations Transitional Assistance Group that supervised the first elections and the handover from South African administration to the newly elected government of the South West African Peoples Organization. The new CABSA programme of the Alliance of Manufacturers and Exporters Canada (see the CABSA profile on the inside back cover) maintains a Namibia office, and OXFAM Canada is well established, with an office in Windhoek supporting their CANAMCO activities in the northern Kavango region. A small number of Canadian companies have discovered Namibia and have either committed resources, as Ranger Oil and Namibian Minerals Corporation have done, or have just begun to examine opportunities there.

## Investment Promotion, Incentives, & Privatization

Namibia became independent under rather unique circumstances and inherited an economy integrated with, and controlled by, South Africa. On the one hand, due to economic integration and South African security considerations, Namibia's infrastructure was first rate in 1990 and has only improved since. On the other hand, Namibia's South African-controlled economy meant that very few benefited from the wealth produced by diamonds, uranium, and agriculture, and there was no incentive to develop domestic industry as South Africa provided nearly all consumer goods. Although strong links with the South African economy remain – the Namibian dollar is still pegged to the rand, Namibia remains in the Southern African Customs Union, and ownership in various sectors is still dominated by South African companies – these links are less a hindrance today as the government and the domestic private sector leverage these realities into new pathways to success.

For instance, right after independence, Namibia introduced the Foreign Investment Act to encourage foreign direct investment (FDI). While other countries needed to switch economic direction to embrace the policies behind liberalization and attracting investment, Namibia only had to make the decision to actualize what was a nominally market-oriented – but closed-off from the outside world – economy during South African rule. Once South Africa officially handed over the only major seaport, Walvis Bay, in 1994, Namibia began to seriously promote itself and become a major contender for FDI.

The Namibia Investment Centre is on the frontline of these promotion efforts. As a division of the Ministry of Trade and Industry, the Centre is designed as a "one-stop shop" for potential investors, acting as intermediary between investor and government as well as between foreign and domestic private sectors. It also publishes a series of helpful periodicals plus the comprehensive *Business Guide to Namibia.* (A private sector publication, the annual *Namibia Trade Directory*, is another excellent source of information and contacts.) The Centre has specific responsibility for Status Investment Certificates, incentive packages, and immigration status for investors. (The Centre also likes to point out that Namibian productivity is higher than South Africa's and increasing at a faster rate.)

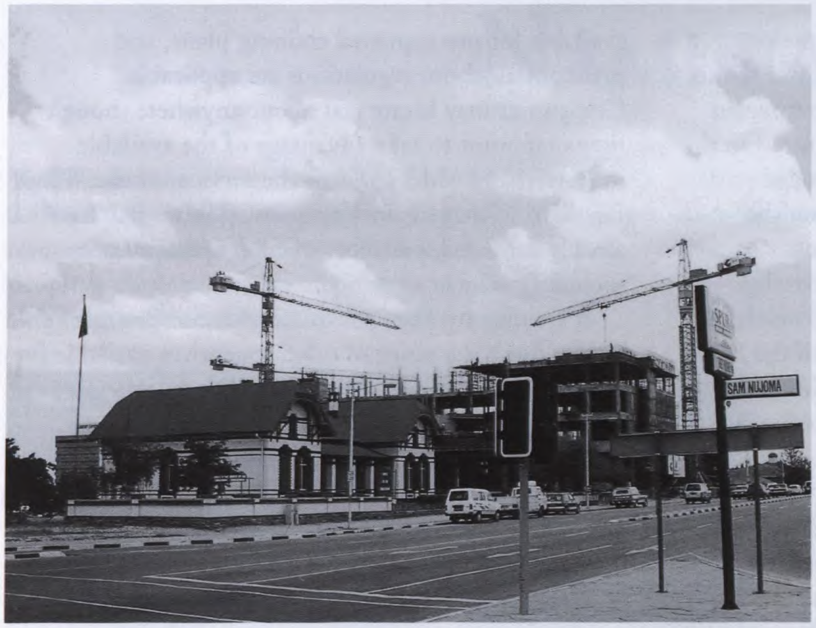
Namibia's incentive schemes for investors, whether domestic or foreign, are extensive. For example, the Export Processing Act (1995) provides qualified exporters with benefits of unlimited duration including exemptions from corporate tax, import duties on inputs, sales taxes, and stamp and transfer duties. Generous training grants from government are available for pre-approved training plans, and preferential labour regulations are applicable. Companies may locate just about anywhere though they may want to take advantage of the available industrial and SME parks or the services of the Walvis Bay EPZ Management Company. (Walvis Bay has already attracted a number of EPZ operations, including vehicle assembly.)

If a company does not qualify for nor desire EPZ status, there is a range of other incentives available for manufacturers and exporters. These incentives include tax holidays, training and building allowances, exemptions on inputs and capital equipment, and for exporters, additional tax deductions related to the costs of exporting. Regional development incentives may also be available.

In much of Africa, privatization is seen as a driving force in previously state-dominated economies. Namibia is divesting many of its state holdings, though this sector was never as dominant as elsewhere. Those entities that can "go it alone" – such as tourist facilities – are sold or leased. Other public sector enterprises operate on a commercial basis without funding from government and, when profitable, contribute dividends to the Central Revenue Fund. As commercialization and divestment proceeds, the Namibian Stock Exchange (NSE) should benefit as it provides an appropriate mechanism for attracting both local and foreign investors.

## Namibian Stock Exchange

Nestled discreetly on the ground floor of Kaiserkrone Centre, off Post Street Mall in Windhoek's Central Business District, the NSE reigns as the second largest stock market in Africa by capitalization. This is partly due to the many jointly listed companies that trade on the NSE as well as on one or more other stock exchanges. For example, Vancouver-based Namibian Minerals Corporation is listed on the NSE, the



*Construction sites are beginning to change the skyline of Windhoek*

Toronto Stock Exchange, and in the U.S.

Namibia has a very favourable regime for foreign investors. There is neither capital gains tax nor marketable securities tax; the only special tax for foreigners is Non-Resident Shareholders Tax of 10% on dividends. There are also no restrictions on foreign investment (although foreigners need special permission if they wish to take control of a bank). The exchange has been fully computerized since its inception in 1992 and operates under internationally recognized trading rules. A partnership initiative between the government and private sector called EMERGE 2001 wants to further develop Namibia's capital markets as an engine to drive the country into the global "Top Ten" of emerging economies.

## Challenges & Opportunity

The biggest challenge Namibia faces is water, or rather, a lack of it. Periodic drought undercuts economic growth while even in normal years water availability remains a concern. This problem, however, presents its own opportunities: technology transfer, technical assistance, engineering, consulting, irrigation, desalination, and pipeline projects are areas of relevant Canadian expertise. Alternative energy sources, like solar, are also of interest throughout the country, especially for wells in remote places.

The second biggest challenge is one of northern development. The bulk of the population lives along the border with Angola, and unemployment and poverty are at their worst here. OXFAM Canada has successfully assisted local people tackle problems of sustainable development and food security in the Kavango region for a number of years. Increasingly, private sector or community-based efforts, like those aimed at attracting eco-tourism revenue, are beginning to flourish. Often these groups are looking for international links to increase awareness and bookings. In fact, the current trend is to privatize the entire tourism industry, which could benefit from increased capacity and hence investment.

The government is targeting the north and other high unemployment areas with regional development incentives to attract EPZ or new manufacturing investment. As manufacturing and mineral processing expands throughout the country, the market for capital equipment (new and used) and industrial inputs will only grow.

In the energy, oil, and gas sectors, there are many opportunities. Electricity is currently generated by one coal-fired plant at Windhoek and one hydro-electric installation in the north, with connections to the South African and Zambian power grids for import purposes. There is hope that natural gas will be harnessed to supplant imports in the future. With oil and gas exploration setting a record pace, and a new round of licensing to begin next year, Namibia may become a net energy and oil exporter within a decade or two. (Mining's importance and potential, previously discussed, needs no further introduction.)

In the agri-food and fisheries sectors, many local companies need international investment, technical, or marketing assistance to succeed. Fish and agricultural production and processing are growth industries with vast export potential, and Namibia itself may offer a limited market for Canadian packaged food exporters.

Telecommunications, construction (including suitable low-cost housing), education and training, EPZ-approved service industries like warehousing, and even franchising are some of the other sectors that should be considered as an export market, joint venture or direct investment possibility. While mining and agriculture still dominate the economy, diversification combined with efficient infrastructure could make Namibia the Atlantic gateway to and from the entire region.

NAMIBIA'S extensive mineral resources are widely known, but oil and gas production has not yet been part of the mix. Calgary-based **Ranger Oil** is among the international companies trying to fill that gap.

Ranger Oil has been active in Namibia since 1992 when it first acquired an offshore license area. Back in the 1970s the offshore Kudu natural gas field was discovered, and subsequent drilling by a number of companies over the last twenty years supports estimates of 2 to 4 trillion cu. ft. of reserves. The Kudu find, plus the extensive offshore oil fields in production from Angola to Gabon, indicates that Namibia's four large ocean basins could be hiding substantial oil and gas deposits.

Without a home-grown oil and gas sector to exploit this potential, Namibia needs to attract foreign investment for exploration activities. During the first four-year phase of off-shore licensing in 1992 Ranger was among companies like Shell, Chevron, and Norsk Hydro competing for prized though speculative license areas. As part of its global long-term strategy, Ranger seeks out areas for potential international expansion to complement its existing North American and North Sea production and reserves. Namibia, Angola, Algeria, and Cote d'Ivoire are all current Ranger prospects with tremendous potential.

How did Namibia end up on the radar screens of Ranger and other multinationals? After independence in 1990, Namibia's political stability, prudent economic policies, solid infrastructure, and vast oil and mineral potential combined to evoke the interest of many foreign companies. The closeness to Angola, a long-time major oil producer, did not hurt. As well, the regulatory environment was completely revamped and improved in 1991 with the passing of the Petroleum (Exploration and Production) Act and the Petroleum (Taxation) Act.

Ranger's first license area, after some preliminary work and one test well, did not prove promising enough to continue exploration efforts. But that did not prevent Ranger from acquiring three new blocks in the subsequent licensing round in September 1996. During the early part of 1997 work in these new areas included extensive seismic surveys. Once this phase is completed, a decision on where to drill the next test well can be made.

Operating in Namibia presents some challenges, such as the great distances involved and lack of a domestic oil and gas sector, but overall the Ranger office in Windhoek views Namibia as not a particularly difficult country to work in. Telecommunication and transportation links domestically and to the outside world are very reliable – Walvis Bay is an expanding and efficient port facility that can support offshore activities – the business language is English, the government is stable, the court system works, and, lastly and perhaps most importantly, the Ministry of Mines and Energy gets high marks for its approachability and support for international investment.

## CONTACTS IN NAMIBIA:

Note: The Canadian Trade Office in Johannesburg (see page 22) officially handles Canada's business interests in Namibia. An Honorary Consul will eventually be appointed in Windhoek. The coordinates for the Namibia office of CABSA can be found on the inside back cover.

Namibia Investment Centre
Ministry of Trade & Industry
Private Bag 13340
Windhoek
Tel: (264-61) 229933
Fax: (264-61) 220278

Offshore Development Company
Private Bag 13397
Windhoek
Tel: (264-61) 239032
Fax: (264-61) 231001

Namibia Stock Exchange
PO Box 2401
Windhoek
Tel: (261-64) 227647
Fax: (261-64) 248531
http://www.nse.com.na

Namibia National Chamber of
Commerce and Industry
PO Box 9355
Windhoek
Tel: (264-61) 228809
Fax: (264-61) 228009

The Chamber of Mines of Namibia
PO Box 2895
Windhoek
Tel: (264-61) 237925
Fax: (264-61) 222638

# DFAIT

*The Department of Foreign Affairs and International Trade (DFAIT) – through its Eastern and Southern Africa Division, overseas missions, and information services – can help your business access opportunity in Africa.*

As the lead federal department responsible for Canada's international business development, DFAIT operates and maintains the Trade Commissioner Service. Trade Commissioners and locally-engaged Commercial Officers assist Canadian firms in Africa by providing market information and intelligence, facilitating access to contacts and business opportunities, and generally promoting Canadian business interests.

## Trade Commissioners and You

If you are new to exporting, or want to find out about trade services offered by DFAIT, the first step is to contact the Trade Commissioner in the International Trade Centre (ITC) nearest you. There are centres in each of the 10 provinces. For more specific information on a country in the region, contact one of the Trade Commissioners in the Eastern and Southern Africa Division of DFAIT in Ottawa. The Division produces "Market Opportunity Guides" on key sectors, is aware of and involved in relevant missions and trade shows, and can direct you to other contacts and information sources as required. Remember that the Trade Commissioner is your ally, confidant, and advisor. All company or market information shared with him or her is commercially confidential.

Once you have identified markets of interest, you may then wish to contact the Trade Commissioners or Commercial Officers based abroad. Services can be provided to clients in support of export promotion, tourism, foreign direct investment, and technology transfer in the following categories: market information and intelligence; advice and counsel on foreign markets; partnering and matchmaking; advocacy with foreign governments and business on the clients' behalf; and, selecting and organizing trade, investment, and tourism events.

## Information Services

DFAIT provides a whole range of information support services through its InfoCentre (see box). As well, its WIN Exports computer database of Canadian exporters and their capabilities is used daily by Trade Commissioners to acquire information about Canadian exporters in order to respond quickly to inquiries from prospective foreign buyers. To register in WIN Exports, contact your nearest ITC or call the Department's InfoCentre at 1-800-267-8376, or (613) 944-4000.

DFAIT's bimonthly newsletter, *CanadExport*, is available in both print and electronic formats. Electronically, *CanadExport* can be accessed as an on-line, daily updated publication or an Email edition to electronic subscribers. *CanadExport* is distributed to some 40,000 Canadian subscribers, particularly SMEs, informing them of new trade and investment opportunities, programs and services for Canadian exporters, upcoming trade fairs and missions, trade-related publications, and export successes and winning strategies. During 1996, supplements in *CanadExport* focused on SADC, South Africa, and Zimbabwe.

DFAIT wants you to take advantage of emerging business opportunities in Eastern and Southern Africa, and its Trade Commissioners and Commercial Officers (both at home and abroad) are ready to work with you.

**Eastern and Southern Africa Division (GAA) - DFAIT**
**125 Sussex Drive, Ottawa, Ontario K1A 0G2**
**Tel: (613) 944-6589 Fax: (613) 944-7437**

### DFAIT INFOCENTRE

InfoCentre is an information, reference, and consultation service for Canadian exporters, companies interested in international markets, and anyone interested in Canadian foreign policy. Email: sxci.extott@extott09.x400.gc.ca

**1. Call Centre Hot-line/Walk-in Centre:**
Call 1-800-267-8376 (613-944-4000 in the Ottawa/Hull region), or fax (613) 996-9709. Provides information on trade and foreign policy.

**2. FaxLink Domestic:** (613) 944-4500
**FaxLink International:** (613) 944-6500
Clients must call from a fax machine and interact with the system using the touch-tone key pad on their fax.

**3. Website:** http://www.dfait-maeci.gc.ca

# IDRC

*A Canadian link to business in Eastern and Southern Africa.*

The International Development Research Centre (IDRC) was created by the Parliament of Canada to help developing countries find solutions to their social, economic, and environmental problems through research and information programs. Since its creation in 1970, IDRC has managed more than $1.5 billion in support of some 5,000 projects in over 100 countries. The Centre's funding comes from an annual Parliamentary grant, co-funding of projects with other international development donors, and managing research projects or providing services for other organizations. IDRC is also promoting the commercialisation of technologies in order to bring the results of IDRC-supported technical research to the market.

IDRC is pursuing new partnerships with the private sector. For Canadian businesses interested in opportunities in Eastern and Southern Africa, IDRC's network of contacts and its experience in working in the region can help pave the way.

## Key Sectors of Activity

IDRC offers a comprehensive menu of scientific, managerial, and information services in six core areas: Environmental Management and Water, Protection of Biodiversity, Food Systems, Economic Management, Small Enterprise Development, and Information and Communication Technologies.

To all the projects it undertakes, IDRC applies the expertise of its full-time staff – a multilingual team of more than 60 respected scientists and managers with broad experience in applied physical, social, life, and information sciences. Where necessary, additional qualified personnel are recruited from among the Centre's network of partner organizations. IDRC's "field presence" in regional offices in Nairobi and Johannesburg ensures strong local support for its projects.

Research networks and personal contacts have always been key components of IDRC's work overseas. Over the years, IDRC has set up dozens of research networks and centres in the social and natural sciences – the International Centre for Agro-Forestry Research in Nairobi, Kenya, for example. The Centre also administers a number of Secretariats with headquarters in Africa. Through its research support program, IDRC has established strong working relationships with many of the region's researchers, policy experts, and private industries.

IDRC offers a range of services including:

- planning/management of large international research projects
- project set-up, direction, monitoring and evaluation
- coordination of human resources
- technical assistance in areas of sectoral competence
- tracking issues in developing countries and emerging economies
- identification/referral of local experts/decision-makers
- development, coordination, and management of international information networks

## Examples of IDRC's Partnership Approach

ACACIA, a five to twenty-five year effort to empower sub-Saharan communities with the ability to appropriate and adopt information and communication technologies (ICTs) to meet their own social and economic development, is an example of IDRC's approach. Acacia will finance activities in partnership with African communities, international donors and foundations and the Canadian and international private sector. Many organizations already support projects related to ICT policies, infrastructure, technology innovations, and applications in Africa. What makes Acacia different is its integrated approach to these four areas, its community focus, and a key learning component. The Canadian private sector will play a significant role in Acacia. With acknowledged leadership in sectors such as information technology, telecommunications, resource management, finance, education and health care, Canadian companies recognize the long-term business benefits of developing entrepreneurial partnerships in Africa.

FOODLINKS is a market-oriented initiative within IDRC aimed at helping complete the food chain from producer to consumer in developing countries and in Canada. Canadian firms can gain access to new sources of supply offering unique and exciting food products. As well, Foodlinks can assist Canadian food processing and technology firms access rapidly growing markets in Africa and elsewhere.

**Aloin Berronger - Director, Business Development Office - IDRC**
**250 Albert Street - PO Box 8500 Ottawa, Ontario K1G 3H9**
**Phone: (613) 236-6163 Fax: (613) 238-7230**
**Email: bdo@idrc.ca Website: http://www.idrc.ca/business**

**IDRC Regional Office for Eastern and Southern Africa (EARO)**
**PO Box 62084, Nairobi, Kenya**
**Phone: (254-2) 713160/1, 713273/4 Fax: (254-2) 711063**
**Email: chunja@idrc.ca**

**IDRC Regional Office for Southern Africa (ROSA)**
**PO Box 477 WITS 2050 Johannesburg, South Africa**
**Phone: (27-11) 403-3952 Fax: (27-11) 403-1417**
**Email: mpillay@idrc.ca Acacia Contact: kwild@idrc.ca**

# CIDA INC

*The Canadian International Development Agency (CIDA), through its Industrial Cooperation Program (INC), provides a bridge between developmental needs and commercial opportunity*

Has your company discovered an opportunity in a developing country and found a suitable local partner or client? Does the project improve the host country's ability to provide basic human needs or infrastructure services, protect the environment or support private sector development? If you answered yes to these questions, CIDA INC may be for you.

CIDA INC encourages long-term, mutually beneficial business relations between the Canadian private sector and developing country partners by sharing the costs unique to doing business in a developing country. Upfront investments in training and measures that ensure a positive impact on the environment and social/gender conditions are key elements of successful, sustainable ventures in these countries. The cost-sharing idea is fundamental to the process, as the companies involved retain ownership of their projects and, if profitable in the early stages, some or all of the INC contribution may be repayable.

**Six priorities of Canada's official developmental assistance program:**

(1) Basic human needs
(2) Integration of women in development
(3) Infrastructure services
(4) Human rights, democracy and good governance
(5) Private sector development
(6) Environment

## Proposals, Companies, Countries

INC support is appropriate for projects that are sustainable, fulfill at least one of CIDA's developmental priorities (see sidebar), and meet a number of specific criteria, including:

• The applicant may be a single firm or the lead firm in a group and must be subject to corporate income tax, have been in business in Canada for at least three years, and have had annual sales of more than $1 million for at least two consecutive years;
• The applicant must hold the proprietary rights to the technology in question or have acquired the right to transfer it to a developing county;
• The applicant must have a track record in the services offered or in the manufacturing of the products for which the assistance is requested;
• The applicant must be prepared to assume part of the costs associated with enhancing the developmental benefits of its project.

The following countries of Eastern and Southern Africa are eligible for INC projects: Angola, Botswana, Comoros, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe. Companies as diverse as Design Management Group and Abegweit Seafoods (East Coast), SR Telecom (Quebec), Garland Commercial Ranges (Ontario), TransCanada Pipelines and Ocelot (Alberta), and ND Lea International (B.C.) have received INC support for projects in this region.

## Funding Mechanisms

There are two distinct INC funding mechanisms: investment and professional services. Investment is aimed at facilitating joint ventures in the manufacturing and services sectors, and proposals can be submitted at the viability study and project implementation stages. The professional services section is designed to assist consulting and engineering firms in the preliminary and implementation stages of capital projects.

CIDA INC is well acquainted with supporting African endeavours. A good portion of the 10,000 proposals (58% approved) received by INC since the program began in 1978 have involved Africa. In general, complete applications are evaluated within 12 weeks. Firms bidding on capital projects can apply for a Letter of Interest which, if appropriate, is issued within 72 hours. As part of its ongoing efforts to streamline the application process, INC has converted to an automated proposal system; to obtain an application diskette or further information, please contact CIDA INC at the coordinates below.

**Louis Verret, Program Manager - Africa & Middle East**
**CIDA INC**
**200 Promenade du Portage, Hull, Quebec K1A 0G4**
**Phone: (819) 997-2069 Fax: (819) 953-5024**
**Email: louis_verret@acdi-cida.gc.ca**
**WWW: http://www.acdi-cida.gc.ca**

# CABSA

*The Canadian Alliance for Business in Southern Africa (CABSA) can assist your company connect with a suitable partner in any one of four emerging Southern African countries: Botswana, Namibia, South Africa, and Zimbabwe*

During late 1996, the Alliance of Manufacturers & Exporters Canada – a not-for-profit organization with over 3000 key corporate members – launched CABSA to ensure Canadian companies can access opportunity in the quickly emerging Southern African region. This initiative builds on eight years of solid regional experience developed during two preceding programs.

With funding from CIDA INC, CABSA's primary objective is the transfer of Canadian technology, expertise, and capital to Southern Africa through the creation of long-term strategic business alliances (joint-ventures, licensing, franchising, training, or technical assistance agreements) between Canadian and Southern African firms. In addition, it analyzes and disseminates relevant investment information about the region and assists Canadian firms penetrate these growing markets.

## What CABSA Can Do For You

CABSA is first and foremost a business support service. It is designed to link compatible businesses in Canada and Southern Africa so a productive, profitable, and long-term business relationship can be forged. Because Africa is virgin territory for many Canadian firms, CABSA increases the comfort level of companies on both sides by evaluating project proposals and screening potential partners. And, best of all, there are no user fees.

In effect, whole new opportunities are opened up for internationally-oriented Canadian companies that may not have all the experience, knowledge, and resources necessary to initiate ventures in this region.

## Process & Eligibility

The first step for a Canadian company with a project idea is to contact the Canadian office and complete a *Promoter Questionnaire.* This enables CABSA to promote the project, mobilize potential Southern African partners through its local offices and networks, and assist the project promoter based on their specific needs and requirements. CABSA uses similar criteria as CIDA INC programming to assess applications from Canadian companies.

Projects are also initiated by African companies looking for partners, so there are always a number of active searches underway. Canadian companies without a specific project in mind may also want to be added to the CABSA database in case an attractive, relevant proposal originates from one of the four African offices.

## Areas of Opportunity

Canadian companies new to Southern Africa might not be aware of the varied opportunities needing their specific expertise, technology, or investment to become fully realized. While South Africa is understood as a sophisticated, multidimensional economy, the three other countries CABSA covers also contain a surprising diversity of sectoral opportunities.

Namibia, for instance, is known mostly for its mining industry, especially diamonds and uranium. But Namibia's government is pushing hard to diversify its industrial base, and a very attractive incentive scheme for manufacturers and exporters is in place and applicable to foreign partners. Other sectors of note include agriculture, ranching, fishing, telecom, and retail services. Botswana roughly mirrors Namibia's economy (minus the fishing), plus offers a well-capitalized business sector, an excellent fiscal record, and great incentive schemes for investors. Zimbabwe boasts the second most sophisticated, diversified economy in the region.

Within months of start-up, CABSA had 20 to 30 projects in the pipeline at various stages of the approval and partnering process.

A project of the
Alliance of Manufacturers & Exporters Canada

Paule Charest, CABSA Project Manager
19 Chemin du Ravin
Ste-Therese, Qc J7E 2T5
Phone: (514) 434-4196
Fax: (514) 430-5684
Email: paule.charest@sympatico.ca
Website for the Alliance of Manufacturers and Exporters Canada:
http://www.the-alliance.org

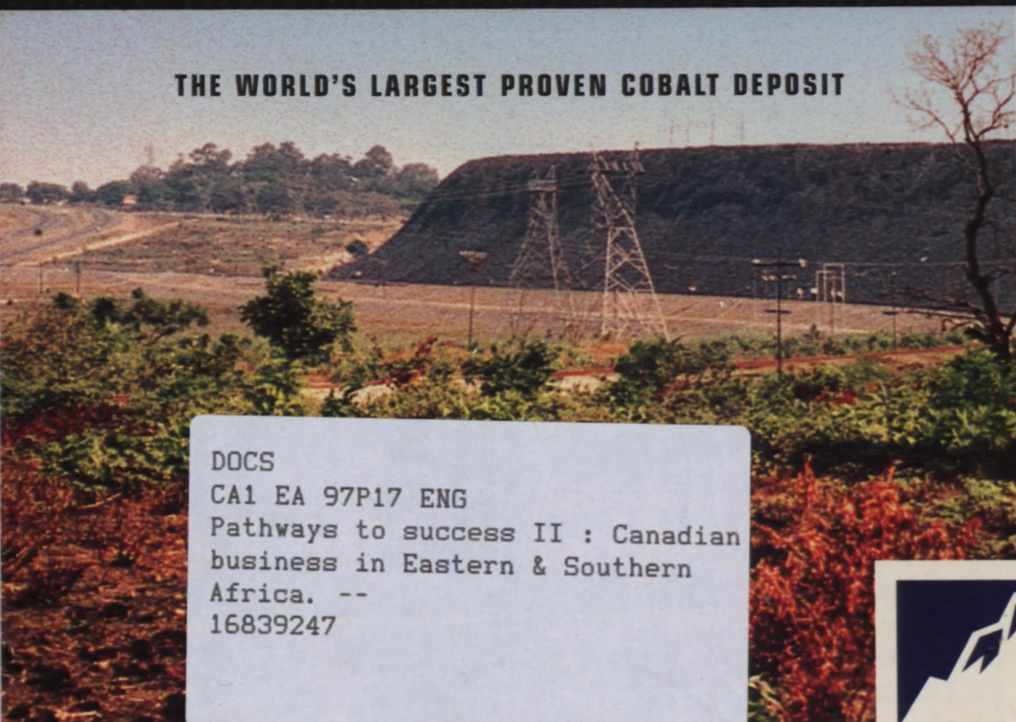
South Africa:
Susan Hawes, Executive Director
PO Box 411559, Craighall, 2024
Johannesburg, South Africa
Phone: (27-11) 325-4547/8
Fax: (27-11) 325-4952
Email: cabsa@iafrica.com

Zimbabwe: Richard Hess, Director
PO Box 4990, Harare, Zimbabwe
Phone: (263-4) 774233/4/5
Fax: (263-4) 774232
Email: imani@harare.iafrica.com

Namibia: Ida Swanepoel, Director
PO Box 90268, Windhoek, Namibia
Phone: (264-61) 253 739
Fax: (264-61) 253 739

Botswana: Jeff Bookbinder, Director
PO Box 882, Gabarone, Botswana
Phone: (267) 305 550
Fax: (267) 314 230
Email: colnew@global.co.za

## THE WORLD'S LARGEST PROVEN COBALT DEPOSIT





COLOSSAL
RESOURCES CORP.

**COLOSSAL RESOURCES CORP.** (NASDAQ– CLPZF) has a 60 per cent controlling interest in Qasim Mining Enterprises Limited (QMEL), to process Cobalt-containing slag from ZCCM's Nkana Slag Dump (NSD) at Kitwe, Zambia. The Company has also completed the acquisition of Barplats Refineries Pty Limited which owns a modern hydrometallurgical processing plant, suitable for treating Cobalt-containing materials at Brakpan, near Johannesburg.

The first two 15 Tonne Electric Arc Furnaces (EAF's) are in operation and are processing slags and residues. Commercial production of Cobalt-containing granules from initial start-up activities is projected at 40,000Kgs by July and rising above 50,000Kgs per month later in the year.

The Hydrometallurgical Processing Pilot Plant acquired and installed on the recently acquired Barplats Refineries Site at Brakpan, when fully operational, should process about 60,000Kgs of Cobalt units per month by the end of 1997.

Colossal (NASDAQ–CLPZF) continues to search for profitable venture opportunities in non-Ferrous and Precious Metals and other minerals and is currently assessing other projects in Southern Africa and Asia.

**Colossal Resources Corp.**
Suite 1030 - 609 Granville Street
Stock Exchange Tower
P.O. Box 10336, Pacific Centre
Vancouver, BC, Canada V7Y 1G5

**Telephone:** (604) 688-0044

**North America:** 1-800-298-0244

**Facsimile:** (604) 684-2439

**Nasdaq Symbol:** CLPZF

**Internet:** www.colossal-cobalt.com

**E-mail:** info@colossal-cobalt.com

NET: www.colossal-cobalt.com

**E-MAIL:** info@colossal-cobalt.com