



Implementing the Investment Policy Reviews in Ethiopia and the United Republic of Tanzania, Good Governance and Business Facilitation

James Zhan
Director

Division on Investment and Enterprise
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Introduction

- Two examples of UNCTAD's technical assistance programmes that help member States implement policy recommendations
 - Implementation Reports of Investment Policy Reviews
 - Ethiopia
 - United Republic of Tanzania
 - Good Governance and Business Facilitation
 - Implementation of the eRegulations project





Implementation Report of Ethiopia

IPR policy areas

- Institutional framework
- Investment promotion
- Economic development
- Strategic sectors:
Agriculture and Leather
- SMEs development

Focus of main recommendations

- Define and strengthen the role of the Ethiopian Investment Agency (EIA)
- Create a national investment promotion strategy
Improve marketing and aftercare services
- Develop a long-term investment plan for infrastructure and establish industrial sites
- Increase productivity and value addition through technological and innovation development
- Support SMEs through capacity building, marketing and business linkages programmes





Implementation Report of Ethiopia

Implementation highlights

- **New Investment Code:** Revised and modernized. Requirements and procedures to start a business have been reduced and simplified
- **Investment promotion strategy:** A national strategy has been adopted rationalizing the work of the EIA and regional offices. Diaspora investment has been targeted and aftercare services introduced
- **Infrastructure development plan:** Long-term investment programmes with priorities on infrastructure are in place
- **Strategic sectors:** Major progress has been achieved to improve the quality and productivity of the agriculture and leather sectors
- **Support to investors:** The Government has provided favourable financing terms to promote investment in priority sectors





Implementation Report of Ethiopia

Key remaining implementation challenges

- **Institutional weakness:** The EIA does not operate as a "one-stop-shop" and its marketing capacity is limited. Mandate still overlaps with regional offices
- **Little SME support:** Centres for innovation and enterprise development have not been established. There are no programmes to assist SMEs in arranging partnerships agreements with foreign investors, nor incentives for SMEs to train their workers
- **Lack of industrial sites:** No fully-serviced industrial sites are ready and there is no clear action to develop zones. A law and related regulations to address industrial zones issues are required
- **Slow progress:** Only 8 out of 30 recommendations have been fully addressed. Various factors including lack of funding and institutional capacity has delayed implementation





Implementation Report of Ethiopia

Overall assessment

- Ethiopia has addressed most IPR recommendations at least partially but few have been fully implemented
- Progress with technical and sector-specific recommendations, but slower implementation of institutional reform
- Looking forward, priority should be given to strengthening the institutional capacity of the EIA and support for SME development.
- Other issues for which there were no specific IPR recommendations to consider are:
 - Opening key sectors to FDI, ex telecommunications, financial sector
 - Promoting FDI in infrastructure development
 - Adopting additional measures to leverage Diaspora investment





Implementation Report of Tanzania

IPR policy areas

- Investment framework
- Cost of Doing Business
- Privatization process
- Infrastructure development
- Human resources and linkages
- Dynamic enterprise sector
- Regional integration
- Investment promotion

Focus of main recommendations

- Enact modern laws to improve overall framework
- Reduce the regulatory burden on business
- Accelerate the privatization of key utilities
- Promote public-private partnerships
- Improve technical training and vocational education. Foster business linkages with SMEs
- Support research and technology dissemination
- Enlarge markets and encourage regional trade
- Perform targeted promotion, provide aftercare





Implementation Report of Tanzania

Implementation highlights

- **Improved legislation:** Adopted several new laws governing business relations including on employment, companies, competition, and other sector-specific
- **Competition institution:** A Fair Competition Commission has the power to enforce rulings on anticompetitive offences, created an appellant tribunal
- **Judiciary system:** Expanded regional commercial courts, simplified court procedures and established an Ethics Committee to address corruption
- **Regional integration:** Gradual elimination of regional tariffs, move towards customs union with EAC partners and regional FDI promotion events
- **Aftercare services:** The Tanzania Investment Centre (TIC) has established periodic calls and visits to investors encouraging further investment and helping remove obstacles to expansion





Implementation Report of Tanzania

Key remaining implementation challenges

- **Investment law:** The 1997 Investment Act has yet to be revised
- **Restrictive access to land:** Conditions for investors have not changed and the TIC has not fully implemented the "land bank". No land has been set aside for commercial agricultural development
- **Lack of PPP policy:** Has delayed the privatization process and stalled various infrastructure development projects
- **Poor human resource development:** No new training programmes with private sector input. No incentives to promote in-house training. Restrictions on hiring foreign workers remain the same
- **Weak investment promotion:** No task force for the purpose of FDI strategy assessment has been formed. The TIC does not normally target investment at the firm level. Neither regional investors nor export-oriented FDI have been targeted





Implementation Report of Tanzania

Overall assessment

- Tanzania has a mixed record. Out of 49 recommendations, a third have been implemented in full, a third partially and another third not at all
- Progress in improving the investment framework and reducing the cost of doing business. Infrastructure development remains an issue. The implementation has been weaker on human resource development and investment promotion.
- Looking forward, priority should be given to:
 - Enacting a new investment law
 - Implementing a PPP policy
 - Revising a demand-driven education curricula
 - Resolving issues over the TIC's "land bank"
 - Incorporating targeted investment promotion strategies






UNCTAD's contribution to support the implementation of the IPRs

- In Ethiopia
 - Produced an Investment Guide for the country
 - Provided assistance through its Good Governance in Investment Programme which included customer service training for EIA staff
 - Helped set-up facilitation and aftercare services in the EIA
 - Prepared a strategy for the promotion of the industrial mining sector
- In Tanzania
 - Produced an Investment Guide for the country
 - Drafted an investment code for Zanzibar and sensitized local policymakers
 - Helped the TIC develop a client charter and provided training in customer service standards to staff
 - Produced a Blue Book on Best Practices in Investment Promotion and Facilitation and provided a workshop to TIC staff on the matter



What else could UNCTAD do to support Ethiopia and Tanzania

- Investment promotion
 - Train government officials on the effective use of investor targeting techniques
 - Investment framework
 - Provide legal advice and expertise in drafting investment legislation and negotiating international investment agreements
 - Business linkages
 - Support national business linkages programmes through training and capacity building
 - SME development
 - Provide workshops on entrepreneurial skills development (EMPRETEC)
 - Customs administration and modern port management
 - Continue to provide technical assistance for the effective utilization of ASYCUDA
 - Business facilitation
 - Increase transparency and simplification of administrative procedures applied to business operations through the implementation of the eRegulations project
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UNCTAD's eRegulations project

- Business operations are often hampered by the complexity of rules and procedures
- Making administrative rules clear and easy to comply with is key to facilitate investment
- UNCTAD's eRegulations project is designed to address this issue as it:
 - provides full transparency on rules and procedures
 - offers an unique platform for the Administration to review the procedures and to detect redundancies and complexities
 - is the first step towards eGovernment
 - provides a platform for the comparison and harmonization of rules at national, regional and international level
- The eRegulations system has been successfully implemented in 15 countries worldwide





UNCTAD's eRegulations project

A special focus on the informal sector

- Micro enterprises employ the majority of workers in developing countries
- The majority of micro entrepreneurs operate in the informal sector. These entrepreneurs:
 - have no legal status
 - do not pay taxes
 - have no social protection
- Unclear rules, complex procedures and lack of knowledge on the benefits of formalization discourage micro entrepreneurs to join the formal economy





UNCTAD's eRegulations project

A special focus on the informal sector

- UNCTAD's eRegulations project aims at encouraging the formalization of micro entrepreneurs, helping governments to:
 - Make rules clear
 - Simplify procedures
 - Make wide publicity of the rules and procedures and of the benefits of formalization
- Thanks to a major contribution from the Government of Luxembourg, the eRegulations will be extended in four countries and implemented in 10 new West African and Latin American countries in 2011-2012





Conclusion

- UNCTAD is committed to assist member States in the implementation of policy recommendations to improve the business investment and investment policies
- UNCTAD's technical assistance programmes, such as the *Investment Policy Review* and the *Good Governance and Business Facilitation*, will continued to help developing countries and transition economies to meet their development objectives by addressing a wide variety of issues related to investment and private sector development





THANK YOU!

Visit our websites

www.unctad.org/ipr

www.eregulations.org

