Kenyan Benchmarking Study

January 2004

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Introduction

The objective of the study is to assess how this country positions itself compared to some of its main competitors in the Leather Processing and Garments sub-sectors. For the first sub-sector the other countries under analysis are Egypt, Ethiopia, India and South Africa. For the second, countries retained are Egypt, Ethiopia, India, Ghana, Nigeria, South Africa, Tanzania and Turkey.

The purpose of this paper is to introduce the methodology used in the benchmarking exercise, present the main findings of the analysis and conclude with some recommendations for each of the sub-sectors. Additional information necessary to the analysis is presented in annexes.

Methodology

This study has been performed from the perspective of potential investors, following the same approach used when assisting corporate clients in the initial phases of their location decision making process.

As inputs to carry out the exercise, a prototype of a feasible investment project for each sub-sector was defined (see Annex 1). UNIDO determined the countries to benchmark Kenya against.

Initially the most critical location drivers for investments in these sectors and their main location requirements were identified.

Data to document both qualitative and financial issues was collected through desk research.

From the qualitative point of view, location factors analyzed related to the following categories:

- General business environment,
- Availability of labor
- Employment regulations
- Logistics and Infrastructure
- Technical and site factors
- Living environment for expatriates

For the leather processing sub-sector two more categories of location factors were added:

- Availability and quality of raw materials
- Permits and environment

In order to differentiate the relative importance of the location factors in the location assessment, a weighted score board, attributing weightings to all qualitative location factors according to their level of importance, was developed.

The benchmarking data gathered for the qualitative location factors were translated into quantitative scorings from 1 to 10, 10 being the best. These individual scores per location and per location factor and the weight factors attributed to each location factor have been used to calculate an overall weighted quality score per location and sub-sector. Annexes 2 to 4 show the location factors used for each sub-sector, the weightings attributed to each of them and the scorings per location.

From the financial point of view, profitability indexes were calculated by means of discounted Cash Flow analysis, incorporating the project requirements against the local cost structures in each of the benchmark locations under analysis. The profitability index equals the sum of the (discounted) cash flows divided by the net cash investment and a period of 10 years was taken into account. Annex 3 presents the assumptions taken for the financial analysis.

Results from the both the qualitative and the financial analysis have been used to determine Kenya's **competitive position** for each of the two sub-sectors. A two-dimension map, combining these results, clearly shows the trade-off between financial and qualitative factors in each sub-sector. A SWOT analysis has also been conducted.

It is our view that strengths should form the basis for key selling messages in the country's marketing strategy for the attraction of FDI in each of the selected sectors. The weaknesses on the other hand should be used as a basis for potential improvements for Kenya's regional development policy

1. Leather Processing

Main Findings

To analyze this sector, the investment project prototype developed was a medium size tannery for production of crust leather from bovine hides for export to EU markets. Crust leather is a semi-finished but tradable product. It was assumed that the tannery should be located within an existing tannery district. The benchmarking countries are Egypt, Ethiopia, Kenya, India and South Africa.

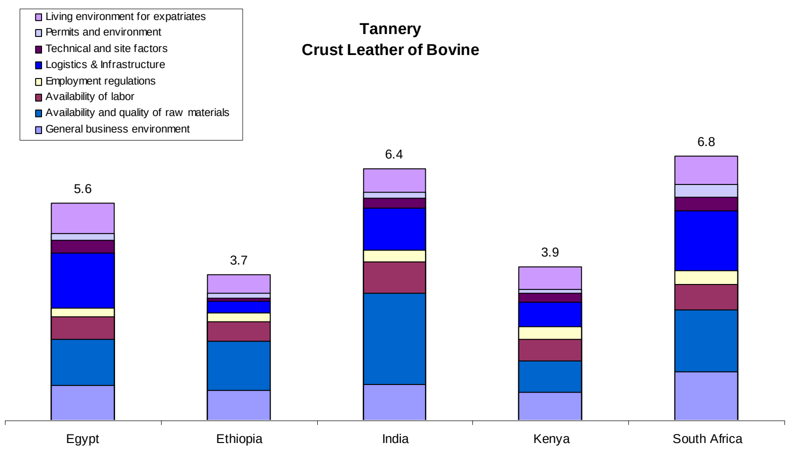
Critical location factors in the location of tanneries are first of all the availability and quality of raw materials, as the quality of the final product depends directly on the quality of the inputs. Second critical factor is the availability and quality of infrastructure to transport goods (mainly roads and seaport) and to exchange information (telecommunications), as this is an export-oriented activity. Finally, because of the pollution generated in the tanning process, environmental legislation is also critical.

Other important location drivers in a location decision of a tannery are quality of the business environment, the availability of subcontractors and industry-related services and the availability and reliability of utilities, especially water. From a financial point of view, corporate tax and investment incentives (both tax incentives or cash grants toward the investment cost) are also important location factors.

Annex 2 presents in detail the location factors used in this analysis, the allocated weightings to each of them and the results of the qualitative analysis per location category.

The overall result of the **qualitative analysis** is shown below:

Graph 1: Qualitative analysis



From a quality point of view **South Africa** and **India** score significantly better than the rest of the countries under analysis. **Kenya** and **Ethiopia** offer the lowest quality. These countries offer a relative poor scoring in each category. However Ethiopia presents a higher availability of hides and a most developed tannery industry than Kenya. **Egypt** scores in between these two groups of countries.

The relatively poor performance of Kenya is mainly explained by a poorer business environment, lower availability and quality of hides and a more limited infrastructure of the country.

Within the business environment, Kenya presents the highest political risk (mainly risk of expropriation and government action and, secondly, transfer risk). Transparency International also ranks Kenya as facing more corruption than the remaining benchmarking countries. In terms of economic freedom however, Kenya scored second best, showing a lower level of government intervention in the economy than Egypt, Ethiopia and India.

Availability and quality of hides is, as mentioned above, of critical importance. Kenya's main weaknesses are the poorer quality of its hides and the smaller size of the tannery industry. The quality of hides depends directly on the breeding conditions and the way of slaughtering. The tannery industry in Kenya has shrunk after the recent privatization process.

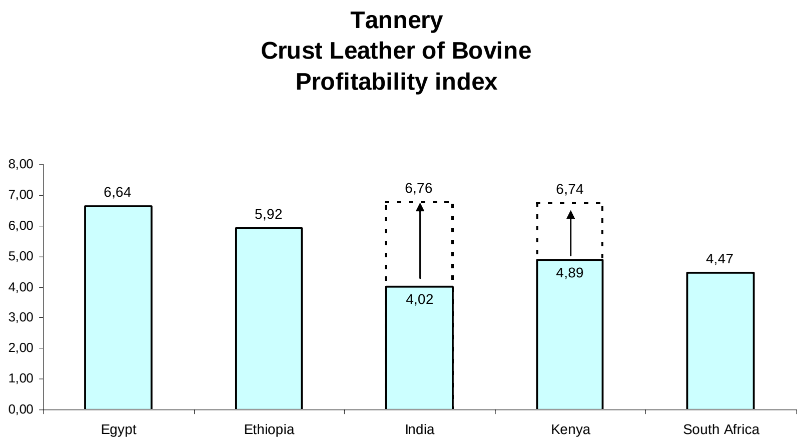
Kenyan telecommunications infrastructure is second poorest after Ethiopia. Indicators assessed include number of PCs, internet hosts and users, mobile subscribers and main telephone lines (source: International Telecommunication Union). Also transport infrastructure is weaker in Kenya, and this applies to seaport road and railway infrastructure.

From the **financial** point of view, countries were compared throughout their profitability indexes. These were obtained by means of discounted Cash Flow analysis, incorporating the project requirements against the local cost structures in each of the benchmark locations considered. As indicated earlier, the profitability index (PI) is defined as the sum of the (discounted) cash flows divided by the net cash investment and the period of reference is 10 years. (See Annex 5 for assumptions and unit costs).

Some of the assumptions can have an important impact on the economic analysis, and for this reason need some comments.
Firstly, it is important to note that due to time constraints it was not possible to locally confirm cost of raw materials in all countries. For this reason it was assumed equal price of hides for all countries, at 6.5 USD. Price of hides in Kenya is higher, at around 10 USD. This is due to high foreign demand of hides for export, which distorts the market and hinders new investment. This artificially higher price damages Kenyan competitiveness in the tanning industry.
Secondly, because of the polluting nature of the activity, it is most probable that a new tannery would be located in an existing tannery district, and this was taken as a project assumption. As capital intensive investments, tanneries are very sensitive to tax incentives. Being located outside an Export-Processing Free Zone may imply in some countries non-availability of tax incentives. Thika was retained as the Kenyan tannery district.
Thirdly, based on our research it was assumed that no tax holidays were available in Thika. Contradictory information obtained after this analysis regarding the possibility to obtain FTZ status outside Kenyan Free Trade Zones, and thus benefit from tax holidays, motivated a sensitivity analysis to show the impact of tax holidays in Kenyan competitive position.

The results of the **financial analysis** are presented in the graph below:

Graph 2: Financial analysis



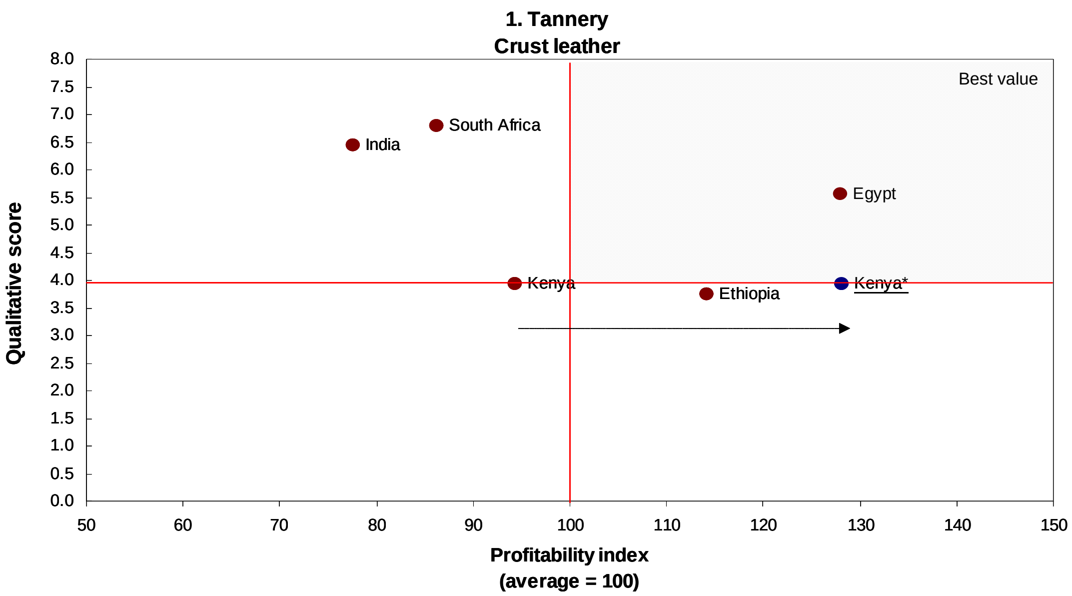
Results from the financial analysis show that Egypt and Ethiopia are the most attractive countries (PI of 6.64 and 5.92). This is explained by the much more generous tax incentives offered (Egypt 10 year tax holiday and Ethiopia 5),

India profitability index would differ if the tannery activity would be located in the Chennai free trade zone and/or if the crust leather is not subject to import duties into the EU (applicable in some cases depending on the size of the leather). The PI in India can vary from 4.02 when located in out of a Free Trade Zone and subject to import duties up to 6.76 when located within a Free Trade Zone and with no duties).
South Africa's profitability index is the lowest (apart one Indian scenario). This is explained by the combination of the highest corporate tax and the highest labor costs.
Kenya, under the assumption of not tax holidays available can not compete with Egypt and Ethiopia. However when 10 tax holidays are available, Kenyan PI (6.74) becomes higher than Egyptian (6.64) and Ethiopian (5.92).

As already indicated, corporate tax and tax incentives influence very much the profitability of this type of investments. Also price of raw materials play and important role. The influence of other operating costs is much more limited. limited. Although not taken into account in this exercise, it should be noted however the high cost of local transportation. Around 40% of the cost of transport of goods to USA relates to local transportation to Mombassa for transshipment.

The **competitive positioning** of Kenya in the Leather processing sector, is a combination of the qualitative score and the profitability analysis. The combined map is shown in the graph below:

Graph 3: Combined map - competitive positioning



India and Ethiopia form a set of locations for investors looking for highest quality and ready to have a less profitable business. Ethiopia is the major competitor to Kenya.
The ease of doing business in Ethiopia and Kenya are similar. The financial attractiveness depends on the real availability of tax incentives. While Ethiopia offer 5 year tax holidays for tannery and textile activities, Kenya seem to offer tax holidays only in Free Zones (10 years). The graph also shows how the position of Kenya would improve assuming this tax incentive is available. The Egyptian option offers a very good compromise.

Conclusions and recommendations
A SWOT analysis helps to organize these results and to evaluate actions that should be taken in order to improve the overall competitiveness of Kenya in the tannery sector.

Strengths Availability of hides	**Weaknesses** Quality of hides Availability of tax incentives Overall business environment Reliability of utilities Poor telecommunication infrastructure
Opportunities National and international support to develop this industry Duty-free access to EU market	**Menaces** Local price of hides

First conclusion to retain is that measures necessary to improve the Kenyan competitiveness in the tannery sector should not be only sectoral. Investors do consider other aspects when deciding on new locations for investments. Improvements in those aspects are also necessary. In this case for instance, the following issues need also to be addressed for improvement: reliability of telecommunications and utilities, economic and political risk, bureaucracy and corruption.

It is also very important to take action to improve the quality of hides. Measures to upgrade technology, build capacity and offer other sector-related services should be taken.

The ambiguity regarding the availability of tax incentives for tanneries even if located outside Export-Processing Zones should also be eliminated. A simpler way to tackle the issue would be to offer sectoral based tax incentives instead of geographical based.

Finally, even though the effect of high prices of raw material has not been quantified, it is clear that hinders potential investment. Protective measures to counteract subsidies to imports of hides from other countries should be taken. This will allow national tanneries to further develop and foreign investment to increase.

2. Garments

Main findings

The investment prototype developed to analyze this sector was a manufacturing facility for the production of cotton shirts for export to EU markets. The selected benchmarking countries are Egypt, Ethiopia, India, Kenya, South Africa, Ghana, Nigeria, Tanzania and Turkey.

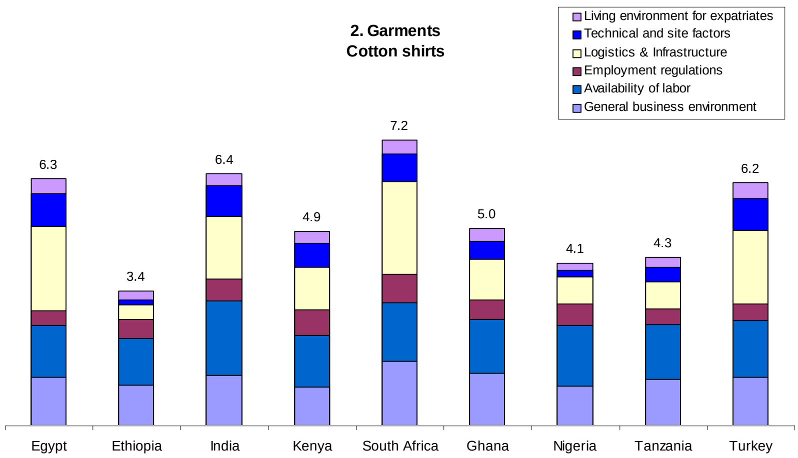
Because of the high competition, critical location drivers in the textile industry are very much cost related: cost of labor force and transportation, corporate taxation and incentives. Also availability of free export processing zones, quality of transport infrastructure (road and seaports) and availability of non-skilled labor force are critical.

Other important location factors for a textile unit are quality business environment, corporate tax system and incentives, the telecommunications infrastructure and reliability, English language skills and employment regulations. English skills are important given the fact that in most of the cases floor managers will be expatriates.

The location factors used in this analysis, the allocated weightings to each of them and the results of the qualitative assessment per location category are included in Annex 2.

The graph below shows the overall result of the **qualitative analysis**:

Graph 4 : Qualitative analysis

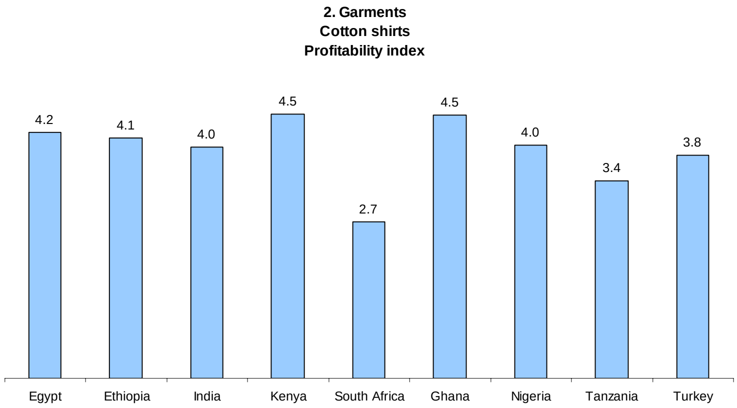


South Africa, and to a lesser extent, India, Egypt and Turkey score best from the qualitative point of view. This is explained by a combination of a better business environment, better logistics infrastructure and a good offer of Free Trade Zones.
Ghana and Kenya form a second cluster of locations, offering overall medium quality solutions, followed by Nigeria and Tanzania. The two latter countries currently offer a poor business environment, more limited logistics infrastructure and to a lower extent also more limited offer of free trade zones. Ethiopia presents the lowest quality offer.

The weakest qualitative aspects in Kenya compared to the retained benchmark locations are the overall business environment. As indicated in the tannery chapter the overall business environment is an important element for new investors. Political risk, bureaucracy and corruption are the location factors where Kenya scores poorest.
When compared to non Sub-Saharan countries, the weaker score of Kenya is also explained by the lower quality of its infrastructure (telecommunications, road and port infrastructure and reliability of utilities).
The availability Export Free Zones is one of the location factors where Kenya scores best. This is mainly explained by the Athi River Export Processing Zone, the Kenyan leading industrial park.

The graph below shows the results of the financial analysis:

Graph 5: Financial analysis



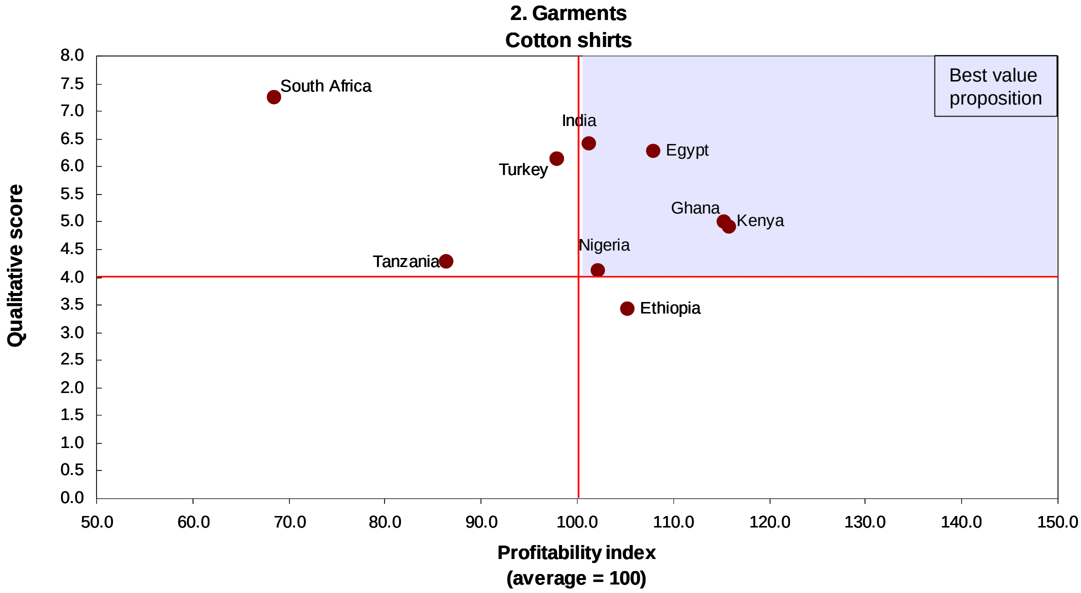
The most attractive countries from a financial point of view are Kenya and Ghana, followed by Egypt, Ethiopia, India and Nigeria. The differences in PIs are explained by a combination of factors as shown in table below.

Countries	Labor costs	Tax holidays Years	Import duties
Kenya	Low	10	No
Ghana	Low	10	No
Egypt	Medium	10	No
Ethiopia	Low	5	No
India	Low	10	Yes
Nigeria	Low	5	No

Kenya and Ghana benefit from low labor costs, very generous tax incentives and no import duties to access the EU. This last point is the disadvantage of India. Nigeria and Ethiopia only offer 5 years tax holiday. Egypt provides 10 year tax holidays but has higher labor costs. South Africa is the least attractive option because of its highest labor costs and lack of corporate tax incentives. Tanzania and Turkey are also relatively little attractive because of higher labor costs in Turkey and no tax holidays in Tanzania.

The competitive positioning of Kenya in the garment sector is shown in the combined map below:

Graph 6 : Combined map – competitive positioning



Kenya is a very attractive solution financially at a fair level of quality. The county is clearly very competitive compared to the rest of African countries under analysis, excluding South Africa. Its main competitors are Ghana and Egypt. Ghana offers a very similar competitive option. Although Kenya has higher availability of Export processing zones and has developed more flexible labor regulations, Ghana offers a more stable business environment and also a more attractive living environment for expatriates. In terms of logistics, availability of staff and tax incentives both countries present a similar offer.
Although Egypt offers a better qualitative offer than Kenya in all important categories it should also be considered as a direct competitor. This is explained by the clear profitability/quality trade-off that exists, given the financial attractiveness of Kenya.

India, Turkey and Egypt form a cluster of locations with higher overall quality and still good profitability. South Africa is the option offering highest quality but also lowest profitability.

Conclusions and recommendations

Strengths Employment regulations Availability of Export Processing Zones Competitive labor costs Generous tax incentives	**Weaknesses** General business environment Telecommunications infrastructure Quality of seaport
Opportunities AGOA Duty free access to EU	**Menaces**

As indicated in the assessment of the leather processing sub-sector, long-term measures to improve the business environment need to be addressed. From a sector point of view, AGOA and other international agreements offer opportunities to develop this industry. This should be used to develop the overall sector upstream to successfully complete the textile supply chain and to ensure sufficient local availability of cotton as the sector develops.

Annexe 1 : Investment Project Prototypes

Crust Leather: Tannery processing bovine hides

Activity

- Medium size facility for the production of crust leather for export

Location

- In tannery district, which most probably implies outside free trade export processing zones

Investment

- Site (m²) 10,000
- Building (m²) 5,000
- Equipment (USD) 1,529,000
- Water treatment plant (USD)* 650,000
- Working capital 20% of annual sales

  * 40% building and 60% equipment

Employment

- Total 60
- Skills required : 50 unskilled workers
  5 skilled workers
  5 office / administration

- 2 shifts (16 hours per day)

Operating costs

- Raw materials
  Bovine hides (161,000 per year, USD 6.5 per hide)
  Sulphur sodium: USD 24,150 / year
  Chromsalts: USD 48,300 / year

- Finished products
  Grain leather (448,885m²/year) and split leather (224,442 m²/year)
  NC: 4104 41 11

- Transport
  Inbound: Hides and leather chemicals locally available
  Outbound: All finished products to the EU (36 20 ft containers per year)

- Utilities
  Power: kWh 2,576,000 (1,000 KVA)
  Water: 800 liter per hide (128,800 m²/year) from well or river

Annex 1 : Investment Project Prototypes
Garments : Production of cotton shirts

Activity
- Production of cotton shirts for the EU market

Location
- Within free trade export processing zones

Investment

▪ Site (m²)	10,000
▪ Building (m²)	2,600
▪ Equipment (USD)	1,000,000
▪ Working capital	20% of annual sales

Employment

▪ Total	80
▪ Skills required :	Unskilled and Semi skilled people

Operating costs
- <u>Raw materials</u>
  Fabrics & zippers (USD 700,000)

- <u>Finished products</u>
  Cotton shirts (NC: 6205 2000)

- <u>Transport</u>
  Inbound: Raw materials locally available
  Outbound: All finished products to the transshipped to EU in 20ft-contaniers
  26 20ft containers per year

- <u>Utilities</u>
  Minor

Annex 2 : Qualitative assessment

Leather processing

Location factors and weights

Location Category	Weight (%)	Location factor	Weight (%)	final weigth
General business environment	20	Economic risks	10	2,0%
		Economic freedom	10	2,0%
		Political stability / regime / freedom	5	1,0%
		Political risk	25	5,0%
		Bureaucracy / Relationship with regulatory authorities	15	3,0%
		Corruption / business ethics	10	2,0%
		Business restictions / restictions on ownership	5	1,0%
		Attitude to FDI / openess to foreign investors/cultures	10	2,0%
		Availability of subcontractors, business services etc…	10	2,0%
		Total	*100*	*20%*
Availability and quality of raw materials	25	Availability of hides	30	7,5%
		Future availability of hides	25	6,3%
		Quality of hides	35	8,8%
		Presence of tannery	10	2,5%
		Total	*100*	*25%*
Availability of labor	10	Total labor force	5	0,5%
		Quality of labor force	20	2,0%
		Presence of manufacturing staff	10	1,0%
		Availability of unskilled labor	25	2,5%
		Availability of skilled labor	10	1,0%
		Availability / quality of managers	10	1,0%
		Education	10	1,0%
		English language	10	1,0%
		Total	*100*	*10%*
Employment regulations	5	Flexibility of hiring	30	1,5%
		Conditions of employment	40	2,0%
		Flexibility of firing	30	1,5%
		Total	*100*	*5%*
Logistics & Infrastructure	20	Road infrasructure	20	4%
		Railway infrastructure	10	2%
		Seaports	30	6%
		Air connections	10	2%
		Telecommunication	30	6%
		Total	*100*	*20%*
Technical and site factors	5	Availability of customs free zones / export processing zones	30	1,5%
		Supply and reliability of utlities/sewer	70	3,5%
		Total	*100*	*5,0%*
Permits and environment	5	Time for permits	25	1,3%
		Stringency of environmental regulations	75	3,8%
		Total	*100*	*5,0%*
Living environment for expatriates	10	General attractiviness for expatriates	60	6,0%
		Safety	40	4,0%
Total	***100***			***100%***

Categories' partial scores and weights

	weigth	Egypt	Ethiopia	India	Kenya	SA
General business environment	20	4,5	3,9	4,7	3,6	6,2
Availability and quality of raw materials	25	4,7	5,1	9,3	3,2	6,4
Availability of labor	10	5,8	4,9	8,1	5,6	6,5
Employment regulations	5	4,4	4,6	6,1	6,4	7,1
Logistics & Infrastructure	20	7,1	1,5	5,4	3,2	7,6
Technical and site factors	5	6,2	1,7	4,8	4,2	7,0
Permits and environment	5	3,8	2,3	3,0	2,3	7,0
Living environment for expatriates	10	7,7	4,9	6,0	5,7	7,3
Total Qualitative score		***5,6***	***3,7***	***6,4***	***3,9***	***6,8***

Annex 3 : Qualitative assessment
Garments

Location factors and weights

Location Category	Weight (%)	Location factor	Weight (%)	final weight
General business environment	25	Economic risk	15	3,8%
		Economic freedom	10	2,5%
		Political stability / regime / freedom	10	2,5%
		Political risk	20	5,0%
		Bureaucracy / Relationship with regulatory authorities	10	2,5%
		Corruption / business ethics	10	2,5%
		Business restictions / restictions on ownership	10	2,5%
		Attitude to FDI / openess to foreign investors/cultures	10	2,5%
		Availability of subcontractors, business services etc…	5	1,3%
		Total	*100*	*25%*
Availability of labor	20	Total labor force	10	2,0%
		Quality of labor force	20	4,0%
		Presence of manufacturing staff	10	2,0%
		Availability of unskilled labor	30	6,0%
		Availability of skilled labor	5	1,0%
		Availability / quality of managers	5	1,0%
		English language	20	4,0%
		Total	*100*	*20%*
Employment regulations	10	Flexibility of hiring	10	1,0%
		Conditions of employment	50	5,0%
		Flexibility of firing	40	4,0%
		Total	*100*	*10%*
Logistics & Infrastructure	30	Road infrasructure	30	9,0%
		Railway infrastructure	5	1,5%
		Seaports	50	15,0%
		Air connections	5	1,5%
		Telecommunication	10	3,0%
		Total	*100*	*30%*
Technical and site factors	10	Availability of customs free zones / export processing zones	80	8,0%
		Supply and reliability of utlities/sewer	20	2,0%
		Total	*100*	10,0%
Living environment for expatriates	5	General attractiviness for expatriates	60	3,0%
		Safety	40	2,0%
		Total	*100*	*5%*
Total	***100***			***100%***

Categories' partial scores and weights

	weight	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
General business environment	25	4,9	4,1	5,1	3,9	6,5	5,3	4,0	4,8	4,9
Availability of labor	20	6,6	6,0	9,4	6,6	7,4	6,8	7,7	6,9	7,2
Employment regulations	10	3,7	4,8	5,7	6,3	7,2	5,1	5,4	4,0	4,3
Logistics & Infrastructure	30	7,2	1,2	5,3	3,6	7,8	3,5	2,3	2,3	6,2
Technical and site factors	10	8,2	1,2	7,8	6,2	7,0	4,6	1,8	3,8	8,0
Living environment for expatriates	5	7,7	4,9	6,0	5,7	7,3	6,2	3,8	4,9	7,9
Total qualitative score		***6,3***	***3,4***	***6,4***	***4,9***	***7,2***	***5,0***	***4,1***	***4,3***	***6,2***

Annex 4 : Individual qualitative scores

	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
QUALITY ASPECTS									
GENERAL BUSINESS ENVIRONMENT									
Economic risk	8	6	9	6	8	6	7	8	6
Economic freedom	3	3	3	4	5	3	2	3	3
Political stability / regime / freedom	3	5	8	5	8	7	5	5	5
Political risk	5	5	5	3	7	7	3	5	5
Bureaucracy	2	2	1	2	4	4	2	2	2
Corruption / business ethics	3	3	3	2	4	3	1	3	3
Business restictions / restictions on ownership	9	6	6	6	9	6	6	7	9
Intellectual property protection	4	2	4	4	4	4	2	2	4
Attitude to FDI / openess to foreign investors/cultures	4	2	4	4	6	4	4	4	4
Availability of subcontractors, business services etc...	6	5	7	5	8	5	6	5	7
AVAILABILITY OF HIDES AND SKINS									
Availability of hides & skins	5	7	10	4	8	NR	NR	NR	NR
Future availability / potential availability of hides	3	7	10	4	5	NR	NR	NR	NR
Quality of hides & skins	5	2	8	2	6	NR	NR	NR	NR
Presence of industry	7	5	10	3	6	NR	NR	NR	NR
LABOR ENVIRONMENT									
Total labor force	5	5	10	2	3	3	8	5	7
Quality of labor force	4	4	6	4	4	4	4	4	6
Presence of manufacturing staff	4	1	10	2	4	3	5	3	6
Availability of unskilled labor labor	10	10	10	10	10	10	10	10	10
Availability of skilled labor labor	4	2	6	2	2	2	2	2	4
Availability / quality of managers	3	2	8	3	7	3	3	3	5
Education	6	4	6	7	8	6	6	6	8
English language	5	5	9	8	9	8	8	8	5
EMPLOYMENT REGUALATIONS									
Flexibility of hiring	7	4	8	7	7	7	8	6	4
Conditions of employment	2	3	3	5	6	2	3	3	1
Flexibility of firing	5	7	8	8	8	8	7	5	8
LOGISTICS AND INFRASTRUCTURE									
Road infrasructure	6	1	4	2	8	1	1	1	4
Railway infrastructure	6	2	7	2	8	2	2	2	6
Seaports	8	1	6	5	8	5	3	3	7
Air connections	8	2	3	2	4	3	3	1	8
Telecommunication	7	2	6	3	8	4	2	3	8
TECHNICAL AND SITE FACTORS									
Availability of customs free zones / export processing zones	9	1	9	7	7	5	2	4	9
Supply and reliability of utlities	5	2	3	3	7	3	1	3	4
PERMITS AND ENVIRONMENT									
Time for permits	3	3	3	3	7	3	5	3	6
Stringency of environmental regulations	4	2	3	2	7	2	3	2	5
LIVING ENVIRONMENT FOR EXPATRIATES									
General attractiviness for expatriates	7	4	5	6	8	6	4	5	8
Safety	8	6	8	5	5	6	3	5	8

*NR : Non relevant, as those countries weren't under analysis in the leather processing sub-sector

Annex 5 : Assumptions for financial analysis

1. Investment costs :
No differences have been retained with respect to the site cost, the building cost and the equipment costs.

Except for the Republic of South Africa, none of the countries provide cash grants towards the investment cost in fixed assets (site, building and equipment).

The Foreign Investment Grant (FIG) is available in South Africa. This is a cash incentive scheme for foreign investors who invest in new manufacturing businesses in South Africa. The FIG covers 15% of the costs of new machinery and equipment, to a maximum amount of Rand 3 million (USD 400,000) per entity.

2. Operating costs :
Labor costs :
Average labor costs for unskilled manufacturing worker in textile / leather industries

Labor wages in textiles / tannery	Egypt	Ethiopia	India	Kenya	Africa	Ghana	Nigeria	Tanzania	Turkey
Hourly wages in USD	1.30	0.29	0.42	0.70	2.19	0.72	0.78	0.56	2.06
Annual wages in USD	2,500	550	800	1,350	4,200	1,380	1,500	1,080	3,950
Social securtity contributions (%)	22.00%	6.00%	13.75%	5.00%	15.00%	12.50%	6.50%	10.00%	21.50%
Annual labor cost industrial worker (USD)	3,050	583	910	1,418	4,830	1,553	1,598	1,188	4,799

Source : IBM-PLI based on inputs from UNIDO and Prices and Earnings around the World, Union Bank of Switzerland (2003)

Utility costs
The weight of the utility costs (power and water) in the total package of the operating costs is limited for the garment investment project. Therefore, the utility costs have not been calculated for the garment project.

The power as well as the water consumption is considerable for the leather (tannery) investment project.

- The power rates applied for all locations is USD 0.07 per kWh, except for South Africa where USD 0.05 was applied.
- It has been assumed that water is taken from a river or well at almost no cost.

Import duties
Import Duties on Products of Origin when Entering the EU-market.

Import duties (%) for products of origin into the EU-market	Egypt	Ethiopia	India	Kenya	Africa	Ghana	Nigeria	Tanzania	Turkey
Cotton shirts (6205 20 00)	0%	0%	9.6%	0%	0%	0%	0%	0%	0%
Crust leather of bovine in dry state									
Full grains, unsplit; grain splits (<= 28 ft² or 2.6m²) (4104 41 11)	0%	0%	0%	0%	0%	-	-	-	-
Full grains, unsplit; grain splits (> 28 ft² or 2.6m²) (4104 41 51)	0%	0%	6.5%	0%	0%	-	-	-	-
Other (<=28ft² or 2.6m²) (4104 49 11)	0%	0%	0%	0%	0%	-	-	-	-
Other (>28ft² or 2.6m²) (4104 49 51)	0%	0%	6.5%	0%	0%	-	-	-	-

Source : Belgian Ministry of Finance

<u>Transport costs</u>
Rates to Tranship a 20ft container to EU (Antwerp).
Rates include the basic transshipment rte, the bunker charge (fuel surcharge), the terminal handling charges (THC), and if applicable the emergency risk surcharge.

20 ft container to EU (Antwerp)	Egypt	Ethiopia	India	Kenya	Africa	Ghana	Nigeria	Tanzania	Turkey
Seaport	Alexandria	Djibouti	Chennai	Mombassa	Durban	Sekondi	Lagos	Dar es Salaam	Izmir
Basic rate (USD per 20 ft)	350	1,050	1,400	950	1,200	950	950	950	468
Bunker adjustment factor (fuel charge) (USD per 20 ft)	32	107	85	97	150	74	74	97	50
Terminal handling cost (USD per 20 ft)	119.73	86.76	89.24	86.76	79.00	74	104.00	87	126
Emergency risk surcharge (USD per 20 ft)		12		12					
Total transshipment cost (USD per 20ft)	502	1,256	1,574	1,145	1,429	1,098	1,128	1,134	645

Source : Saf Maersk and Hapas Lloyd

<u>Other : Raw materials and sales :</u>
It has been assumed that costs of raw materials and sales do not differ by country. These have been given in the investment projects definitions.

3. Corporate Income Tax Rates

- Egypt: 40% (however, 32% rate on profits of industrial companies and on profits derived from certain exports). An additional 2% development duty on annual profits in excess of EGP18,000
- Ethiopia: 35%
- India: 35%
- Kenya: 30%
- South Africa: 30% plus 'Secondary Tax on Companies' (STC) of 15% on any net dividend declared. Therefore, if all retained earnings are distributed: total rate of 37.78%.
- Ghana: 32.5%
- Nigeria: 30%
- Tanzania: 30%
- Turkey: 30% plus 10% surtax on the corporate tax (= total rate of 33%)

4. Capital Allowances (Depreciation)
Depreciation Rates (Straight Line)

Depreciation	Egypt	Ethiopia	India	Kenya	Africa	Ghana	Nigeria	Tanzania	Turkey
Buildings	2%	5%	10%	2.5%	5%	5%	10% (initially 15%)	5%	5%
Plant and machinery	10 -15%	16% first year and 12% thereafter	15.0%	12.5%	20% (40% initially)	10%	25% (initially 50%)	12.5%	10%

Source : Ernst and Young/PricewaterhouseCoopers

5. Tax Incentives

- **Egypt**: 10 year tax holiday for tannery and textiles industries
  10 year tax holidays in Export Processing Zones (EPZ's)

- **Ethiopia**: 5 year tax holidays for tannery and textile activities.
  No Free Export Processing Zones.

- **India**: No tax incentives for tanneries or textile industry
  10 tax holidays in Free Trade Zones

- **South Africa**: Tax allowances for investments exceeding R 50 million (USD 6.8 million): 50% tax allowance but limited to R 300 million (USD 40.7 million) and 100% tax allowance but limited to R 600 million (USD 81.5 million).
  No tax holidays in Export Processing Zones (EPZ's).

- **Kenya:** Investment allowance of 70% of industrial buildings and equipment.
  10 year tax holidays in Export Processing Zones (EPZ's).

- **Ghana**: 25% tax rebate for manufacturing in regional capitals other than Accra and Tema and 50% tax rebate for all manufacturing located outside regional capitals.
  10 year tax holidays in Export Processing Zones (EPZ's).

- **Nigeria:** tax holiday of up to 3 years for pioneer projects with a possible extension of 2 years (another 2 years in economically disadvantaged regions).
  In EPZ of Calabar: 3 year tax holiday for new specific manufacturing activities (e.g. assembling or processing of goods) if sufficient export.

- **Tanzania**: 50% investment allowance, balance deductible in subsequent years according to depreciation.
  No tax holidays in Free Trade Zones

- **Turkey:** Capital allowances:
  -40%/60%/100% depending on the region
  -100% for very specific investments throughout Turkey
  10 year tax holidays in Export Processing Zones (EPZ's).

Source: Ernst & Young / PricewaterhouseCoopers / Various local sources

6. Financing and Discount Rate

It is assumed that 100% of the investment cost is financed by own company means.
The return on dividend is assumed to be 10% for all 3 investment profiles. In this respect no difference has been made between the countries. Therefore the risk factor has been ignored when calculating the profitability indices.

Annex 6 : Supporting data for qualitative analysis

GENERAL BUSINESS ENVIRONMENT	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
EIU-RATINGS									
Overall risk rating (July 2003)	C	n.a.	C	D	C	C	D	C	D
Overall risk score (100 = high risk) (July 2003)	50	n.a.	41	68	45	54	61	47	64
ECONOMIC AND FINANCIAL ENVIRONMENT									
EIU-economic policy risk (July 2003)	D	n.a.	C	C	C	C	C	C	D
EIU-economic structure risk (July 2003)	B	n.a.	B	D	B	C	D	C	C
EIU-liquidity risk (July 2003)	B	n.a.	A	D	C	D	B	B	C
GDP per Head (USD) - 2002	1,170	87	479	368	2,320	281	365	259	2,605
GDP per Head (USD at PPP) - 2002	3,630	810 (2001)	2,610	1,200	8,940	2,260	965	933	6,686
Main economic sectors (% of GDP) - 2002									
agriculture	16.8%	45.4%	23.1%	19.9%	3.8%	35.2%	30.4%	44.7%	11.9%
industry	33.0%	11.2%	26.4%	18.7%	32.1%	25.2%	43.3%	16.0%	29.5%
services	50.2%	43.4%	50.5%	61.4%	64.2%	39.6%	26.3%	38.7%	58.5%
Real growth of GDP (%)									
2002	3.0%	3.0%	4.3%	0.9%	3.0%	4.3%	2.7%	4.8%	7.8%
EIU-forecast 2003	1.6%	-2.0%	5.9%	1.8%	2.7%	4.5%	2.7%	5.9%	3.2%
EIU-forecast 2004	3.2%	6.0%	6.6%	3.0%	3.5%	4.7%	3.1%	4.9%	-5.8%
Currency stability USD versus local currency: 1998 = 100,	136	118.0	118.0	130	190.0	343	141.0	145.0	578.0
	EGP / USD	ETB / USD	INR/USD	KES / USD	ZAR / USD	GHC / USD	NGN / USD	TZS / USD	TRL / USD
Currency rate USD versus local currency (November 6, 2003)	6.11	8.40	45.38	76.65	6.89	8675.00	135.80	1045.00	1,487,000
Currency rate Euro versus local currency (November 6, 2003)	7.11	9.73	52.51	88.79	7.97	10049.12	157.31	1210.53	1722541.00
Inflation									
2002	2.7%	1.5%	4.4%	1.9%	9.2%	14.8%	13.6%	4.6%	45.0%
EIU-forecast 2003	4.3%	12.0%	4.8%	3.0%	6.8%	28.6%	13.5%	4.8%	30.1%
	6.0	4.0	5.0	7.0	4.0				
Budget balance (% of GDP) - 2002	-5.8%	-9.0%	-5.9%	-5.4%	-0.5%	-5.6%	-4.5%	-0.2%	-14.2%
Public Debt (% of GDP) - 2002	99.9%	n.a.	61.6%	80.7%	41.4%	na	26.2%	6.7%	88.2%
Current account balance/GDP (%) -2002	0.7%	-7.0%	1.0%	-1.8%	0.3%	0.6%	-2.9%	-6.4%	-1.0%
Source: Economist Intelligence Unit (EIU)									

GENERAL BUSINESS ENVIRONMENT									
ECONOMIC AND FINANCIAL ENVIRONMENT									
Economic freedom (indices)	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
Index from 1 to 5 (1=high, 5=low)									
OVERALL INDEX OF ECONOMIC FREEDOM	3.35	3.50	3.50	3.10	2.65	3.40	3.85	3.35	3.50
-Trade policy: level of protectionism	4.0	5.0	5.0	4.0	3.0	4.0	5.0	5.0	3.0
-Fiscal burden of Government: combination of level of income taxes and level of Government expenditures	5.0	3.5	4.0	3.5	4.5	3.5	3.5	2.5	4.5
-Government intervention: intervention in the economy	3.0	3.0	3.0	3.0	2.0	3.0	3.0	2.0	3.0
-Monetary intervention: level of inflation	1.0	1.0	2.0	1.0	2.0	5.0	4.0	3.0	5.0
-Foreign investment: barriers to capital flows and FDI	3.0	4.0	3.0	3.0	2.0	3.0	3.0	3.0	3.0
-Banking/financing: level of restrictions	4.0	4.0	4.0	3.0	2.0	3.0	4.0	3.0	3.0
-Wages/prices: level of intervention	3.0	3.0	3.0	2.0	2.0	3.0	3.0	3.0	3.0
-Property rights: level of protection	3.0	4.0	3.0	3.0	3.0	3.0	4.0	4.0	3.0
-Regulation: level of regulation (bureaucracy)	4.0	4.0	4.0	4.0	3.0	3.0	4.0	4.0	4.0
-Black market: level of activity	3.5	3.5	4.0	4.5	3.0	3.5	5.0	4.0	3.5
Source: Economic Freedom, Heritage Foundation									

GENERAL BUSINESS ENVIRONMENT									
POLITICAL ENVIRONMENT	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
Political freedom									
Polity	Dominant party (military influenced)	Dominant Party	Parliamentary democracy.	Presidential-parliamentary democracy	Presidential-parliamentary democracy	Presidential-parliamentary democracy	Presidential-parliamentary democracy	Dominant party	Presidential-parliamentary democracy
Political rights (from 1 and 7, with 1 representing the most free and 7 the least free).	6	5	2	4	1	2	4	4	3
Civil liberties (from 1 to 7; 1 = most free and 7 = least free)	6	5	3	4	2	3	5	3	4
Status	Not free	Partly free	Free	Partly free	Free	Free	Partly free	Partly free	Partly free
Source: Heritage Foundation									
Political stability / regime	No regime change since 1953. Egypt has never had a democratic change of government in its history.	Imperial rule till 1973. Marxist dictatorship untill 1991. After a transition period, establishment of formal democratic institutions. EPRDF in power since 1991.	The centrist secular Congress Party almost continuously ruled since the indepedennce (1947) till 1996. Since then 3 other governments.	Formally a constitutional democracy with strong executive presidency. President changes in 2002 after 23 years of Daniel arap Moi rule.	Since the abolishment of the apartheid regimein 1991: positive democratic transition. However, uncertainty about consolidation of democracy in the future.	9 changes of government, including 4 military coups, berween 1957 and 1981. Now multiparty democratic system with executive power vested in a president.	Military dictatorship till 1999. Now civilian government. New military intervention in the political process can not be ruled out.	By Sub-Saharan standards, political stable. However, tensions in Zanzibar.	Moderate Islamic government since last year. However, secular military intervened 4 times since 1960 to depose Ismamic governments, the last time in 1998.
Source: Economist Intelligence Unit (EIU)									

GENERAL BUSINESS ENVIRONMENT									
POLITICAL ENVIRONMENT	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
Political risk factors									
Overall score risk related to investment (7=highest risk)	3.0	5.3	3.7	4.7	3.3	4.3	5.7	4.3	4.3
War risk	2	4	3	3	2	3	4	3	3
Risk of expropriation and government action	4	5	4	5	4	4	6	4	4
Transfer risk	3	7	4	6	4	6	7	6	6
Source: Belgian Ministry of Foreign Affairs, Ducroire (based on data from IMF, EIU and other sources) August 2003									
Other stability indicators									
Ethnic / sectarian tensions	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Incidents of fighting or terrorism	Yes	Yes	Yes	Yes	No	No	No	No	Yes
Recent public protests	Yes	No	No	No	No	Yes	No	Yes	No
Direct threats to FDI	No	No	No	No	No	No	No	No	No
Source: Economist Intelligence Unit (EIU) / IBM - PLI									
EIU-rating overall political risk	D	D	D	E	C	C	E	D	D
Source: Economist Intelligence Unit (EIU)									

GENERAL BUSINESS ENVIRONMENT									
OTHER ASPECTS OF GENERAL BUSINESS ENVIRONMENT	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
Bureaucracy									
Score from 1 to 5 (1=few bureaucracy 5=very much)	4.0	4.0	4.5	4.0	3.0	3.0	4.0	4.0	4.0
Source: Indices of Economic Freedom, Heritage Foundation									
Corruption / business ethics									
Corruption Perception Index 2003 (CPI) from 0 to 10 (0=corruption is common, 10 = "clean business ethics")	3.3	2.5	2.8	1.9	4.4	3.3	1.4	2.5	3.1
Source: Transparency International									
Business restictions / restictions on ownership									
Foreign share holding allowed	Allowed 100%	Allowed 100%	Allowed 100%	Allowed 100%	Allowed 100%	Allowed 100%	Allowed 100%	Allowed 100%	Allowed 100%
Land ownership	-	In practise: limitations	-	In practise: limitations	-	In practise: limitations	In practise: limitations	In practise: limitations	-
Foreign exchange control	Free-market exchange system	Various regulations	Foreign Exchange Management Act	Exchange Control Act was repealed in 1995. However, certain foreign-exchange regulations still exists.	Restrictions on local borrowing for foreign owned companies.	Exchange Control Act of 1961. Foreign-exchange control liberalization is expected in the near future.	Regulated. Approval often required.	Most foreign-exchange transactions are free.	Relaxed its foreign-exchange controls in recent years.
Source: Worldwide Corporate Tax Guide (2003), Ernst & Young									
Intellectual property protection									
Property rights: level of protection (1 = high, 5 = low)	3.0	4.0	3.0	3.0	3.0	3.0	4.0	4.0	3.0
Source: Indices of Economic Freedom, Heritage Foundation									

GENERAL BUSINESS ENVIRONMENT									
OTHER ASPECTS OF GENERAL BUSINESS ENVIRONMENT									
Attitude to FDI / openess to foreign investors/cultures	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
Foreign investment: barriers to capital flows and FDI (1 = few, 5 = many)	3.0	4.0	3.0	3.0	2.0	3.0	3.0	3.0	3.0
Source: Indices of Economic Freedom, Heritage Foundation									
FDI inflows (millions of USD) - 1998	1,076	261	2,633	42	561	56	1,051	172	940
FDI inflows (millions of USD) - 1999	1,065	70	2,168	42	1,502	267	1,005	517	783
FDI inflows (millions of USD) - 2000	1,235	135	2,319	127	888	115	930	463	982
FDI inflows (millions of USD) - 2001	510	20	3,403	50	6,789	89	1,104	327	3,266
FDI inflows (millions of USD) - 2002	647	75	3,449	50	754	50	1,281	240	1,037
FDI inflows (millions of USD) - 1998 - 2002	4,533	561	13,972	311	10,494	577	5,371	1,719	7,008
Inward direct investment (USD per head) - (1998 - 2002)	70	9	14	10	243	29	46	48	106
Source: World Investment Report 2003, United Nations									
Availability of subcontractors, business services etc...									
Availability of local suppliers (7 = highest score)	4.5	n.a.	5.6	n.a.	5.5	n.a.	5	n.a.	5.3
Quality of local suppliers (7 = highest score)	3.3	n.a.	4.3	n.a.	5	n.a.	3.4	n.a.	4.8
Total availability and quality of local suppliers (7 = highest score	3.9	n.a.	5.0	n.a.	5.25	n.a.	4.2	n.a.	5.05
Source: The Global Competitiveness Report (2002), World Economic Forum									

MARKET									
NATIONAL MARKET	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
Total population (millions) - 2001	65.2	65.8	1,032.4	30.7	43.2	20.0	117.8	35.6	66.1
Land area ('000 km²)	1,001	1,104	3,287	580	1,221	238,537	923,773	883,749	775,000
Population under the age of 15 (as % of total) - 2001	34.7%	46.0%	33.1%	43.0%	32.3%	40.6%	44.8%	45.6%	28.3%
Population aged between 15 and 65 (as % of total) - 2001	61.1%	51.2%	61.9%	54.3%	63.1%	56.1%	52.1%	52.1%	65.9%
Population aged 65 and above (as % of total) - 2001	4.2%	2.8%	5.0%	2.7%	4.6%	3.3%	3.1%	2.3%	5.8%
Average annual popualtion growth rate (2001 - 2015)	1.5%	2.1%	1.2%	1.4%	0.4%	2.0%	2.3%	1.8%	1.1%
Projected total population (millions) - 2015	80.9	88.2	1,227.9	37.5	45.8	26.4	161.7	45.9	77.7
Population density (people per km²) - 2001	65	60	314	53	35	84	128	40	85
Source: World Development Indicators (2003), Worldbank									
GDP (bn USD at PPP) - 2002	257	n.a.	2,727	38	402	46	125	33	470
GDP per head (USD at PPP) - 2002	3,630	n.a.	2,610	1,200	8,940	2,260	965	933	6,686
GDP per head (USD at PPP) - 2002 (South Africa = 100)	41	n.a.	29	13	100	25	11	10	75
Real GDP growth per head (% pa) - 2002	1.2%	n.a.	2.7%	-1.1%	1.4%	2.1%	0.0%	3.3%	6.3%
Private consumption per head (in USD) - 2002	928	n.a.	314	287	1,440	228	248	218	1,737
Source: Human Development Report, United Nations									
Source: Economist Intelligence Unit (EIU)									
REGIONAL MARKETS									
Regional free trade blocs	Possible preferential tariff for Jordan, Libya, Syria, Lebanon, Saudi Arabia, Tunisia, Morocco, and Kuwait	Possible tariff preferences as member of COMESA	Possible tariff preferences for Sri Lanka, Mauritius, Seychelles, Tonga, Myanmar, and Korea.	Possible tariff preferences as member of COMESA and EAC	Possible tariff preferences for SADC. Member of SACU	Possible tariff preferences as member of ECOWAS	Possible tariff preferences as member of ECOWAS	Possible tariff preferences for SADC and EAC	Customs Union with EU
Members of free trade blocs									
COMESA (Common Market for Eastern and Southern Africa): Angola, Burundi, Comoros, D.R.Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Sechelles, Somalia, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe)									
SADC (Southern African Development Community): Angola, Botswana, D.R. Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe)									
SACU (Southern African Customs Union): Botswana, Lesotho, Namibia, Swaziland and South africa									
EAC (East African Community): Kenya, Uganda, and Tanzania)									
ECOWAS (Community of Western African States): Benin, Burkina faso, Ivory Coast, Gambia, Ghana, Guinea, Mali, Niger, Nigeria, Senegal, Sierra leone, and Togo.									
Source: Various sources									

AVAILABILITY OF RAW MATERIALS					
AVAILABILITY AND QUALITY	**Egypt**	**Ethiopia**	**India**	**Kenya**	**South Africa**
Availability of livestock in thousand head (2000)					
Cattle and buffaloes	6,380	35,000	312,572	13,794	13,700
Sheep and goats	7,750	37,800	180,900	16,600	35,200
Total	14,130	72,800	493,472	30,394	48,900
Source: Yearbook 46 Issue, United Nations					
Quality of skins and hides					
Source: Various sources					
Availability of hides and skins in thousand metric tons (2000)					
Hides (cattle and horse)	54.2	57.2	971	39.4	83.7
Skins (calf, goat and sheep)	13.4	28.4	180.5	15	18.6
Total	67.6	85.6	1151.5	54.4	102.3
Source: Yearbook 2000 Commodity Statistics, United Nations					
Quality of hides and skins (10 = highest quality)	5.0	2.0	8.0	2.0	6.0
Source: UNIDO					
PRESENCE OF TANNERIES					
Number of tanneries at the national level	300 tanneries (15,000 labor force)	20 tanneries	2100 tanneries	15 tanneries	15 tanneries
Source: UNIDO					
Location of tannery plant	Rubeiky district (45 km outside Cairo) which will concentrate all tanneries in the future.	Addis Ababa	Chennai in Tamil Nadu state which has 70% of national installed tanning capacity	Inthica (40 km from Nairobi)	Port Elizabeth in Eastern Cape province. This province has 40% of auto tanneries which is by far the most important tannery activity of the country.

LABOR AVAILABILITY									
LABOR MARKET	**Egypt**	**Ethiopia**	**India**	**Kenya**	**South Africa**	**Ghana**	**Nigeria**	**Tanzania**	**Turkey**
Population in major cities (greater agglomeration area)									
Capital city (millions of people)	Cairo (14.2)	Addis Ababa (2.7	Delhi (17)	Nairobi (2.3)	Pretoria (1.1)	Accra (2.3)	Abuja (2)	Dodoma (0.3)	Ankara (3.3)
Largest city (millions)	Cairo (14.2)	Addis Ababa (2.7	Mumbai (17.5)	Nairobi (2.3)	Johannesburg (5.6)	Accra (2.3)	Lagos (12.8)	Dar es Salaam (2.	Istanbul (10.1)
Labor force million (2002)	19.7	n.a.	416.8	11.5	16	9.6	53.2	18.2	25.5
Source: Economist Intelligence Unit (EIU)									
Breakdown of labor force (%) - 2000									
Primary sector (%)	29%	n.a.	n.a.	80%	30%	60%	70%	80%	n.a.
Secondary sector (%)	22%	n.a.	n.a.	8%	25%	15%	10%	8%	n.a.
Tertiary sector (%)	49%	n.a.	n.a.	12%	45%	25%	20%	12%	n.a.
Recorded unemployment rate (2002)	9.0%	n.a.	9.3%	n.a.	30.0%	n.a.	3.0%	na	10.7%
Source: Economist Intelligence Unit (EIU)									
Presence of manufacturing staff									
Labor force in industry (million)	4.3	84,000		0.9	4.0	1.4	5.3	1.5	
Source: Economist Intelligence Unit (EIU)									
EIU rating quality of labor force (5 = highest score)	2.0	n.a.	3.0	n.a.	2.0	n.a.	2.0	n.a.	3.0
EIU-rating availability of skilled labor (5 = high)	2	1	3	1	1	1	1	1	2
Source: Economist Intelligence Unit (EIU)									
EIU-rating availability of unskilled labor (5 = high)	5	5	5	5	5	5	5	5	5
Source: IBM - PLI									
Availability of managers									
Quality of management schools (7 = among the world's best)	3.8	n.a.	5.5	n.a.	5.3	n.a.	3.9	n.a.	4.3
Source: The Global Competitiveness Report (2002), World Economic Forum									

LABOR AVAILABILITY									
EDUCATION	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
Compulsary education	6 - 14 years	7 - 13 years	6 - 14 years	6 - 16 years	7 - 16 years		6 - 15 years	7 - 14 years	6 - 14 years
Literacy rate (2001)									
Adult literacy rate (% age 15 and above)	56.1%	40.3%	58.0%	83.3%	85.6%	72.7%	65.4%	76.0%	85.5%
Youth literacy rate (% age 15 - 24)	70.5%	56.2%	73.3%	95.5%	91.5%	91.6%	87.8%	91.1%	96.7%
	2.5			8.0	7.0	7.0	6.0	7.0	
School enrolment									
Net primary enrolment ratio (%) school year 2000-2001	93%	47%	n.a.	69%	89%	58%	n.a.	47%	n.a.
Combined primary, secondary and tertiary gross enrolment ratio 2000-01	76%	34%	56%	52%	78%	46%	45%	31%	60%
Education index (100 = high)	63	38	57	73	83	64	59	61	77
Source: UNDP (Human Development Report 2003)									
LANGUAGES									
Official language	Arabic	Amharic	English	English (official), Swahili (national)	Afrikaans (Dutch), English and 10 other local languages	English	English	English and kiSwahili	Turkish
English language	Good among educated people	English widely used in official and commercial circles.	One of the many official languages	Only official language	One of the 12 official languages	Only official language	Only official language	Official language	Good among educated people
Evaluation English (1-10; 10 = highest score, 1 = lowest score)	5	5	9	8	9	8	8	8	5
Source: IBM - PLI									

LABOR REGUALATIONS									
Employment laws index (values from 0 to 100; where higher values mean more regulation)	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
Flexibility of hiring index	33	58	22	33	33	33	17	38	58
Conditions of employment index	82	67	66	53	36	79	67	72	86
Flexibility of firing index	46	32	19	17	16	16	26	50	20
Overall employment laws index	54	52	36	34	28	43	37	53	55
Source: The Worldbank Group (Doing Business/ Labor Regulations Indicators)									

LOGISTICS AND INFRASTRUCTURE									
Air connections	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
Major international airports (international passengers 2001)	Cairo (6,114,000) Alexandria Sharm el Sheik Luxor	Addis Ababa (849,000)	Delhi (3,569,000) Mumbai (4,479,000) Chennai 1,744,000) Kolkata (559,000)	Nairobi (2,489,000) Mombasa (413,000)	Johannesburg (5,325,000) Cape Town (882,000) Durban (50,000)	Accra (623,000)	Lagos (1,250,000) Abuja	Dar es Salaam (370,000)	(8,827,732) Ankara (1,052,302) Antalya (8,638,634) Bodrum (1,038,039)
Source: Airports Council International									
Number of direct European destinations	Cairo (29) Alexandria (3) Sharm el Sheik (9) Luxor (4)	Addis Ababa (5)	Delhi (8) Mumbai (5) Chennai (2) Kolkata (2)	Nairobi (6) Mombasa (4)	Johannesburg (11) Cape Town (3) Durban (0)	Accra (7)	Lagos (8) Abuja (2)	Dar es Salaam (2)	Most European cities
Number of direct US and Canadese destinations	Cairo (1) Alexandria (0) Sharm el Sheik (0) Luxor (0)	Addis Ababa (2)	Delhi (1) Mumbai (2) Chennai (0) Kolkata (0)	Nairobi (0) Mombasa (0)	Johannesburg (2) Cape Town (0) Durban (0)	Accra (2)	Lagos (1)	0	Istanbul (5)
Source: OAG									
Road infrasructure									
Lenght / quality	44,000 km (end 1999) of roads incl. 22,000 km of (good) highways.	31,571 km of primary, secondary and fleeder roads of which 3,789 km (12%) paved.	3.15 m km of roads of which 58,112 km national highways (2001). 50% of network is paved	63,000 km of classified roads of which 6,360 km main roads and 19,600 km secondary roads (end 1996)	534,131 km of classified roads incl. 2,032 km of motorways (1999).		[illegible] including 1,194 km of motorways, 26,500 km of main roads, 32,300 km of secondary roads, some 60,068 km paved (1997)	88,200 km of classified roads of which 10,400 km primary raods and 17,900 km secondary roads (1996). Main road links with Zambia and Rwanda.	1,746 of motorways (511 km under construction). Total highway network: 62,672km. Total lenght of village roads: 319,218 km (2000)
Source: Economist Intelligence Unit (EIU)									
EIU road rating (score based on road density, 5 = highest score	3	1	2	1	3	1	1	1	2
Source: Economist Intelligence Unit (EIU)									
WEF road ratning (7 = highest score)	4.88	2.14	n.a	2.62	6.12	3.67	2.31	2.87	n.a
Source: The Africa Competitiveness Report (1999), World Economic Forum									
WEF road ratning (7 = high driving speed between cities)	4.9	n.a	3.6	n.a	5.7	n.a	4.4	n.a	4.9
Source: The Global Competitiveness Report (2002), World Economic Forum									

LOGISTICS AND INFRASTRUCTURE									
Railway infrastructure	Egypt	Ethiopia	India	Kenya	Africa	Ghana	Nigeria	Tanzania	Turkey
Lenght / quality	8,600 km (42 km electrified)	Only 681 km of track linkng Addis Ababa with Djiboutu.	Largest rail system in Asia with a total lenght of 63,028 km	2,700 km of track (1999)	31,400 track-km of which 16,946 km electrified (1996).		3,505 km of mainly narrow-gauge railways. 2 principal lines: Lagos-Ngura and Port Harcourt-Maiduguri.	1,860 km railway between Dar es Salaam and New Kapiri Mposhi (Zambia) of which 969 km within Tanzania.	10,922 km of which 8,671 km main lines and 2,122 km electrified (2000).
Source: Economist Intelligence Unit (EIU)									
EIU rail rating (score based on rail density, 5 = high)	3	1	2	1	4	n.a.	1	n.a.	3
Source: Economist Intelligence Unit (EIU)									
WEF rail rating (7 = highest score)	4.7	1.85	n.a.	2.87	5.59	2.19	1.68	3.35	n.a.
Source: The Africa Competitiveness Report (1999), World Economic Forum									
WEF rail rating (7 = as extensive and efficient as the world's be	4.5	n.a.	4.9	n.a.	4.5	n.a.	1.7	n.a.	2.3
Source: The Global Competitiveness Report (2002), World Economic Forum									
Seaports									
Main seaports	3 main ports: - Alexandria - Damietta - Port Said	Land-locked country. Maritime trade currently passes through Djibouti and Mombasa. No access to Eritrean ports.	Chennai, Haldia, Jawaharlal Nehru, (at Nvava Sheva near Mumbai), Kandla, Kochi, Kolkata, Mormugao, Mumbai, New-Mangalore, Paradip, Tuticurin and Visakla.	Mombassa (deep water port) serving most of East African and Central African countries)	Main ports: - Durban - Cape Town Other ports: - Port Elizabeth - East London - Richards Bay	2 ports: -Tema (mainly import) -Sekondi-Takoradi (mainly export)	- Apapa (Lagos) - Tin Can Island (Lagos) - Warri - Port Harcourt - Calabar	Major port: Dar es Salaam Other ports: - Mtwara - Tanga - Zanzibar	- Bandirma - Derince - Haydarpasa (Istanbul) - Iskenderun - Izmir - Mersin
EIU ports rating (score based on quality, 5 = high)	4	n.a.	3	n.a.	4	n.a.	2	n.a.	3
Source: Economist Intelligence Unit (EIU)									
WEF port rating (7 = highest score)	4	2.58	n.a.	3.13	5.63	5.06	3.02	3.57	n.a.
Source: The Africa Competitiveness Report (1999), World Economic Forum									
WEF port rating (7 = highest score)	4.4	n.a.	3.3	n.a.	5.3	n.a.	2.9	n.a.	3.8
Source: The Global Competitiveness Report (2002), World Economic Forum									

LOGISTICS AND INFRASTRUCTURE									
ICT	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
Year of liberalisation of fixed telephone line market	State monopoly ended in 1998.			State monopoly	State monopoly ended in 2002.		State monopoly ended in 1997.		
Source: Economist Intelligence Unit (EIU)									
Telephone / fax infrastructure quality (7 = highest score)	5.5	n.a.	5.1	n.a.	5.2	n.a.	2.2	n.a.	5.2
Source: The Global Competitiveness Report (2002), World Economic Forum									
Telecommunication infrastructure (7 = highest score)	5.45	3.05	n.a.	3.49	5.39	4.81	1.81	3.96	
Source: The Africa Competitiveness Report (1999), World Economic Forum									n.a.
Main telephone lines per 100 inhabitants (2002)	10.36 (2001)	0.55	3.98	1.03	10.77	1.16 (2001)	0.58	0.44 (2001)	22.12
Cellular mobile subscribers per 100 inhabitants (2002)	6.72	0.07	1.22	4.15	26.58	0.93	1.36	1.27	34.75
Estimated PCs per 100 inhabitants (2001)	1.55	0.15	0.58	0.56	6.85	0.33	0.68	0.36	4.07
Internet hosts per 10,000 inhabitants (2002)	0.47	0.01	0.81	0.93	53.51 (2001)	0.14	0.09	0.44 (2001)	22.98
Internet users per 10,000 inhabitants (2002)	92.95 (2001)	7.42	159.14	159.78 (2001)	682.01	19.36 (2001)	16.66	29.77 (2001)	738.39
Source: International Telecommunication Union (ITU)									

TECHNICAL AND SITE FACTORS	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
Customs free zones / Export processing zones (EPZ)	8 zones (Alexandria, Arish Cairo, Damiatta Port, Ismailia, Port Said, Port of Safaga, Sohag, and Suez)	No areas designated as foreign trade zones. There are government plans to make Dire Dawa into an inland port and a free trade zone	Several zones (e.g. Visakhapatnam, Kandla, Cochin, Chennai, Noida, Falta)	6 EPZ's (government as well as privately owned).	Several Industrial Development Zones (IDZ's) e.g. Port Elizabeth.	Ghana Free Zones (Greater Accra and 2 sites at Mpintsin and Ashiemnear Takoradi).	Calabar EPZ, Onne oil & gas free zone.	Zanzibar and Mtwara Port on Lake Victoria	-Yumurtalik FTZ -Eastern Anatolian FTZ -Istanbul Ataturk FTZ -Istanbul Leather FTZ -Mardin FTZ -Mersin FZ Samsun FZ
Source: Exporters' Encyclopedia 2002, Dun & Bradstreet / WEPZA International Directory of Export Processing Zones & free Trade Zones/ Various local sources									
Supply of utlities									
Power supply (7 = highest score)	5.53	2.24	n.a.	2.64	6.22	3.97	1.47	2	n.a.
Water supply (7 = highest score)	5.56	3.9	n.a.	3.89	5.04	5.03	2.45	3.22	n.a.
Source: The Africa Competitiveness Report (1999), World Economic Forum									
Supply of industrial water (7 = highest score)	6	n.a.	4.6	n.a.	6.3	n.a.	2.9	n.a.	5.3
Source: The Global Competitiveness Report (2002), World Economic Forum									

PERMITS AND ENVIRONMENT									
Environmental regulations	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
Stringency of environmental regulations (7 = most stringent)	4	n.a.	3.4	n.a.	4.1	n.a.	2.5	n.a.	4.1
Clarity and stability of environmental regulations (7 = transparent and stable)	4.8	n.a.	3.9	n.a.	5.2	n.a.	3.3	n.a.	3.9
Source: The Global Competitiveness Report (2002), World Ec	4.4	n.a.	3.65	n.a.	4.65	n.a.	2.9	n.a.	4
Time for permits									
Management's time spent (%) with officials negotiating or obtaining licences, regulations, permits or tax assessments.	11	11	n.a.	13	7	21	12	15	n.a.
Source: The Africa Competitiveness Report (1999), World Economic Forum									

LIVING ENVIRONMENT FOR EXPATRIATES	Egypt	Ethiopia	India	Kenya	South Africa	Ghana	Nigeria	Tanzania	Turkey
City	Cairo	Addis Ababa	New Delhi	Nairobi	Cape Town	Accra	Lagos	Dar es Salaam	Istanbul
Safety (New York = 100)	82.5	56	75	50.5	54.5	64	29	52.5	76.5
General attractiviness for expatriates (New York = 100)	74	44	57.5	61.5	84.5	60.5	43.5	47	81
Source: Quality of Life Survey (2003), Mercer			Chennai worse climate, less air connections						

Annex 7 : Sources

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