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EXPORT ENHANCEMENT PROGRAM

REPUBLIC OF BURUNDI

Prepared for:

**The United States Agency for International Development
Bujumbura, Burundi**

Under a Subcontract to:

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EXECUTIVE SUMMARY

This Export Enhancement Program report is being submitted to the USAID/Burundi Mission and the Government of Burundi by AMEX International, Inc. It is the result of technical assistance provided by USAID/Burundi to the Ministry of Commerce and Industry of the Government of Burundi.

BACKGROUND

USAID/Burundi is currently providing the Ministry of Commerce and Industry with a series of consultancies that are planned to progressively build upon each other as specific needs and tasks are identified. This first consultancy was provided to carry out an analysis of the efforts to date of the Government of Burundi in export promotion with recommendations on how to increase exports. The specific objectives included: (1) a review of the relevant written materials (2) the development of an operational plan for a comprehensive program of export promotion, (3) an analysis of the Export Promotion Agency and recommendations for improving its performance, and (4) an agenda, a schedule, and scopes of work for specialized follow-on short-term consultancies to assist the Ministry in realizing its work program in export promotion.

This consultancy was carried out upon the request of USAID/Burundi by Mr. Mori Diané, Vice President of AMEX International. Mr. Diané reviewed documents, interviewed key people both in the U.S. and Burundi, and wrote this final report. The consultancy took place from Oct 5 to Nov 30, 1989. It included three weeks in Burundi, and report finalization and translation in the U.S.

The methodology used included interviewing officials in the USAID Mission, representatives of the Burundi Ministry of Commerce and Industry and local business owners in Bujumbura potentially interested in exporting.

REPORT SUMMARY

The report begins with a discussion of the theory underlying trade policy and its role in supporting economic growth. A review of the economic environment of Burundi follows this discussion. The next topic describes the present state of the Burundi trade sector and the example of a small manufacturer serves to highlight some of the issues associated with exporting in Burundi. A description follows detailing the Government's efforts to date to promote export. The next topic evaluates a newly created agency devoted to the promotion of export. Priorities are then identified which must be set by the agency and an operational plan is developed for the changes which must take place in the Burundi economy to encourage the expansion of the export sector. In the final section a series of short-term consultancies are identified which will help strengthen the institutional capacity of the agency.

REPORT FINDINGS

1. The basic premise of international trade is that through trading a country makes its citizens better off by increasing their income and consumption of domestic, as well as foreign, goods and services.

2. The Burundi economy has experienced a consistent balance of trade deficit in the last decade. In its effort to alleviate this deficit the Government of Burundi has launched a comprehensive program of export promotion, which is emphasized in its fifth five year development plan covering 1988-92.

3. Agriculture is the dominant sector of the Burundi economy and is characterized by the intensive farming of subsistence crops. Cash crop production is dominated by coffee (mainly arabica), tea and cotton.

4. The manufacturing sector is relatively small, and is mainly comprised of agricultural input processing, food processing, chemical plants, and glass and textile factories.

5. Livestock and fishing are important in Burundi. The people of Burundi have historically used cattle herding as a medium for storing wealth. Traditional fishing is carried out by a sizeable group of fishermen.

6. The mining sector until 1974 was virtually nonexistent. However, deposits of nickel have been discovered, and could represent one of the world's largest reserves.

7. Burundi is landlocked. There are three main routes, aside from air transport, for Burundi to trade with the outside world; the northern, central and southern corridors. Commercial air cargo is virtually nonexistent. Communications systems are still not well developed.

8. In 1987 the total revenue of the government of Burundi was 17.5 billion FBu. 81% of the total revenue was raised through taxes and other levies. Taxes on foreign trade alone accounted for 22.3% of the revenues, whereas taxes on internal trade represented 43.2% (for a total of 66% of the revenue raised through indirect taxes). Burundi's financial establishment can be classified into: the central banking system, the commercial banks, and the deposit institutions.

9. Burundi's exports remains dominated by coffee. The share of coffee in the value of exports has never decreased below 80%. In 1988, 94% of all exports were primary products. Aside from coffee, tea and cotton, the only significant export commodities are hides, live animals and fish. Three items dominate the manufacturing sector: glass bottles, beer exports and cotton cloth exports. In the informal sector there is probably a considerable amount of informal trade in manufactured goods.

10. A case study of the textile industry (fabric making and clothing manufacturing) highlights many of the issues discussed earlier, of relevance to international trade. It features a potential export sector which could also provide an incentive for the expansion of Burundi primary sectors (cotton growing and fabric manufacture), and that of peripheral industries (i.e. button production).

GOVERNMENT MEASURES TO PROMOTE EXPORT

11. The Council of Ministers has adopted several measures, including fiscal incentives, to encourage Burundi firms to seek new markets abroad. Other measures include: the President's Speech and the Sectorial Policies of the Ministry of Commerce; Export Promotion Decree-Laws; Ministerial Ordinances; the reorganization of the Ministry of Commerce into two distinct departments with respective responsibility over internal and external trade; the creation and reinforcement of the structure of a Chamber of Commerce, Trade, Industry, Agriculture and Artisans; the drafting of an investment code; the creation of an Inter-Ministerial Commission under the chairmanship of the Prime Minister; and the creation of an agency devoted to the day to day application of the commission's general policies.

12. The concept of an Export Promotion Agency (APEE). This agency should limit its intervention to the export market alone. Its products should be information and technical support; its clients: the (potential) exporters, the buyers of the exported goods and the local government. The APEE must assume responsibility for gathering and disseminating information to its various client-groups, and for the coordination of technical support dispensed to local firms. It must have the ultimate responsibility for maintaining a high degree of enthusiasm for the export program.

RECOMMENDATIONS

13. Proposed structure of the APEE. It was originally envisioned as a mixed enterprise with participation from both the Burundi Government and the private sector, staffed with twenty two (22) employees and several consultants. Proposed changes include reducing total expenses in personnel and office equipment, reducing staff to nine positions, and using a productivity enhancement bonus system.

14. The necessity for establishing priorities. Burundi must make a choice about what to produce from the market basket of consumer goods, and what to purchase from abroad. Agriculture may be where Burundi has an advantage over other countries. Industries to focus upon include the three traditional crops: coffee, tea and cotton; fruits and vegetables; and textiles. Market choices include: regional markets (Zaire, Rwanda, Uganda, Tanzania, Zimbabwe, Zambia); and overseas markets (EEC, Eastern Europe, Gulf countries, USA).

15. An operational plan for export promotion. The institutional reforms needed include the Government of Burundi removing any disadvantages vis-a-vis foreign competitors; periodic adjustments in the exchange rate; facilitating import and export procedures; providing easy access to financing; sensibility to quality standards; and the necessity for good infrastructure, particularly transportation and communication.

16. Primary actions required. It is recommended that the APEE be assisted by outside consultants in carrying out the following steps in export promotion: (1) prepare local managers to have an exporting mentality through a series of seminars with assistance from a management consultant/trainer in export promotion; (2) aid in the selection of firms to be assisted by APEE with assistance from a management consultant in business surveys; (3) help in the organization of firms with assistance from a management consultant in export business organization; (4) help firms develop realistic marketing plans

with assistance from an export market specialist; (5) assist the firms in marketing abroad and developing a client base with assistance from a marketing consultant in export markets.

17. Other recommended actions include providing an export credit specialist and a transportation specialist; and organizing trips for Burundi business owners and APEE staff members.

I. INTRODUCTION

Throughout history people have sought to expand their productive capacity and welfare by seeking new markets beyond their natural boundaries. This is the premise upon which mercantilism grew as a dominant philosophy. It is also what initiated the colonization of the new worlds and many of history's great migrations across the globe.

In more recent times, the newly (or nearly) developed nations of the Far East built their impressive economic expansion using aggressive trading strategies. A case in point is Japan, which rose from near ruin at the end of the second World War, to the threshold of becoming the major industrial nation by the year 2000.

Economic growth must be coupled with a progressive expansion in the trade sector. This is especially important in the case of developing nations with small populations, whose local markets have a relatively low absorptive capacity. The rate of expansion of their export market impacts upon their growth rate.

This paper analyses the efforts which the Government of Burundi has undertaken to encourage its export market. The report begins with a discussion of the theory underlying trade policy and its role in supporting economic growth. A review of the economic environment of Burundi follows this discussion. The next topic describes the present state of the Burundi trade sector and the example of a small manufacturer serves to highlight some of the issues associated with exporting in Burundi. A description follows detailing the Government's efforts to date to promote export. The next topic evaluates a newly created agency devoted to the promotion of export. Priorities are then identified which must be set by the agency and an operational plan is developed for the changes which must take place in the Burundi economy to encourage the expansion of the export sector. In the final section a series of short-term consultancies are identified which will help strengthen the institutional capacity of the agency.

1.1 The Role of International Trade

One of the benefits of international trade is its contribution to the economic growth of a country. The expansion of trade increases demand for goods and services. Increased demand is translated into additional income for the population, leading to:

- a higher consumption level,
- a higher level of savings and investment, subsequently an improved standard of living,
- the consumption of new products, new technology and new ideas, and
- the creation of new industries, leading to the purchase of new capital equipment.

For many industries, particularly in the developing world, a larger scale of production engenders a lower unit cost of production. Thus, increased trade also generates economies of scale.

These assertions comprise the basic premise of international trade, which suggests that by trading, a country makes its citizens better off by increasing their income and consumption of domestic, as well as foreign, goods and services.

It becomes evident that through trade expansion a country can encourage its economic development process by improving its capacity to supply a greater variety and better quality of goods and services. What qualifies a country as "industrialized" or "developed" is its ability to supply or give access to a larger amount of goods and services from such sectors as agriculture, manufacturing, construction, transport, communication, education, health, defense, recreation, etc.

Evidently no one country can claim to be able to produce all the goods and services it requires. Thereby arises the necessity to devote the assets of the country exclusively to the production of those goods and services in which it has a comparative advantage.

1.2 Trade and Specialization

The opportunity to trade arises when a country, because of its endowment, produces goods at a relatively lower cost than its trading partners. Foreign consumers are enticed by the savings they realize from purchasing these goods from abroad, rather than having to mobilize their own productive resources to manufacture the same items.

Trading patterns are dictated by the comparative advantages countries have over each other. To determine the best pattern of trade for the Republic of Burundi, one must analyze its macroeconomic environment to isolate the areas in which it has a clear advantage over other countries. In fact, the direction of Burundi trade should be dictated by the magnitude of that advantage. This will determine the choice of countries with which to trade and the commodities which are to be traded.

1.3 The Macroeconomic Environment of Burundi

The Republic of Burundi is a country of 27,834 square kilometers, landlocked between the Republic of Rwanda to the north, the Republic of Zaire to the west and southwest and the Republic of Tanzania to the east and southeast. Its nearest ports of exit are Dar Es Salaam (Tanzania), 1,799 kilometers away, and Mombasa (Kenya) which is 2,050 kilometers from Bujumbura.

The population of Burundi is reported to be 5.25 million, for a density of 188 persons per square kilometer. 98% of the population lives in the countryside. Burundi is essentially a rural country with 93% of the labor force engaged in agriculture.

The Gross Domestic Product (GDP) was 146.3 billion Burundi francs (FBu) in 1988, with an estimated growth rate of 2.0%.

The economy has experienced a consistent balance of trade deficit in the last decade. This deficit fell from 12.2 billion Burundi francs in 1980, to 9.3 billion in 1986, only to rise again to 10.9 billion Burundi francs in 1988. In its effort to alleviate this deficit the Government of Burundi has launched a comprehensive program of export promotion, which is emphasized in its fifth five year development plan covering 1988-92.

TABLE 1.1:
STATISTICS
(in billions of FBu)

	85	86	87	88
Population (in mn)	4.7	4.9	5.0	5.2
GDP	141.3	140.8	140.5	146.3
Exports (fob)	13.5	19.4	11.1	18.0
Imports (cif)	22.8	23.2	25.5	28.9
Balance of Trade	(9.3)	(3.8)	(14.4)	(10.9)
Average Exchange Rate (FBu per \$)	116.9	114.4	122.9	145.7

Source: Banque de la République du Burundi (BRB)

Notes: The erratic changes in the export data are mostly related to the variation in the world market price of coffee.

In 1987 imports increased by 12% as a result of the liberalization of trade.

1.3.1 The Agricultural Sector

Agriculture is the dominant sector of the economy and is characterized by the intensive farming of subsistence crops, which occupies 90% of the land under cultivation and generates 60% of the GDP.

Based on 1987 data, the FAO estimates the yearly subsistence crop production to be: 1,440,000 tons of bananas, 615,000 tons of sweet potatoes, 555,000 tons of cassavas, 353,000 tons of pulses, 315,000 tons of beans, 220,000 tons of sorghum and 165,000 tons of maize.

Cash crop production is dominated by coffee (mainly arabica), which represented 83% of export receipts in 1988. It is estimated that 31,767 tons of coffee were harvested in 1987, down from 32,494 tons in the previous year. In 1988 production rose to 37,344 tons, of which 94% was exported. Coffee production is cyclical and depends on the world market prices. There is, however, a lag of three years between price and production, which corresponds to the growth cycle of coffee. It is by far the main source of foreign exchange, and is estimated to have earned \$90 million in 1988. It is anticipated that these earnings will fall to \$70 million for the current year.

The marketing process of coffee involves two parastatals. The first one is OCIBU ("Office du Cafe du Burundi") which extends loans to intermediaries. These private agents purchase coffee beans from farmers in the hinterland and bring them to

OCIBU washing stations. The price paid to both farmers and intermediaries is set before the coffee campaign begins. Once processed, OCIBU sells the coffee to the BCC ("Burundi Coffee Company"), which markets it overseas.

Tea represents the second most important cash crop, with production reaching 3,721 tons in 1988, of which 95% was exported. Tea production decreased in 1988, from a level of 4,382 tons the previous year.

Cotton lint production was 7,508 tons in 1988, down from 7,907 in 1987. The cotton crop is processed into a very high quality fiber for which Burundi has acquired a solid reputation. 99% of the cotton fiber produced in Burundi is classified as first quality.

In the last two years, rice production has increased from an insignificant quantity to 30,000 tons a year. The SRDI ("Société Régional de Développement de l'Imbo"), a parastatal, oversees the technical, infrastructural and local marketing of rice. A large portion of the rice produced is sold to Zaire and Rwanda through both formal and informal trades.

TABLE 1.2:

**CROPS
(1988 data)**

	COFFEE	TEA	COTTON
Harvest (tons)	37,344	3,721	7,894
Exports (tons)	35,050	3,541	509
Exports (million FBu)	13,123	779	110

Source: BRB

1.3.2 The Manufacturing Sector

The manufacturing sector is relatively small, representing only 6% of the GDP. It is mainly comprised of agricultural input processing, food processing, chemical plants, and glass and textile factories. Many of the larger firms are parastatals with limited private partnership. There are a few foreign investors, such as Heineken, whose Burundi subsidiaries, BRARUDI and BRAGITA, produce beer and soft drinks. The state remains very active in this sector and owns some of the largest manufacturing plants, such as the "Société Bouteillerie-Verrerie du Burundi" (Verundi), COTEBU (Complexe Textile de Bujumbura) and most of the coffee processing plants. In the last few years, however, the government, encouraged by the World Bank restructuring program, has consented to divest itself of part or all of its ownership in the parastatals.

The growth rate in the manufacturing sector was somewhat dismal in 1988 since it was only 0.3% as opposed to 15.4% in the previous year. The lower performance was due in part to a slowdown in the production of beer and soft drinks, underlining the importance of the latter in the manufacturing sector. It should also be noted that the high growth rate of 1987 may have been accentuated by a 400% increase in mattress production. In the following year this production fell dramatically below the 1986 level.

The fastest growing industries between 1986 and 1988, were chalk and battery production. Textile output has grown moderately but steadily between 1985 and 1988.

1.3.3 Livestock and Fishing

The FAO estimates that in 1985 the livestock of Burundi included 865,000 goats, 390,000 sheep and 360,000 cattle. The people of Burundi have historically used cattle herding as a medium for storing wealth. This tradition has impeded the slaughter of herds for commercial purposes.

Fish provide a considerable source of protein in the diet of Burundians. Traditional fishing is carried out by a sizeable group of fishermen, but only a limited number of companies are engaged in large-scale industrial fishing. The number of fish caught in Lake Tanganyika has steadily decreased from 20,000 tons in 1976 to a low of 8,130 in 1982.

1.3.4 Mining and Energy

The mining sector is very young in Burundi. In fact, until 1974 it was virtually nonexistent. However, deposits of nickel have been discovered and could represent one of the world's largest reserves. Unfortunately, there is no immediate plan to develop this project. Several firms have received agreements to dig for gold in the northern part of the country where reserves are thought to exist. Burundi is also known to contain deposits of phosphate.

There are few electrical plants in Burundi. In fact a good deal of the commercial needs are met by Zaire's Rusizi I plant. The main domestic suppliers of commercial electricity are an 8 MW station near Bujumbura and an 18 MW hydroelectric plant at Rwegura, in the center of the country. In 1988, a World Bank funded project was permitted to build a line between Rusizi and Bubanza, allowing a wider distribution of electricity throughout Burundi. During the course of the same year, several smaller electrification projects were carried out around Bujumbura and at several provincial sites.

1.3.5 Transport and Communications

There are three main routes, aside from air transport, for Burundi to trade with the outside world. They are the northern, central and southern corridors.

- The northern corridor goes from Bujumbura to the port city of Mombasa (Kenya) through Kigali (Rwanda), Kampala (Uganda), and Nairobi (Kenya). This road system is very good, but involves a 2,000 kilometer trip, characterized by cumbersome

administrative requirements for commercial vehicles when crossing the borders of three different countries. Numerous documents are required to complete the journey and the total cost in fees and duties for a commercial vehicle is well over \$500. There is a regional agreement on the horizon, referred to as "L'accord du Corridor Nord", which promises to untangle many of the difficulties associated with this road system.

- **The central corridor** leads to Dar es Salaam in Tanzania. It offers two options:

i) Two hundred kilometers by lake from Bujumbura to Kigoma (Tanzania), then 1,500 kilometers of railway to the port city of Dar es Salaam, for a total of 1,700 kilometers. This option is the one used (almost exclusively) to export coffee beans overseas, although the Tanzanian section of the trip is highly disorganized.

ii) The trip can also be made by the road from Bujumbura to Dar es Salaam, which is 1,650 kilometers long, however, only 870 kilometers are covered with asphalt. Certain portions of the road have deteriorated significantly and require time-consuming manoeuvring, which impedes the efficient transport of goods on this corridor.

- **The southern corridor** has three options:

i) Merchandise is shipped from Bujumbura to Kalemie by barge on Lake Tanganyika. It is then transported by train to Ilebo, in central Zaire, and is later transhipped onto barges which carry it to Kinshasa on the Zaire river. From Kinshasa it can be transported to the port of Matadi either by trucks or container trains.

ii) The second option would allow the goods to be shipped from Kalemie to the port of Lobito, in Angola, using the Benguela railroad. Unfortunately, the civil war in Angola has all but stopped the use of the railroad.

iii) Using the third option entails shipping the goods to Mpulungu at the southern tip of Lake Tanganyika. From Mpulungu a good and reliable transportation network gives access to the entire southern region of Africa, particularly Zambia, Mozambique and Zimbabwe.

Burundi commercial air cargo is virtually nonexistent. Only two small aircraft fly to selected cities in neighboring countries. Six airlines compete for regular passenger and commercial traffic from Bujumbura (Sabena, Ethiopian Airlines, Air Rwanda, Air France, Tanzanian Airways and Kenya Airways). Estimates of weekly cargo leaving Bujumbura hovers around four tons per week. This suggests the availability of excess capacity not utilized by exporters. Air transport is very expensive, due in part to a 20% fee levied against transit agents and payable to Air Burundi.

Communications systems in Burundi are still not well developed. The ratio of telephone subscribers to the total population is extremely low. There is only one television channel that covers the majority of the country. Bujumburans are also able to view Zairian television programs. The sole television station, the radio and the press are properties of the government.

1.3.6 The Financial Sector

i) Public Finance

In 1987 the total revenue of the government of Burundi was 17.5 billion FBu. 81% of the total revenue was raised through taxes and other levies. Taxes on foreign trade alone accounted for 22.3% of the revenues, whereas taxes on internal trade represented 43.2% (for a total of 66% of the revenue raised through indirect taxes). Coffee

levy fell from 4.6 billion FBu in 1986 to 0.6 billion in 1987. Total revenue had increased from 15.1 billion in 1985 to 22 billion in 1986, only to decrease in 1987. It rose to 23.9 billion in 1988 and is expected to reach 29.7 billion in 1989 partly because of the receipts of compulsory dividends imposed on public enterprises.

Public expenditures rose from 16.7 billion FBu in 1986 to 20 billion in 1987 and remained at the same level in 1988. They are expected to reach 23.9 billion in 1989.

TABLE 1.3:
1987 REVENUES OF THE BURUNDI GOVERNMENT
(in millions of FBu)

BASE	AMOUNT	% OF TOTAL
Coffee Levy	613	3.5%
Indirect Taxes	11,577	66.0%
Corporate Taxes	1,977	11.9%
Others	<u>3,375</u>	<u>19.2%</u>
Total	17,542	100.0%

Source: Economic Intelligence Unit (EIU)

ii) The Financial Establishment

Various studies have been published by several agencies to explain the intricacies of the financial sector of the Republic of Burundi. One of the most comprehensive reports is published by USAID and entitled, "Financial Sector Study" ¹. It describes in great detail the structure of the financial establishment, which is classified into the following four sectors: the central banking system, the commercial banks, the deposit institutions and others institutions.

It is evident from all the reports that the central bank of Burundi, the BRB (la Banque de la République du Burundi), plays an overwhelming role in the financial life of the country. It dominates all aspects of this sector including any banking transactions operated with or within any entity in the Republic of Burundi. The power of the BRB extends over all the financial institutions and dictates the tone of most commercial activities, including credit issuance, licensing for new businesses, permission to import or export goods and services and the management of all foreign reserves held in the country. The BRB also maintains a close scrutiny over all banking institutions since they require its sanction in order to undertake most transactions with business entities and individuals.

¹ by Semkou, Romau; PID/T #696-0510-390002.

The BRB regulates international trade through its authority to deny import and export licenses for all goods and services traded within Burundi. Its power is sometimes exercised by delegation to commercial banks.

The currency control law administered by the BRB prohibits citizens from owning foreign exchange or assets. Prior authorization of the bank is required to undertake any transaction involving the outlay or receipt of foreign currency. These rules are embodied in "Regulation B" of the BRB.

"Regulations C and D" require respectively the delivery of an import license for imported goods valued over 150,000 FBU and an export license for exported goods valued over 10,000 FBU. Requests for export licenses are submitted to the BRB with several supporting documents including invoices and bills of lading for transport. The BRB, at its option, may:

- issue the license,
- deny it, or
- require that any aspect of the export procedure be renegotiated; i.e. mode of transport or price of goods.

In the past the BRB has used licenses to regulate its foreign currency reserves.

Every activity requiring the intervention of a bank demands extensive documentation, including the opening of an account, the application for commercial or mortgage financing and transfers.

II. STATE OF THE PRESENT EXPORT MARKET

2.1 Domination of Coffee

Total export from Burundi has remained alarmingly dominated by coffee. Except for 1987, the share of coffee in the value of exports has never decreased below 80%.

TABLE 2.1:
SHARE OF TOTAL EXPORT
(IN %)

	85	86	87	88
Coffee	84.2%	88.4%	71.0%	82.8%
Tea	5.4%	2.7%	5.3%	4.5%
Cotton	0.3%	0.1%	4.1%	0.6%
Manufactured Products	5.3%	5.6%	13.1%	5.8%

Source: BRB

The share of manufactured products has remained in the neighborhood of 5.5%, except for 1987 when coffee exports fell considerably.

2.2 Other Embryonic Markets

i) Export of Primary Products

In 1988, 94% of all exports were primary products. Aside from coffee, tea and cotton, the only significant commodities are hides, live animals and fish. Only 377.3 million FBU worth of live fish were exported in 1988. It is worth noting that the aggregate catch of fish has declined steadily between 1985 and 1988. The volume of exported hides increased by 33% between 1985 and 1988, though the total value of these hides has risen from 124.5 to 305.1 million FBU, for an increase in value of 145%. One can assume, therefore, that producers of hides are attempting to export more improved or higher quality products.

ii) Manufactured Products

Three items dominate this sector, although their total contribution to export remains insignificant. The export of glass bottles (VERUNDI) rose dramatically to 456 million FBU in 1987, only to fall the following year to 325 million. The total value of beer exports (BRARUDI) has remained around 125 million FBU in the last three years. Cotton cloth exports (COTEBU) were valued at 428 million FBU in 1986 and only 265 million in 1988.

If data were available on the informal sector, it would probably reflect a considerable amount of trade in manufactured goods. It may also explain, in part, the statistics showing decreasing trade in beer and cloth. Many traders, particularly in Zaire and Rwanda, overcome the difficulty of converting local currencies by purchasing goods with the proceeds from earlier sales of merchandise. These goods are for the most part smuggled across borders, which are very permeable in this region.

2.3 A Case Study: The Textile Industry

As mentioned earlier, the textile industry contributes little to the aggregate revenue from trade. The data indicate that only 265 million FBU of cotton cloth were exported in 1988, representing 1.5% of total exports. The textile industry is divided into two sectors: fabric making, which is exclusively undertaken by COTEBU, and clothing manufacturing, comprised of three major industrial plants.

2.3.1 The Fabric Sector

The fabric production sector is a good example of a vertical integration of the agricultural and manufacturing sectors. COTEBU processes fiber from cotton grown in Burundi. The resulting fabric is of a high standard because of the impressive quality of Burundi cotton fiber. COTEBU has also begun to produce polyester and other types of fabric.

The entire production is sold with very little marketing effort. In fact, COTEBU is unable to satisfy total demand for its cloth, even though as it is operating beyond its technical capacity. It has planned to increase capacity by 50% by the year 1993. COTEBU also intends to diversify its operation by adding a sewing capacity in order to manufacture clothes; particularly socks, underwear and other types of apparel.

Out of a total production of 10.5 million meters of fabric, COTEBU sells 10% directly into foreign markets, mainly in Zaire. It is estimated that another 60% of the cloth is sold, through local traders, in the same countries abroad.

On the other hand, three new firms have spun off from the textile industry to create clothing manufacturing plants. These firms are NAB, "La Commerciale" and SIRUCO. The newest and most aggressive is NAB ("N.A.B. Super Confection").

2.3.2 Clothing Manufacturing Plants

Several plants have recently started production in Bujumbura. They represent a typical example of vertical expansion. They manufacture clothing for local consumption, generally on a contractual basis, i.e. for the military. Lately, some have managed to secure small contracts from wholesalers overseas.

NAB, for instance, possesses modern equipment, which had to be purchased with cash since long-term credit was unavailable. It employs around 68 long-term employees and can quickly expand its capacity by hiring additional workers as the workload dictates.

NAB is subjected to two types of surcharges:

- a 15% transaction tax on the purchase price of cloth from COTEBU and
- a 7% sales tax based on the invoiced amount.

The transaction tax is refunded through a credit system for items which are exported, but the process is lengthy and in the meantime, part of the company's valuable working capital is tied up. In addition, when it is reimbursed, no account is made for the interest lost during the several months typically required for the refund. NAB has also recently been unable to fulfill the remaining portion of a contract to supply 50,000 shirts to a wholesaler in Belgium because the price at which it expected COTEBU to sell the cloth had been raised.

Since the corporate profit tax is in the neighborhood of 45%, the structure of NAB's cost of production includes a significant amount of direct and indirect taxes. Its pricing policy is bound to reflect these market distortions and be commensurately uncompetitive with respect to other suppliers from overseas.

NAB has no formal marketing plan nor does it aggressively seek markets abroad. The order it secured in Belgium was initiated as a result of a trip to Brussels by one of the owners. She did not plan any meetings beforehand nor did she contact any brokers. She basically went soliciting from store to store, hoping to interest retailers with the samples she had brought with her. She was eventually referred to a wholesaler who has since ordered incremental quantities of shirts, the last of which the company has been unable to fulfill.

2.3.3 Diagnostic and Recommendations

The textile industry highlights many of the principles of international trade discussed earlier. It has its base in the primary sector, in an industry (cotton) in which Burundi appears to have an advantage. It has expanded vertically into the manufacture of cotton fabric and further diversified into clothing factories. This latter stage of development, if encouraged in its growth, can provide an incentive for the expansion of its primary sectors (cotton growing and fabric manufacture), and that of peripheral industries (i.e. button production).

The newly created agency, the Export Promotion Agency (APEE), should work with firms such as NAB, to attempt to resolve their problems associated with attempts to export. The objective of the Agency should be to remove the barriers to

NAB's ability to compete against its most obvious competitors in the international arena. In all likelihood, the closest competitors of Burundi in the clothing industry are Mauritius and the countries of the Far East who have developed a tremendous reputation in clothing manufacturing.

Some of the steps which can restore NAB's competitive edge would include:

i) **Alleviating the various taxes.** The APEE may start by attempting to classify NAB as an "Entreprise Prioritaire", a status which will grant it many advantages available under the investment code. The Agency should not exclude attempts to waive, even temporarily, corporate taxes. It may also wish to improve the company's cash flow problems by convincing the authorities to waive the transaction tax altogether rather than refund it at a later date.

ii) **Ensuring a long-term guaranteed input price** by arranging long-term contracts with COTEBU.

iii) **Discouraging COTEBU** from entering into the business of manufacturing clothing since it will invariably be an unfair competitor, being the sole supplier of fabric in the country. Its sewing units will naturally purchase the cloth at a transfer price set internally which will necessarily be inferior to the price dictated by the market. At times when the supply of fabric is low, COTEBU may be inclined to favor supplying its own units before that of other producers.

iv) **Arranging for credit lines to:**

- finance duly executed supply contracts, through working capital loans proportional to the value of the order, and/or
- support loans permitting the company to purchase inputs required for the manufacture of the orders at hand.

v) **Helping design a creative marketing plan** adapted to the realities of the firm. It should consider:

- targeting specific markets (maybe Belgium),
- understanding the distribution network in the clothing industry; i.e. who are the wholesalers and the retailers, can they be reached directly, or is it essential to go through brokers,
- pricing: what is the average wholesale price of the immediate competitors; the objective being to market some basic models at prices significantly below the average.

The problems identified and the proposed remedies are specific to this industry and in particular to the firm which we have used as an example. It is evident that each industry and each targeted firm will have problems particular to its own environment. The APEE should be encouraged to work with firms, on an individual basis, to identify its specific concerns and attempt to resolve them. Interventions should primarily be aimed at microeconomic considerations. Some solutions will obviously lead to externalities, applicable to other firms and industries.

2.4 Efforts to Promote Export

Efforts to promote export are spearheaded and coordinated by the Government of the Republic of Burundi itself. It has sought to use this vehicle to bridge the gap created by the growing deficit in the balance of trade. The council of ministers has adopted several measures, including fiscal incentives, with the purpose of encouraging Burundi firms to seek new markets abroad.

2.4.1 The President's Speech and the Sectorial Policies of the Ministry of Commerce

The tone for a comprehensive program of export enhancement has been set by a speech delivered by Major Pierre Buyoya, President of the Republic of Burundi. This speech, labelled a "Discours Programme", is the starting point for a wide ranging effort to design a comprehensive program for the promotion of export.

The same theme is laid out in more detail in a Ministry of Commerce and Industry document entitled "Politique Sectorielle". It explains the various policies of the Ministry regarding the sectors under its responsibility. With respect to external trade, the intentions of the Ministry are:

- to strengthen and create additional trade centers, which will encourage commercial activities and the emergence of a dynamic group of local entrepreneurs; these trade centers are located in-country and have traditionally served as distribution and collection centers for consumption goods and commodities,
- to reduce the balance of trade deficit by improving the quantity and quality of traditional exports and by creating new markets, and
- to decrease the rate of growth of imported goods through the creation of import-substitute industries.

The document acknowledges the presence of several bottlenecks which need to be removed to facilitate the execution of the program. Among these barriers, the Ministry specifically identified:

- the lack of adequate technology (equipment, training, etc.),
- the insufficient availability of inputs,
- the lack of marketing structure,
- the necessity to improve the infrastructure (transport, collection, selection, warehousing and distribution of certain goods, etc.), and
- the constraints of a rigid financial structure, with respect to credit and foreign exchange.

The Ministry suggests immediate remedies, including fiscal incentives (a system of tax and tariff), credit and insurance facilities, and encouragement to countertrade.

The government has begun to move towards implementing the recommendations contained in both the "Discours Programme" and the sectorial policies of the Ministry.

2.4.2 Export Promotion Decree-Laws (04/15/88 and 07/29/89)

A law was enacted through the issuance of a decree on April 15, 1988, and revised on July 29, 1988. The objective of the law is to facilitate export procedures and grant fiscal incentives to exporters of manufactured products. Specifically it:

- exonerates qualified exporters from any export taxes,
- grants refunds, via drawback privileges, for any and all prior customs fees and duties on imported inputs used in the manufacture or packaging of identified export goods,
- allows deductions from corporate tax payments of all expenses, up to a limit, related to marketing, travel, information gathering and other expenses associated with export activities,
- decreases the corporate income tax to half the applicable rate for incomes realized through export, and
- provides access, for bona fide exporters, to working capital financing at zero percent interest and to foreign exchange for the purposes of: importing inputs, paying travel expenses and allowing overseas transfer of salaries and profits for foreigners associated with the exporter.

2.4.3 Ministerial Ordinances (10/03/88, 10/06/88 and 08/04/89)

The ordinances are meant to clarify the various decrees and to provide the pragmatic framework for their application. The following is a summary of the clarifications they bring to the decrees.

- Excluded from the list of beneficiaries are exporters of: coffee, tea, cotton, raw hide, gold, live animals and mineral products.
- The various business expenses deductible under the law are limited to 10% of gross export value, not to exceed 2,000,000 FBu, for exporters registered for less than one year.
- The refund is immediate for the customs duties and the associated service tax applied to imported inputs which enter into the production of export goods. The refund is up to 10% of the value of the exported goods. Any discrepancy between refunded and actual amounts is to be settled at a later date.
- The transaction tax paid is also refunded through a system of credit against liability due on total taxes.

2.4.4 Other Measures

Several other measures were adopted to encourage export by Burundi firms. They include:

- the reorganization of the Ministry of Commerce into two distinct departments with respective responsibility over internal and external trade; the Department of External Trade is to oversee all matters pertaining to import and export,
- the creation and reinforcement of the structure of a Chamber of Commerce,

- Trade, Industry, Agriculture and Crafts,
- the drafting of an investment code,
- the creation of an Inter-Ministerial Commission under the chairmanship of the Prime Minister; the commission includes all ministries whose responsibilities affect businesses and specifically trade; the primary function of the commission is to draft the overall government policy on trade, and
- the creation of an agency devoted to the day to day application of the commission's general policies.

III. CONCEPTS OF AN AGENCY TO PROMOTE EXPORT

Several countries have used, with a great deal of success, the framework of a promotion agency to advance their global trade policy. There is ample literature to document the resulting successes, however, there is not as much documentation on the numerous failures resulting from the unsuccessful use of such institutions. It is essential to understand the proper role of such an agency and the tools available to achieve its objectives.

3.1 Concentration on Export Markets

It may be advisable that the agency limit its intervention to the export market alone. In all evidence, matters regarding import, especially those affecting input items, will arise in the course of the agency's performance. As a matter of general policy, it may be preferable, however, for the agency to narrow its focus of action to a manageable proportion. To assume both the responsibility of promoting exports, while at the same time devoting efforts to the improvement of the import market, is twice as demanding as having to concentrate on the former alone. It may, in the long run, become counterproductive to dissipate resources away from what promises to be an arduous task in the first place. Most such agencies reserve their entire effort to the exclusive purpose of enhancing exports. Efficiency in the import market will arise necessarily as a by-product of the former. Exporters who become attuned to world markets would learn efficient methods of operation (production, management, transport, purchase, sale, contracting, etc.), which will positively influence their import practices as well.

3.2 The Role of an Export Promotion Agency

The agency, once structured, becomes in itself an entity whose success will depend upon its ability to service its clients. It becomes not unlike a commercial entity which possesses a product it must sell to a group of clients.

The products of the agency are information and technical support. Its clients are the (potential) exporters, the buyers of the exported goods and the local government. The agency must assume responsibility for gathering and disseminating information to its various client-groups and for the coordination of technical support dispensed to local firms.

3.2.1 Information Gathering and Dissemination

One of the most critical roles of the agency is to act as the ultimate depository and disseminator of information. Among the myriad pieces of information which must be collected, updated and organized, two sets will be crucial: the details pertaining to the incentive structure and a reliable database on small, medium and large firms operating in Burundi.

3.2.1.1 Information Regarding the Incentives.

The set of incentives granted by the government, is meant to induce businesspeople to find better opportunities in the export markets. As time passes many modifications will be made to the various provisions. The conception of these provisions themselves might be difficult to grasp. This is especially true of small businesses which do not have a suitable management structure to benefit fully from the advantages offered by the laws. This phenomenon is already evident in the export community in Burundi. For instance, some of the smaller firms do not understand the mechanism of drawback and its requirement for their eligibility in the program. In one case, it was not even known that the drawback system was already functional.

The agency must devise a simple system for clarifying these rules. It must be able to explain the intricacies in simple terms to its members. In addition, it must create a medium for promptly disseminating the information as it becomes available or modified. The medium of dispersion must be effective enough to reach the majority, if not all, of the businesses. One could use a series of periodic seminars dealing with specific topics. Alternatively, the publication of a periodic newsletter could be an effective instrument at the disposal of the agency. In any event, the vehicle of choice must be tailored to the conditions in Burundi for the efficient flow of information.

3.2.1.2 Creation of a Database.

The agency should develop a permanent database listing all the firms operating in Burundi, their product and other vital information. The database should include the type of information that would be useful when inquiries are sent by potential buyers from abroad. The data must be disaggregated at the level of the firm and include information such as the type of product, the inputs, the list of clients, the prices (f.o.b. and c.i.f.), the productive capacity (total and idle), and the financial position. The information should be updated periodically, to reflect the new policies, practices and realities of the firms.

Here the agency must use a great deal of diligence not to appear as if it were gathering intelligence which could be used to police the firms. The objective is to assemble all the facts which are likely to be requested by interested buyers.

Some countries have compiled business directories containing a good deal of useful information. The directory can be financed through the sale of advertisements inserted in the pages and through sales of the book itself, at a marginal fee. The idea has proven to be a valuable marketing tool, as well as a source of revenue.

The database can also be used to assess various aspects of the export enhancement effort. It may be used to gauge the effectiveness of the incentives and to serve as the basis of propositions for modifying the system when it is believed to lack adequate inducement.

3.2.2 Support to Exporters

The support function of the agency should be precise and firm-specific. It must address particular needs identified within a company. Here the most important concept is to support and not replace the management of the firm. The agency should design its support procedures such that the institutional knowledge is quickly transferred to the agents within the corporation. The most successful program would require an honest cooperation between the company staff, who know the firm, and the agency's consultant, who will advise on changes and adaptations required to compete in the export market. The firm, in most cases, will not know the precise type of support it needs. This can best be determined with the assistance of the adviser if he can get an accurate perception of the firm's management structure.

Many of the support activities will be specific to the firm being observed, nevertheless, the agency would generally focus on the following areas:

- the internal production process (i.e. production standards, quality of products, pricing, packaging, etc.),
- transportation and insurance issues,
- foreign customs procedures,
- phytosanitary requirements (where applicable),
- obtaining credit, especially working capital loans, and
- facilitating administrative procedures.

Some of these issues can be debated during periodic (monthly) meetings organized either for all interested exporters, for specific industries, or even for those preoccupied with exporting in a specific region. The most effective work method, however, is one-to-one contact between the advisor and the representatives of the company. The exchange must take place as much as possible on the company's premises in order to gain the trust of the firm.

It may be a good idea to initiate an incentive program such as the issuance of a monthly award (delivered by the Minister in a televised session) to "the Best Exporter of the Month".

3.2.3 The Agency as Motivator

The agency has the ultimate responsibility for maintaining a high degree of enthusiasm for the export program. The effectiveness of the agency will determine the exporters' eagerness in seeking its advice. The agency will have to "sell itself" much like a firm soliciting customers. At the inception, it will be necessary to aggressively advertise the types of services available from the agency. Later, new "customers" will judge the usefulness of the agency by the experience of the agency's initial clients.

The agency will also benefit from catering to the government as well. It must convince the various departments of its utility and, above all, of its ability to deliver results. The departments to target include the Ministry of Commerce, the Ministry of Finance, the Department of Customs, The Central Bank, and the Inter-Ministerial Committee. The agency will be called upon to work with these various offices and its work will be facilitated if it is perceived as useful. As much as possible, the director of the agency should have frequent, high-level personal contacts within the various

Ministries. The agency must use its means of communication (especially the newsletter) to inform the government as often as possible of its progress and particularly its success stories.

3.3 "L'Agence de Promotion des Echanges Extérieurs" (APEE)

One of the recommendations of the Inter-Ministerial Committee was the creation of an agency devoted exclusively to carrying out the policies of the Committee. Thus came the idea of creating the Export Promotion Agency ("L'Agence de Promotion des Echanges Extérieur - APEE").

3.3.1 Proposed Structure of the APEE

A description of the structure proposed by the Ministry of Commerce is contained in a memo entitled "Presentation de l'Agence de Promotion des Echanges Extérieurs". It envisions the "Agency" as a mixed enterprise with participation from both the Burundi Government and the private sector. The government has promised to contribute 30 million FBu and 70 million FBu has been pledged by a consortium of firms on a purely voluntary basis. Many of these firms are parastatals, such as COTEBU, and are either in part or wholly owned by the government. In addition to a capital of 100 million FBu, the Agency will receive a subsidy of 75 million FBu set aside from the current year's budget. It has not yet been decided whether the subsidy will continue to be granted on a yearly basis.

3.3.1.1 The Staff

The Agency, as originally envisioned, is staffed with twenty two (22) employees and several consultants. The administrative responsibilities are handled by three offices:

- the office of the administrator ("Direction Générale"),
- the department of finance and administration, and
- the administrative secretary.

There is a provision for two substantive divisions:

- the division for promotion, marketing and logistics which oversees the foreign offices, consultants and typists;
- the division of information, research and documentation which includes consultants and typists.

3.3.1.2 - TABLE 3.1

PROJECTED EXPENSES
(In FBu)

	Costs	Subtotals
<u>Salaries</u> (in 000 FBu)		42,395.5
Local	32,395.5	
Consultants	<u>10,000</u>	
<u>Recurring Expenses</u>		31,500
Foreign offices	20,000	
Marketing Trips	8,000	
Miscellaneous	<u>3,500</u>	
<u>Support to Firms</u>		16,068
(associated expenses)		
<u>Fairs and Expositions</u>		6,800
<u>Other Expenses</u>		31,448
Office equipments	26,048	
Rent, Maintenance, etc.	<u>5,400</u>	
<u>Depreciation</u>		2,874.9
		=====
<u>TOTAL EXPENSES</u>		<u>131,086.40</u>

In the first year the APEE is expected to receive funding for a total of 175 million FBu against total anticipated expenses of 131 million FBu. If the budget is accurate, all the obligations will be met. After the first year of operations, an excess of 41 million FBu will remain in the account. The excess of income over expenses will be even larger if allowances are made for the following contributions (in millions of FBu):

Contribution from the FED	20,026
Contribution from Project BDI/86/014	41,000
Service income	1,000
Contribution from AID (consultants)	10,000
	=====
TOTAL ADDITIONAL INCOME	<u>72,026</u>

The total of assets in excess of expenses will theoretically be around 114 million FBu, which should go a long way towards covering expenses for the following year.

Total expenses can be decreased considerably if the amount attributed to personnel and office equipment is reduced to the strict minimum. The following is an opinion regarding a reduced staff that is still sufficient to operate an efficient agency.

3.3.1.3 Proposed Changes

It may be wise to curtail the staff of the APEE in order to avoid the fact that a heavy administrative structure will impede the efficiency of an organization compelled to show positive results as quickly as possible. A staff as large as the one proposed will result in an unduly cumbersome administration. The necessity for such a large staff is not evident in view of the fact that the agency's workload at the inception will be limited. In the first few months the agency will probably be concerned with organizing the office, training its own staff, establishing contacts with the various firms, conducting seminars and will at best, work directly with only one or two firms. It would be unwise for an organization whose goal is to re-enforce efficiency concepts to become bogged down with excess capacity.

The APEE can streamline its staff and retain the option of hiring additional members as the need arises. I propose the following structure instead:

- one director,
- one executive secretary who can serve as office manager,
- a bookkeeper/accountant with a background in computers (he/she may be responsible for the various databases), and
- two secretary/typists.

These employees would form the core of the Agency. Two distinct divisions should complement the first group:

- a support division with two staff members; their responsibility will be to work with the consultants to organize the seminars and to help in the elaboration and evaluation of the surveys leading to the identification of the firms selected, and
- a marketing division comprised of two staff members who will work closely with counterparts in the firms to identify new markets and potential buyers and eventually help to SELL the commodities; this division will be the most important of the Agency since it is the one which will embody the ultimate objective of the APEE: **TO FOSTER THE SALE OF BURUNDIAN PRODUCTS OVERSEAS.**

The nine positions identified above can constitute a good basis for staffing the Agency with little fear of creating a situation where the weight of bureaucracy might impede efficiency. The staffing level recommended is of manageable proportions. In addition, total expenses will be reduced considerably. In the first few months, resources should be devoted to training programs for the employees. A set of dynamic salespersons

should be trained further in the art of salesmanship. The Agency should be diligent in selecting the best people it can attract, especially for those within the two functional divisions. To achieve that objective, it may be advisable to introduce a system of incentive pay to reward the performance of the staff.

3.3.2 Proposal for a Productivity Enhancement Bonus System

The Agency should be aware of a new trend in management which seeks to improve the productivity of certain employees by associating a portion of their salary to the performance they demonstrate. There are several forms of incentive bonus plans being used around the world. They are particularly prevalent in the U.S., Japan, Korea and many of the developing countries of East Asia. Surveys have established that well over 70% of private firms in these countries use one variation or another of the concept. A strong correlation has been validated between the increase in the productivity of workers and the incremental pay they receive for their performance.

This type of scheme is best suited where the welfare of an organization is tied to an identifiable product. In this case, workers whose labor affects the production level of the firm, are given the opportunity of earning a bonus above and beyond their fixed salaries, if the production of the unit (or other entity) surpasses a given level.

This concept would encourage a higher performance, particularly for the sales force of the APEE. A target could be set in terms of sales volume (or value) beyond which salespersons would receive a year-end bonus commensurate with the results obtained. An additional bonus pool could be set aside in which all the staff members could share, should the overall performance of the Agency surpasses a predetermined level.

The scheme proposed above is very generalized and only meant to illustrate the concept of pay for productivity. The details of such a plan necessitate a careful evaluation of several factors, including the identification of a quantifiable product and an accurate method of associating productivity with a specific individual or group. Nevertheless, it is a concept which should be debated within the APEE since the objectives of the Agency are results-oriented.

Both the support and marketing staff are called upon to perform in a specific environment within given firms and concrete product lines, therefore there is an obvious need for determining which firms are identified as best suited to work with. This determination should be made based on priorities established by national policies, the endowment of the country and their concordance with the sector in which they operate.

IV. NECESSITY FOR ESTABLISHING PRIORITIES

In the introduction, two concepts were identified as essential to the design of a realistic export promotion program. These concepts are:

- the necessity to build the program around an overall strategy of economic growth and development, and
- the benefit of promoting sectors identified as providing a comparative advantage to the country examined.

To export for the sole purpose of earning foreign currency is the wrong reason for engaging in an activity which may ultimately lead to a dead end with no room to utilize an expanded productive capacity. Instead, exporting must be viewed as a means to a grander end; that of providing a growing economy with the market base it requires to justify building a scale of production beyond the absorptive capacity of the economy itself. In simpler terms, foreign countries should provide outlets for domestic goods when local consumption has been fulfilled in the face of an expanding production level.

Efficiency in the allocation of resources is achieved when the authorities of a country devise a system of incentives to encourage the use of productive resources in targeted sectors of the economy. A choice must be made beforehand regarding the sectors and even the industries that will be the recipients of these incentives. The priorities should be determined based on:

- which industries present the best comparative advantages and
- which are more likely to encourage vertical growth.

Comparative advantages in the production of goods would ultimately lead to a greater demand for these goods, both at home and abroad. Horizontal expansion will come about as the industry expands its capacity to satisfy the incremental demand.

Vertical expansion refers to the opportunity the country has in the production of input-substitution goods. As the primary industry grows, it will have an impact on the demand for those goods which are used to produce the final product. A greater demand for inputs provides an opportunity for local entrepreneurs to manufacture these goods at home. This phenomenon gives rise to an input-substitute industry, with its own potential for creating other input-substitute markets.

The overall strategy of macroeconomic development necessitates taking into account opportunities for vertical integration. A choice must be made about what to produce domestically from the market basket of consumer goods, and what to purchase from abroad. One must first identify the goods which are more advantageous to produce at home, i.e. cheaper. Trading should begin because a progressive rise in the country's capacity to manufacture leads to a production level which surpasses its capacity to consume those goods. Nevertheless, economic growth must come from within those sectors in which the country has an obvious comparative advantage.

A sophisticated analysis beginning with the determination of the input-output ratios and use of econometric modeling techniques could establish more definitely

the comparative advantages which Burundi has over any other country under consideration. A diligent observation of the general trends can give an overall sense of the direction of these advantages. In that respect, it is worth noting that:

- 98% of the population lives in the countryside, and the majority is engaged in agriculture,
- agriculture is the dominant economic activity, accounting for 60% of the GDP and occupying 93% of the labor force, and
- the trade pattern of Burundi, both in the region and overseas, is based mainly on export of agricultural goods.

These facts indicate that agriculture may be where Burundi has an advantage over other countries. It should also be kept in mind that agriculture has historically provided subsistence to the masses of unskilled labor. It is a sector of the economy which easily substitutes machinery for unskilled labor. It may be possible that other industries requiring little training would provide an alternative to agriculture.

4.1 Which Industries to Target

4.1.1 Traditional Crops

The three traditional crops, coffee, tea and cotton, represent 88% of the total exports of Burundi. These crops provide the single largest source of revenue for the government and the majority of the population. It is therefore expected that they are the most efficiently managed sectors. An effort to raise the revenue and export potential of these crops would have to focus on ways to improve the culture, collection, processing, transport and marketing processes. The first four aspects are beyond the scope of this paper. Decisions about these issues are best made by technical experts, but some marginal improvement can be brought into the marketing process of the crops that may increase their earning potential.

4.1.1.1 The BCC (Burundi Coffee Company)

The BCC is the parastatal with the responsibility for overseas marketing of coffee. Until 1980 it sold 80% of its production to the USA. However, the coffee was not sold under a brand name identifying the country of origin; it was mixed with other types and sold as a generic brand. Today, the largest importers of Burundi coffee are the EEC countries and Scandinavia. Very little, if any, is sold directly to U.S. importers.

The BCC is interested in developing a specific segment of the U.S. market. There is, in the U.S., an increasing demand for a high grade of coffee bean sold under country-of-origin brand names through gourmet stores. This type of coffee commands a price premium of up to 10%, at wholesale, over conventional grade coffee. It requires the selection of the best beans out of each crop and special storage facilities. The high quality of Burundi coffee and new warehouses would permit the Republic of Burundi to supply up to 3,000 tons of such coffee by 1990.

Due mainly to a change in taste, it has been observed that American consumers are showing an increasing preference for good quality coffee. U.S. sales of high

grade coffee beans have risen from \$210 million in 1983 to an estimate of \$675 million in 1989.² The sales are projected to reach \$900 million by 1992. The retail price of this type of coffee varies from around \$5 a pound to well over \$25 a pound for some of the more recognized brands. Fancy coffee beans have long been the specialty of many gourmet stores. However, the recent boom in the demand for a superior bean has attracted the attention of the large coffee marketers such as "Procter & Gamble Co." which sells Folger brand, and "Kraft General Foods" which owns Maxwell House Coffee. Both companies together supply more than half the coffee consumed in the USA. They have both introduced a brand of commercial coffee of much higher quality than those they have traditionally marketed through large distribution chains.

It is expected that the trend in the demand for better quality coffee will continue to grow. It may be a wise idea for the BCC to investigate avenues through which it can capitalize on this rising tendency. The BCC's dilemma is that it does not know how the marketing process of this product is carried out. It needs to identify the group of importers who should be encouraged to develop confidence in Burundi's ability to supply this type of coffee. Yet it appears that no attempt has been made to date to identify the commercial entities which import these goods in the U.S..

4.1.1.2 The OTB (Office du Thé du Burundi)

The OTB is also a parastatal whose function is to market Burundi tea overseas, but it has no formal marketing group. These functions have been assumed by the "Département Commercial" whose main function is to tabulate the list of clients and their respective purchases.

There are two qualities of tea. 85% of Burundi's production of tea is classified as first quality, which is in high demand and is easily sold. 45% of the sales are made f.o.b. Mombasa via auctions. The remaining 55% are sold through short-term contracts to individual buyers and through the London auction where the tea often commands the highest price in the world.

Nearly all individual contracts are initiated by buyers who travel to Bujumbura. A pilot effort initiated by the OTB in Germany shows a tendency for overseas buyers to pay a premium of up to 10% more on individual contracts. OTB does not know whether the nature of the market would permit them to bypass the London auction to sell directly to wholesalers. Since auctioneers are middlemen who resell their stocks to wholesalers in a generic form, by marketing its tea directly, Burundi might be able to establish, over time, a reputation and brand allegiance which should result in a higher price for its production.

Aside from the traditional crops, other sectors of the economy have a potential for sustaining the efforts to diversify and enlarge the assortment of products which comprise the exportable goods of Burundi. One such sector is that which produces a wide variety of fruits and vegetables, which are in increasing demands in a myriad of countries around the world.

² "Boom in Fancy Coffee Pits Big Marketers, Little Firms"; Wall Street Journal, November 6, 1989.

4.1.2 Fruits and Vegetables

The climate of Burundi, which varies considerably from the valleys and plains to the heights of the many hills, allows Burundi farmers to grow a wider variety of fruits and vegetables than other countries in the region.

Many of these foodstuffs constitute a considerable portion of the diet of the populations living in the neighboring countries. Others, such as beans, have the potential to be very successful in European markets. Tropical fruits such as the passion fruit are becoming increasingly popular in Europe and the USA. Since this type of fruit is not yet cultivated around the world in a systematically commercial fashion, Burundi may be able to carve itself a share of the future market by organizing its culture in a more formal fashion. A deliberate program revolving around a set of extension services could set the stage for a larger volume and better quality of such fruits to reach overseas markets in steadily increasing amounts over the next few years. Burundi could possibly become known as the premier producer of passion fruit and create a brand loyalty among wholesale purchasers.

A voluminous document has been published by the COLEACP which is the best reference available regarding the export potential of Burundi in the sector of fruits and vegetables. Readers who are particularly interested in this area will find more substantive information in that study.

4.1.3 Textiles

The efforts of the APEE should not neglect to support the growth of the textile sector of Burundi. Many factors contribute to making it an encouraging alternative for the export promotion effort. First, the textile industry has been the backbone of the industrial revolution in many emerging countries. This is especially true of the many nations of the Far East that have experienced an impressive economic expansion in the last decades. Nearly all built their productive capacity by initially developing a strong textile industry. It must be that the resources required to build a textile industry (i.e. capital, level of skill of the labor force, availability of primary resources, etc.) are easily accessible to developing countries.

Second, a global program of economic expansion based on the textile industry could encourage the parallel growth of the cotton industry which is already fairly well developed in Burundi. This sector also offers countless avenues for additional sectorial development, particularly for import-substitute goods which are used as basic inputs in this industry.

Third, several major countries limit, through import quotas, the amount of textile products which can be imported from overseas. The foreign countries which have traditionally supplied clothing to the U.S. market, for instance, have all filled the quotas reserved for them. For some countries quotas are not available for several years to come; yet virtually no textile is imported to the U.S. from Africa. Attempts to market textile products from Burundi can therefore be coupled with a marketing plan which will emphasize the ability to fulfill large orders in view of its quota allocation potential.

4.1.5 Other Products

Obviously, many other products can be added to the collection of exportable items likely to generate potential markets overseas. Many such items would be associated with the general marketing strategy that will ultimately be adopted by the APEE. Let us assume, for instance, that the approach of the Agency is to participate in a series of fairs across the U.S. promoting Burundi goods directly to department store buyers and specialty boutiques. Such an approach could easily be coupled with the promotion of handicrafts, by registering the promoters in more specialized fairs which are held alongside the larger ones. The marginal cost of participating in the smaller and more uncommon fairs will be nominal, yet the potential for developing additional markets will be considerable.

The type of strategy to adopt in these cases will depend largely upon the overall marketing campaign designed by the APEE, and the vehicles chosen to carry out the scheme. It is conceivable that many handicrafts can be promoted overseas; items such as intricately carved wooden decorative ornaments, or the more functional carved chairs, tables and other furniture.

The nature of the marketing effort itself will depend upon the markets targeted for the various promotion campaigns. As early as possible the agency will need to decide how to allocate its resources towards developing markets of potential interest to the business community.

4.2 Which Markets to Target

The foreign markets available to Burundi products can be divided into two major groups. The regional market refers to the consumer base available from the neighboring countries of Zaire, Tanzania et Rwanda, as well as from other countries in southern Africa such as Uganda, Zambia and Zimbabwe.

4.2.1 Regional Markets

The potential for Burundi businesses to supply goods and services to the regional markets is obvious from the existing pattern of trade. A sizeable amount of trade occurs between Burundi and its neighboring countries, but a good deal of it escapes the formal procedures allowing it to be included in the recorded statistics. It is worthwhile mentioning that both the eastern and south-eastern parts of Zaire are several hundred miles away from the capital and/or principal ports of that country. These zones can hardly depend solely upon Kinshasa for their regular supply of basic foodstuffs and manufactured products. Bujumbura and other parts of Burundi, on the other hand, are closer to these zones and can better cater to their demands for various goods and services. These zones alone provide vast markets which should be more efficiently exploited as sales points for Burundi agricultural and manufactured products. Until now, most of the trade occurring with these regions results from the initiatives of Zairian entrepreneurs who purchase goods in Burundi for resale in eastern Zaire.

There is a good deal of trade also initiated by foreign businesspeople between Burundi and Rwanda. Among the types of goods sold to Rwanda are rice and beer. One must note however, that a considerable portion of this trade results from the

exploitation of the disparity in the exchange rate between the two countries, because the Rwanda Franc is over-valued.

Uganda, Tanzania and Zambia have also demonstrated a propensity for consuming goods grown or manufactured in Burundi. They are somewhat captive markets in these regional countries which have developed without an aggressive marketing on the part of the Burundi business community. In that respect even a limited effort on the part of the APEE should enhance the volume of trade, and will facilitate the lines of communication between Burundi businesses and the foreign entrepreneurs.

4.2.2 Overseas Markets

These markets mainly include countries from the European Economic Community, Eastern Europe, the Gulf area and the USA. Trade data suggest that only embryonic and/or new export markets exist in these countries, for products other than the traditional export crops. These markets should not be neglected, however, because of the potential benefit they offer based on the size of the consumer population and the magnitude of disposable income.

Developing markets overseas requires a great deal more resources than those dictated by the regional markets. The Agency should expect to spend a good deal of time gathering and disseminating information regarding the structure of wholesale and retail markets abroad. It will need to gain a thorough understanding of the various market participants; the pricing pattern and various markups which apply between the distributors, wholesalers, middlemen and retailers. Administrative, customs, phytosanitary if applicable, content, and labelling regulations as well as fees and procedures have to be well understood beforehand.

The agency should also expect to devote a greater amount of resources to marketing the targeted products, since in Europe and in the USA the competition is keener because of the presence of competitors from countries much more experienced in exporting.

Yet, despite the greater risk of falling short of the anticipated goal, overseas markets offer an extraordinary opportunity for growth, since a single order resulting from one good marketing trip could fill the entire productive capacity of any of the small and medium size enterprises.

V. OPERATIONAL PLAN

The policies of the Agency should be aimed at bringing about changes which will encourage the business community to start exporting. At a later stage the APEE should concern itself with initiating an institutional transformation capable of fostering a continued growth of the export sector.

Changes in the institutions cannot come about overnight. They require a gradual adjustment and adaptations to new norms, and they should be viewed as long-term necessities. In the immediate future, however, some fundamental changes should be contemplated to encourage managers of specific firms to turn their attention towards overseas markets.

5.1 Institutional Reforms Needed

In the long run, the goal of the Government of Burundi should be to create an institutional environment in which businesses can operate free of constraints. The objective is to give businesses the ability to produce and export goods and services at a cost comparable to those charged by exporters from other countries.

Thus, the Government of Burundi should remove any disadvantages vis-à-vis foreign competitors, in order for local productive resources to reach a status referred to by Yung Whee Rhee as "neutral". This status is one in which Burundi products will compete equally with foreign goods. The status can be achieved through a gradual adjustment of macroeconomic variables affecting the production process.

5.1.1 Exchange Rate Policy

The single most effective instrument in determining the extent to which exports are promoted, is the rate of exchange of the exporting country. This rate determines the foreign price of exported commodities. A depreciation in the local currency in effect decreases the foreign price of exports and consequently increases foreign demand for local goods. Depreciation makes local goods cheaper abroad because foreigners are required to pay out less of their own currency to purchase the same amount of local goods. There is no single instrument as powerful as the exchange rate in determining the direction of trade. Only direct subsidies can pretend to equal such might, but export subsidies (including exemptions from direct taxes on export earnings) are prohibited under "the General Agreement on Tariffs and Trade" (GATT).

Thus, it is imperative for a country determined to increase its exports, to carefully manage its exchange rate policy. The rate of exchange should not be overvalued. If one must err, it is preferable to do so in the direction of undervaluation.

The exchange rate is the mechanism used to adjust the real price of commodities across national boundaries. It reflects the relative value of the aggregate production (in nominal terms) between two countries. Whenever the value of these variables changes, so must the exchange rate in order for it to accurately interpret the relationship between the two economies.

Periodic adjustments in the exchange rate are essential to maintaining the equilibrium in the economy as a whole and in the export market in particular. There are several methods used by countries to adjust the rate of exchange. In Burundi two methods are worth noting:

- to peg the domestic currency to that of a major currency (preferably the major trading partner) or to a composite of several currencies, and
- to float the currency.

Whichever method a country chooses is not as essential as maintaining a realistic exchange rate policy. Realism in this case requires two types of actions:

- i) setting up an official exchange rate market, managed daily and guaranteeing free access to all imported inputs destined to the manufacture of export goods,
- ii) adjusting the rate to the real exchange rate, which is kept proportional to the ratio of changes in domestic and foreign inflation rates. By pegging the exchange rate to this ratio, a country fixes the relative purchasing power of overseas consumers with respect to the local currency. The net result is an export market immune from relative inflationary pressures.

The maintenance of a real exchange rate requires periodic adjustments. For instance, when the inflation rate rises faster at home than abroad, it requires a proportional devaluation in the local currency. The adjustment can be made a few times a year in an abrupt fashion, or preferably in several (weekly) steps during the course of the year.

A realistic exchange rate policy goes a long way towards encouraging foreign consumers to purchase domestically produced goods, but a government can adopt other measures to encourage exports, such as facilitating the procedures for producing and expediting the export of goods.

5.1.2 Facilitating Import and Export Procedures

One of the benefits derived from trade is the value added attached to the manufacture or transformation of primary goods. This is why developing countries are encouraged to build industrial complexes. The value added generates an income on all the factors of production, thereby increasing aggregate income.

On the other hand, a single country cannot produce all the inputs that compose the final product. Here arises the necessity to import certain items. The benefits from trade will be lost if exporters are not freed from the constraints which are attached to the procedures regulating the import of raw and intermediate materials. Exporters must be guaranteed free access to these inputs.

In Burundi, restrictions imposed on importers are embodied in the tedious requirements surrounding the application process for granting import licenses. First, one must be registered as a bona fide importer. Articles 1 and 2 of the Decree no. 1/028 (of September 30, 1988) requires the submission of ten separate documents to the Ministry of

Finance, which grants the status. Once approved, the importer must request a license to import through a commercial bank ("Formulaire I"), accompanied by six copies of the invoice and transportation vouchers. Insurance must also be purchased through a local broker (i.e. SOCABU). The commercial bank can either validate the license or refer it to the Central Bank (BRB). Once validated, the importer must request the issuance of a letter of credit or bank transfer. Any of the requests can be rejected. For instance, the BRB discourages the use of air transport and can deny an import license if it judges that the means of transport is unacceptable.

Even when all the permits and licenses are granted, the procedures are cumbersome, time consuming and potentially discouraging. These intangible delays are additional costs of engaging in a business venture. The procedures must be simplified or altogether abolished.

Export procedures are equally cumbersome and in many respects quite similar to import requirements, yet there is an even more compelling reason for simplifying export procedures: exports generate foreign currency to replenish the reserves of the BRB.

The importance of free trade is so essential to the growth of the export market, that some countries have resorted to the creation of free trade zones. Free trade zones are physical (or administrative) locations established to encourage export activities by freeing exporters from the rigor of licensing and customs barriers. The areas are devoted to the exclusive production of exportable goods. Several countries have used, with a great deal of success, the concept of free trade zones to build industrial parks, which increase employment, production, aggregate income and government revenues. The Government of Burundi may find the concept of a free trade zone to be a desirable way of expediting the simplification of import and export procedures.

Duty exemptions combined with a speedy drawback system are additional measures essential to the simplification of import and export procedures. The Government of Burundi has dealt extensively with this issue. Pertinent laws and mechanisms are already in place for that purpose. What is left to do is to render it more operational in order for businesses to use the system more effectively.

There will be many times when Burundi exporters will secure important markets abroad, but lack the financial resources to undertake the manufacture of the goods which are ordered. This type of problem, which was mentioned in the case study above, can be alleviated by creating a system devoted to financing exports.

5.1.3 Easy Access to Financing

Small firms in particular, are frequently unable to secure credit for lack of adequate collateral. Or when credit is available through conventional means, the interest imposed by commercial banks is naturally higher because of the associated risk. Yet these firms should not be denied the opportunity to export. An automatic credit system accessible to all exporters will encourage them further in their search for foreign markets because they will have the assurance of being able to fill increasingly larger orders. The lack of such a credit system erodes, in part, the comparative advantage of local producers which may have been built up by the various other incentives. In this case the role of the government can be limited to either providing a special pool of funds to the

commercial banks, or to underwriting the risk by setting aside a smaller pool of funds meant to guarantee commercial bank loans. Either way, it will encourage banks to not only make export loans accessible to producers, but set them at a rate commensurately lower than would otherwise be the case. Such a credit system must be geared towards providing financing under two circumstances:

- when a firm is in need of working capital loans to gain guaranteed access to the inputs (including labor) which are required in the production of a specific order at hand, and/or
- post-shipment financing to account for the fact that many retailers, particularly in the U.S., pay suppliers 30 to 60 days after reception of the merchandise.

5.1.4 Sensibility to Quality Standards

The various incentives cited above are meant to position Burundi exporters in a state of "neutrality" vis-a-vis exporters from the rest of the world. Neutrality allows local producers to compete at least on equal footing with other exporters. Another form of competition is embodied in the quality of the goods being sold. Local producers must be diligent in the fabrication or selection of their product so as to meet crucial quality standards. Quality must first be viewed in terms of the minimum requirements imposed on some products by various countries.

Many goods are subjected to stringent requirements imposed by national organizations. Such is the case for many food items which must meet phytosanitary standards dictated by health codes. If the specifications are not met, the products are barred from entering the territory. Once organized, the APEE should help exporters be cognizant of the regulations in effect in various countries.

A second type of standard is specific to each industry in the country of destination. In the clothing industry, for instance, patterns vary with the fashion of the season. The prevailing colors, the size of the lapels and the length of the items are all standards which must be rigorously adhered to if one is to manufacture clothes which appeal to consumers. A manufacturer must be aware of these considerations, otherwise it will experience significant difficulties selling its products.

Producers may also seek to develop standards above and beyond those required by the authorities or the buyers in order to distinguish their products from that of their competitors in an effort to establish a brand allegiance. This type of scheme can be used as a marketing device which may have a noticeable impact on consumer preference for their products. In the fruit and vegetable sector, for instance, there is a trend moving consumers towards a preference for goods treated with less chemicals than those accepted by national health organizations. Some growers attempt to capitalize on that trend by entirely excluding the use of chemical fertilizers. Their products are advertized as healthier foods, which appeals to many consumers' taste.

5.1.5 The Quality of the Infrastructure

The quality and accessibility of the basic infrastructure of a country is also important for the growth of economic activities, including export. Of particular

importance are the systems of transportation and communication.

A good road or rail system is indispensable for the unimpeded flow of merchandise to the marketplaces. In some cases goods have to be collected from various parts of the country. The collection and consolidation of the commodities is tedious in the absence of reliable roads and other means of transportation. Shipment overseas also requires adequate availability of cargo space in ships and planes. Airports and ports must be able to accommodate increasing numbers of planes and ships as the economy grows.

The various means of communication (telephone, telex, telefax) must be modernized, allowing for the easy flow of information regarding prices, strength of demand and supply in various markets. A constant channel of communication between Burundi producers and foreign purchasers and consumers allows for a good and accurate assessment of the market conditions. This leads to more rational decisions on the part of exporters regarding the most profitable marketplaces.

In the long run, the Government of Burundi must undertake the institutional changes identified above if it wants to uphold its aspiration to build a vibrant export market. These measures are bound to show a significant impact only in the long term. In the not so distant future, however, some pragmatic actions are available to move Burundi businesses into the international arena. The following is a set of recommendations for the type of activities which will prepare its entry into this marketplace. The recommendations should not be viewed as a dogmatic set of rules since there is not a universally accepted theory underlying export promotion efforts. There is no single example which can be identified as a proven method leading to a successful result. The key to success requires adaptability, innovation and ingenuity on the part of the Agency's staff.

The Agency must constantly adapt its course of action as it discovers the problems intrinsic to the macroeconomic environment of Burundi. It must find innovative paths to the resolutions of the difficulties it encounters. Its ingenuity must ultimately prevail over the challenge of recurring bottlenecks. Above all, persistence is the quality which will determine its chances for success.

The recommendations which follow should be viewed as mere guidelines for an alternative set of actions which can lead to concrete results within the next twelve months.

5.2 PRIMARY ACTIONS REQUIRED

5.2.1 Preparing Local Managers to Have an Exporting Mentality (A Series of Seminars)

MONTH 1 - MONTH 2

The first preoccupation of the Agency should be to create a captive audience among the potential exporters. It must prepare firm owners to understand what will be expected of them if they agree to take part in the program. These issues can be debated adequately in a series of seminars carefully planned ahead of time. These concepts should be reinforced, time permitting, in private meetings between the advisors and the firm managers.

The seminars should explain the role of the Agency as it relates to the type of assistance it intends to provide. They should also explain unambiguously, the type of rapport the Agency anticipates having with the firms, namely a support role which will require a committed participation from some of the managers. It should be made clear that the consultants the managers will be dealing with, can only be effective in their support effort if they develop a thorough understanding of the most intimate details of the structure of the firm. Total cooperation from the firm owners is, therefore, indispensable.

Later, the seminars should detail what will follow in the course of the program, namely the selection and preparation of the firms and the review and design of the marketing agenda resulting in the actual search for new foreign markets.

The seminars should clearly and honestly lay out the difficulties inherent to the various stages of the program. They should dispel the myth very early on that export will be the solution to all their problems. They should point out instead, that exports will only begin after a long, drawn out and tedious reorganization exercise, and that the result itself will not necessarily be a success story. It may not be counterproductive to sound a slightly discouraging bell. This will be better than creating an aura of unrealistic optimism.

The second step of the program can be carried out in conjunction with the various seminars.

5.2.2 Selection of Firms

MONTH 1 - MONTH 3

Firms which are targeted for special attention must be identified as early as possible. This is why we suggest that the selection process overlaps the series of seminars. Selected firms must respond to two criteria: they must be committed to export, and must operate within an industry which is prioritized in the national economic program.

The degree of commitment to the spirit of trade can be identified through surveys conducted during the seminars. Here the consultant should be able to devise an elaborate questionnaire, the responses to which will result in an insight into several aspects of the firm:

- commitment to export,
- readiness to accept the effort and sacrifices required, and
- the suitability of the existing management.

The consultant will later have to reinforce his/her opinion by personally visiting each of the pre-selected firms. He/she may spend a day or so with the management, learning more about the organization of the firm. This exercise should give the consultant a better image of the capacity of the company. After having visited all the firms, the consultant can proceed to the final selection of those firms that will become recipients of the Agency's attention.

5.2.3 Preparation of Firms

MONTH 3 - MONTH 5

This stage is very delicate and requires all the interpersonal skills that the consultant can summon. It calls for the consultant to modify, sometimes considerably, business practices that may have endured for many years. On one side is the firm operator; a savvy entrepreneur (if he is successful, that is) who knows his local environment well, but is not aware of international market practices and the type of structure needed to sustain a marketing effort in that arena. On the other side is the consultant who is expected to be well versed in the requirements of the international markets but may have little understanding of the local Burundi business environment. A potentially conflicting atmosphere could result if the situation is not handled with care. On the other hand, a healthy learning experience would result from a cooperative effort. The consultant should be flexible and patient and be willing to work diligently to gain the confidence of the management.

The first task of the consultant will be to explain to the managers the importance of certain management concepts and subsequently to test their understanding of them. The major concepts are:

i) **Reliable on-time delivery.** Most commodity purchasers offer the seller a window (of a few days) within which delivery must occur. The number of days composing the window can be very few (i.e. for perishables) or many, but it is important to realize that the purchaser generally reserves the option of cancelling the order should the goods arrive before or after the dates specified.

ii) **Responsiveness to customers' tastes and specifications.** Tastes change with the countries, the seasons, the year and various other factors which must be known to a producer. The standard specifications which should be followed in the production of a product should be taken into account for fear of not appealing to the ultimate consumers. Hopefully, the consultants working with the firms will draw upon their background of involvement with that particular industry. Their advice on that issue will be invaluable to the firm.

iii) **Quality control.** Once the specifications have been established, it is important for the producers to be able to supply all the items ordered, with a rigorous observation of the conventional standards. There should ideally be **no** single item which deviates, in terms of quality, from any other.

iv) **Labeling and packaging.** The type and contents of the labels used are sometimes imposed by either the customs office or consumer agencies. At other times it may be a requirement of the purchaser. The industry practices need to be known beforehand and adhered to strictly. When permitted, the labels of the exporting company can be used creatively to enhance its image abroad and generate brand allegiance from customers.

Packaging must be both functional and attractive. The type of packaging ultimately used depends upon its use when the merchandise arrives at its final destination. If it is exposed to customers in its original packaging then a deliberate effort must be made to use appealing packaging.

v) **Marketing concept.** The first marketing concepts can be introduced at this point by associating the sales effort to the concepts reviewed above: on-time delivery, quality control, labeling and packaging. The managers should understand that the purpose of all the attention paid to these details is to attract the interest and confidence of the wholesalers, retailers and final consumers.

5.2.4 Development of a Realistic Marketing Plan

MONTH 4 - MONTH 5

Virtually no business entity in Burundi has a formal marketing unit. A consultant should be called upon to work with the management to create a structure devoted exclusively to marketing. A staff member (or several) should be clearly identified to oversee this vital function. Where it is feasible, a formal marketing division should be created as an integral part of the management team.

In addition, the consultant should help develop a realistic marketing plan which incorporates the local, regional and overseas objectives of the firms. It should clearly set sales targets and the means of attaining these targets. A special account should be allocated to these efforts and made an integral part of the overall budget. The plan needs to be realistic in assessing the potential of the firm in light of its productive capacity and any plans for expansion.

The plan should be reviewed periodically as a gauge and compared with the results which are attained during the course of the year. The comparison should seek to identify the reasons for falling short, attaining or surpassing the predictions of the plan. Corrective steps must then be taken to rectify the shortfall.

5.2.5 Marketing Abroad and Developing a Client Base

MONTH 5 - MONTH 12

The remaining portion of the year should be the result of all the preparatory steps taken in the previous five months. The firm must develop an unbridled determination to attain three fundamental goals:

- i) to sell its goods,
- ii) to sell more of its goods and
- iii) to sell even more of its goods.

5.3 Summary of Consulting Assignments

There is a total of five separate tasks being proposed to assist the APEE carry out its export promotion activities. Each of the consultancies corresponds to one of the tasks as detailed in section 5.2 of the report, "Primary Actions Required". Thus, the sequence of consultancies is:

I. Inculcating local managers with exporting mentality. This corresponds to a series of seminars to be carried out by a management consultant/trainer in export

promotion.

II. The selection of firms most likely to perform satisfactorily in the program devised by the Agency. This assignment is to be borne by a management consultant in business surveys.

III. The next task will require a reorganization of the chosen firms to create a managerial structure capable of withstanding the rigors of international marketing. This assignment will best be accomplished by a management consultant with experience in management/business organization.

IV. Once reorganized, the management of the firm should develop a marketing plan which clearly outlines realistically attainable goals. The plan should be developed in accordance with a marketing specialist with prior experience in the same industry as the target firm.

V. The last stage of the support dispensed by the APEE should involve an aggressive in-the-field marketing campaign carried out by the firm to secure new markets abroad and develop a long-term client base. This effort should be overseen by a marketing consultant with proven experience in international export markets.

It will be possible to have some of these tasks carried out simultaneously by the same consultant. This is recommended in order to both maximize the efficient use of consultants and to assure continuity in working with the key Ministry officials and owners of companies interested in exporting.

Thus it is recommended to combine tasks I and II under the same consultant. As the seminars are being carried out, the initial survey of firms can be conducted. Once the seminars are complete, the consultant will have a good knowledge of firm owners, and will be well-placed to assist APEE staff in setting the selection standards and selecting the best firms for continued APEE assistance. So too, tasks IV and V can be combined under one consultancy, as they both deal extensively with export marketing, and the realities of exporting specific products in specific markets.

5.4 Complementary Consulting Needs

The consulting tasks identified above will permit the Agency to support the immediate marketing efforts of Burundi enterprises. The objective of the successive assignments is to ultimately provide local firms with an internal management structure capable of sustaining a continuous marketing effort to increase foreign sales. However there are two additional areas in which outside help will be required to the APEE; to establish a viable credit system to support exporters, and to collect a reliable database for transport. Although these additional consulting needs are not as pressing as those earlier specified, these credit system and transport database needs will impede the primary efforts of the Agency, if unaddressed.

The case study highlighted the importance of a credit system capable of financing orders requiring considerable outlay of funds. The consultant should ultimately recommend that the APEE adopt one of the following two courses of action:

- to establish its own credit system catering specifically to firms participating in the export promotion effort of the Agency, or
- to tap existing credit systems such as the APEX of the World Bank, for the benefit of participating firms.

The specific nature of the credit specialist assignment is outside of the scope

of work for the present study, but the need for such a specialist should command the utmost consideration from the Agency and other leaders of the export promotion program.

Transportation issues are present in virtually all conversations addressing export in Burundi. Being a landlocked country several thousand miles from the closest port, it is evident that the cost of transport is an important portion of the total landed cost of Burundi products. Yet the high cost of transport is astonishing in light of the excess capacity available on the many trucks, boats and railway cars that bring in goods but leave empty. A transportation specialist may be called upon:

- to organize the collection of a database and to centralize information about space availability for shipments to various destinations, the mode of transport and the quoted prices,
- to provide a general assessment of the institutional changes which are needed to improve interstate transportation.

Other actions, such as a series of trips, would enhance the program by exposing its participants to experiences in various other countries.

5.5 Organized Trips

Burundi managers should be given a chance to spend sometime observing the structure and performance of efficient business entities in the USA. An acceptable formula would be to have them spend a few weeks in firms of varying sizes to observe the synergy between various divisions in a firm. A good amount of time should be allocated to visiting the marketing departments and for conversations with the sales force. Such trips will foster the concepts which need to be reinforced within the Burundi business community: the importance of marketing and its predominance in the management structure of dynamic firms.

Other types of trips which need to be organized are those geared to permitting the staff of the Agency to visit similar organizations. The visits should be in countries such as Mauritius, Korea and Ireland where similar agencies have considerably improved the exporting environment. It will be worthwhile for the APEE staff to observe firsthand the elements of a successful program. The visits will bring into focus the most important concepts for managing a successful export promotion program.

ANNEX 1:
SCOPES OF WORK

45

I. MANAGEMENT CONSULTANT/TRAINER IN EXPORT PROMOTION

QUALIFICATIONS OF SPECIALIST

The consultant should have five years of professional experience in the international sales division of a multinational corporation or a medium-sized company with overseas sales and/or export promotion experience; conference facilitation or training experience in French; Africa or developing country experience; and English and French capability (FSI 3-level speaking and reading).

GENERAL BACKGROUND OF THIS ASSIGNMENT

USAID/Burundi is assisting the Ministry of Commerce and Industry of the Government of Burundi in its export promotion initiatives. These initiatives focus on developing Burundi's regional and international marketing and on assisting those small and medium-sized Burundi enterprises that will be able to take advantage of improved export marketing. The Government has created an Export Promotion Agency which is an autonomous organization. This Agency has been charged with the execution of the Government's policies on export promotion.

This is one in a series of consultancies to assist the Export Promotion Agency to carry out its mandate. The consultant will travel to Burundi and work for 10 weeks directly with the Director and staff of the Export Promotion Agency. He/she will also collaborate with the Ministry of Commerce and Industry, the Burundi Chamber of Commerce, Industry and Artisans, and USAID officials. Throughout this assignment the consultant will work closely with an assigned representative of the Export Promotion Agency who will participate in all stages of this assignment and will progressively be given more responsibility for the tasks to be accomplished.

SPECIFIC OBJECTIVES OF THIS ASSIGNMENT

1. **Government of Burundi and USAID briefings/document review:** the consultant will meet with representatives of the Ministry of Commerce and Industry; the Burundi Chamber of Commerce, Industry and Artisans; the staff of the Export Promotion Agency; and USAID staff to discuss the overall framework of the government's export policy and the design of the proposed seminars. He/she will carry out a complete review of relevant Ministry and USAID documents. The consultant will begin a preliminary sketch of the seminars.

Length of time: 10 days

2. **Seminar promotion:** the consultant will assist the Export Promotion Agency in coming up with a focussed promotional campaign designed to bring in the firms most likely to profit from the seminars.

Length of time: 5 days

3. **Private meetings with firm representatives:** the consultant will meet with potential export firm owners and managers to introduce the concept of export promotion and the idea and content of a series of preparatory seminars. The consultant will need to develop a thorough understanding of the kinds of firms being serviced and to make individual contacts with firm owners and managers to "market" the idea of export promotion.

Length of time: 5 days

Number of firms: 3 per day = 15 firms

4. **Seminar design:** the consultant will design a series of introductory seminars geared to encourage Burundi firms to consider exporting, to prepare new firms for the realities of exporting and to assist firms already exporting to improve their export strategies.

Length of time: 5 days

5. **Seminar delivery:** the consultant will implement three successive seminars covering the following areas:

i. **Preparation of firm owners**

Preparation of firm owners to understand what will be expected of them if they agree to take part in the export promotion program. Explanation of the role of the Export Promotion Agency and the type of rapport it anticipates having with potential exporting firms, i.e., a support role which will require a committed participation from the firm owners and managers.

Length of time: 3 days\evenings @ 2 hours

Number of seminars: 3 @ 5 firms per seminar

Total: 9 days

ii. **Steps in exporting**

Description of the various stages of exporting, the need for planning, and the advantages and disadvantages of exporting, i.e., exporting is not the solution to basic business problems of viability, competitiveness, efficiency or profitability. Cover in a general way the possible firm reorganization required to be a successful exporter.

Length of time: 3 days/evenings @ 2 hours

Number of seminars: 3 @ 5 firms per seminar

Total: 9 days

iii. **Specific topical seminars**

Basic step-by-step walk-through of how to begin the exporting process for specific products or industries. Begin with a case study already designed and then work with individual firms.

Length of time: 2 days/evenings @ 2 hours

Number of seminars: 5 @ 1 to 3 firms per seminar

Total: 10 days

6. **Reporting Requirements:** Before departing Burundi, the consultant will prepare, in English and French, a report of his findings and recommendations. This report will consist of:

1. A brief summary of the activity and results obtained.
2. Detailed seminar design and individual session plans for each seminar.
3. Objective evaluations of the seminar filled out by seminar participants.
4. Recommendations of the consultant for continuing outreach to potential Burundi exporters.
5. A list of all people interviewed, materials consulted and participants trained.

Length of time: 3 days

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II. MANAGEMENT CONSULTANT/BUSINESS SURVEYOR

QUALIFICATIONS OF SPECIALIST

The consultant should have five years of professional experience in business consulting; experience in designing and administering business surveys and questionnaires, particularly to small and medium-sized businesses; export promotion experience preferred; Africa or developing country experience; English and French capability (FSI 3-level speaking and reading).

GENERAL BACKGROUND OF THIS ASSIGNMENT

USAID/Burundi is assisting the Ministry of Commerce and Industry of the Government of Burundi in its export promotion initiatives. These initiatives focus on developing Burundi's regional and international marketing and on assisting those small and medium-sized Burundi enterprises that will be able to take advantage of improved export marketing. The Government has created an Export Promotion Agency which is an autonomous organization. This Agency has been charged with the execution of the Government's policies on export promotion.

This is one in a series of consultancies to assist the Export Promotion Agency to carry out its mandate. The consultant will travel to Burundi and work for 8 weeks with the Director of the Export Promotion Agency. He/she will also collaborate with the Ministry of Commerce and Industry, the Burundi Chamber of Commerce, Industry and Artisans and USAID officials. Throughout this assignment the consultant will work closely with an assigned representative of the Export Promotion Agency who will participate in all stages of this assignment and will progressively be given more responsibility for the tasks to be accomplished.

SPECIFIC OBJECTIVES OF THIS ASSIGNMENT

1. **Government of Burundi and USAID briefings:** the consultant will meet with the staff of the Export Promotion Agency; the Burundi Chamber of Commerce, Industry and Artisans; and USAID staff to discuss and become acquainted with the policy framework of the export promotion program. The consultant will carry out a complete review of relevant Ministry and USAID documents. He/she will come up with a preliminary list of firms to be visited.

Length of time: 10 days

2. **Design and administer survey questionnaire:** The consultant will be called upon to design a survey which will form the basis for identifying the firms ultimately selected for pertinent assistance from the APEE. The consultant will start with the design of a detailed questionnaire to be administered to each of the firms participating in the series of seminars. The questions should aim at ascertaining:

- (i) the degree of the firms' commitment to the spirit of trade and export,
- (ii) their readiness to accept the effort and sacrifices required to be successful, and
- (iii) the suitability of the management structure of the firm to carry out an export activity.

Length of time-design survey: 5 days
Length of time-administer survey: 10 days
Total: 15 days

3. **Private firm interviews/pre-selection:** the consultant will meet with a few potential export firm owners and managers to follow up on the introductory seminars, to assess the firms' readiness to participate in an export program, and to carry out a pre-selection of firms to be assisted in developing aggressive export strategies. The consultant will need to continue the efforts begun in the first consultancy, i.e., the process of developing a thorough understanding of the kinds of firms being serviced and a continuing marketing effort with firm owners and managers to support the idea of export promotion.

Length of time: 5 days
Number of firms: 2 per day = 10 firms

4. **Selection criteria:** the consultant will assist the Export Promotion Agency in designing the definitive criteria to be used in the selection of the firms to receive the assistance of the Export Promotion Agency. Selected firms must respond to at least two general criteria:

- (i) be committed to export, and
- (ii) operate within an industry which is prioritized in the national economic program.

The consultant will develop a more comprehensive list of selection criteria based on interviews with the firms, agencies and other entities and a thorough understanding of the policy framework for export promotion. The consultant will then decide upon the number of firms to be selected in light of the resources (particularly personnel) available to the APEE.

Length of time: 5 days

5. **Final selection:** After having interviewed all the firms, the consultant will proceed with his/her recommendations for the final selection of the firms to receive the assistance of the Export Promotion Agency. This will involve matching the definitive selection criteria to the firms interviewed, then scoring and ranking them. The scores and ranking will be presented to the Export Promotion Agency for review and discussion.

Length of time: 5 days

6. **Reporting Requirements:** Before departing Burundi, the consultant will prepare, in English and French, a report of his/her findings and recommendations. This report will consist of:

1. A brief summary.
2. Detailed survey questionnaire design.
3. Lists of pre-selected and final selected firms, and the scores and ranking of all the firms that participated in the selection process.
4. A list of all people and firms interviewed, materials consulted and participants trained.

Length of time: 3 days

III. MANAGEMENT CONSULTANT/EXPORT BUSINESS ORGANIZATION

QUALIFICATIONS OF SPECIALIST

The consultant should have five years of professional experience in management consulting; experience in consulting with small and medium-sized businesses in relation to export and business plan development; specific industry experience in export promotion in the international market of the product/commodity chosen; Africa or developing country experience preferred; English and French capability (FSI 3-level speaking and reading).

GENERAL BACKGROUND OF THIS ASSIGNMENT

USAID/Burundi is assisting the Ministry of Commerce and Industry of the Government of Burundi in its export promotion initiatives. These initiatives focus on developing Burundi's regional and international marketing and on assisting those small and medium-sized Burundi enterprises that will be able to take advantage of improved export marketing. The Government has created an Export Promotion Agency which is an autonomous organization. This Agency has been charged with the execution of the Government's policies on export promotion.

This is one in a series of consultancies to assist the Export Promotion Agency to carry out its mandate. The consultant will travel to Burundi and work for 12 weeks with the Director of the Export Promotion Agency, and will collaborate with the Ministry of Commerce and Industry and the Chamber of Commerce, Industry and Artisans. Throughout this assignment the consultant will work closely with an assigned representative of the Export Promotion Agency who will participate in all steps of this assignment and will progressively be given more responsibility for the tasks to be accomplished.

SPECIFIC OBJECTIVES OF THIS ASSIGNMENT

1. **Government of Burundi and USAID briefings/document review:** the consultant will meet with the staff of the Export Promotion Agency; the Burundi Chamber of Commerce, Industry, and Artisans; and USAID staff to discuss the specific requirements of the industry and firm selected for assistance and government policies that will impact on export performance in this area. The consultant will carry out a complete review of specific Ministry and other documents relating to the industry and firm targeted for assistance.

Length of time: 10 days

2. **Firm-specific management consulting plan:** the consultant will work directly with the management of the firm selected in order to improve its management structure's ability to respond to the imperatives of the international markets in the products chosen. This assignment will involve at least the following steps:

- (i) an analysis of the firm: the consultant will carry out a study of the present management structure of the firm to gain a thorough understanding of its various systems (production, sales, personnel, pricing, etc.),
- (ii) an analysis of the product market: the consultant will assist the firm in understanding the structure of the international market for the given product chosen for export; namely the demand in various countries, the types of buyers, the intermediaries, the steps involved in exporting to these various countries, the competition, the pricing differences between wholesalers and retailers, etc.,
- (iii) proposing a restructuring plan: the consultant will propose a management restructuring plan to bridge the gap between the requirements of the international markets and the present status of the firm; the objective is to prepare the firm to become competitive in the international arena, this will include a detailed analysis of the unit cost of the product and the subsequent allocation of these costs in the determination of a reasonable profit margin,
- (iv) implementation of plan: the consultant will assist the firm in carrying out the objectives of the implementation plan,
- (v) review of plan: the consultant will review the implementation plan before departing and help structure the continued follow-up of the Export Promotion Agency.

Length of time: 60 days

3. **Concepts to be covered:** the consultant will focus his/her effort to instil on the management of the firm, the following important concepts:

- i) **reliable on-time delivery:** the importance of respecting a pre-determined delivery schedule, especially given the delivery window and the buyers's option to cancel an order,
- ii) **responsiveness to customers taste and specifications:** the importance of keeping in mind all taste, preference and standard variables that are relevant to the product and the country, and to quickly incorporate any changes in taste to the production process of the firm,
- iii) **quality control:** the importance of the firm's ability to supply all the items with a rigorous observation of the conventional standards,
- iv) **labeling and packaging:** the importance of knowing the customs and industry practices regarding labels and packaging and how to create labels for the exporting company which can be used to enhance its image abroad and generate brand allegiance from customers,
- v) **marketing notions:** an introduction to marketing notions to associate the sales effort to the concepts reviewed above; this will underline the importance of attracting the interest and confidence of the wholesalers, retailers and ultimate consumers.

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6. **Reporting Requirements:** before departing Burundi, the consultant will prepare, in English and French, a report of his/her findings and recommendations. This report will consist of:

1. A brief summary.
2. Detailed restructuring plan.
3. Recommendations for the Export Promotion Agency's follow-up assistance to the firm.

Length of time: 3 days

IV. EXPORT MARKET SPECIALIST

QUALIFICATIONS OF SPECIALIST

The consultant should have five years of professional experience in marketing, including market analysis, new market development, expansion of existing markets, and analysis of export marketing potential; prior work in a marketing enterprise or the marketing branch/division of a company; specific industry/product experience in the product chosen; Africa or developing country experience preferred; English and French capability (FSI 3-level speaking and reading).

GENERAL BACKGROUND OF THIS ASSIGNMENT

USAID/Burundi is assisting the Ministry of Commerce and Industry of the Government of Burundi in its export promotion initiatives. These initiatives focus on developing Burundi's regional and international marketing and on assisting those small and medium-sized Burundi enterprises that will be able to take advantage of improved export marketing. The Government has created an Export Promotion Agency which is an autonomous organization. This Agency has been charged with the execution of the Government's policies on export promotion.

This is one in a series of consultancies to assist the Export Promotion Agency to carry out its mandate. The consultant will travel to Burundi and work for 8 weeks directly with the staff of the Ministry of Commerce and Industry and the Burundi Chamber of Commerce, Industry and Artisans. Throughout this assignment the consultant will work closely with an assigned representative of the Export Promotion Agency who will participate in all steps of this assignment and will progressively be given more responsibility for the tasks to be accomplished.

SPECIFIC OBJECTIVES OF THIS ASSIGNMENT

1. **Government of Burundi and USAID briefings/document review:** the consultant will meet with representatives of the Ministry of Commerce and Industry; the Burundi Chamber of Commerce, Industry and Artisans; the staff of the Export Promotion Agency; and USAID staff, to become acquainted with the institutional environment surrounding the industry and firm selected for assistance. Special attention will be paid to the specific constraints to the effective marketing of the product or products chosen. The consultant will complete a review of specific Ministry and other documents relating to the firm targeted for marketing assistance, and follow up on the export restructuring plan carried out by earlier consultants. The main objective of this assignment will be:

- i) to create a formal marketing structure within the firms, and
- ii) to develop and oversee the progress of a marketing plan.

Length of time: 10 days

2. **Product/industry-specific marketing analysis:** the consultant will carry out a product/industry specific analysis of the product being considered for export, including:

i) **Marketing constraints:** the consultant will discuss specific constraints to effective marketing of the product or products chosen. These will involve, but will not be limited to:

- o structural constraints (i.e. market size),
- o technological constraints (i.e. managerial skills or physical productive capacity),
- o entrepreneurial constraints (i.e. degree of risk aversion),
- o financial constraints,
- o fiscal constraints,
- o institutional/policy constraints, and
- o infrastructural constraints.

ii) **Overcoming marketing constraints:** the consultant will present specific recommendations to the firm for how to export given the above constraints. This feeds upon the recommendations regarding specialized procedures in production or management, reviewed in the previous assignment. The consultant will be expected to suggest innovative solutions to each of the identified constraints. For example, he/she could suggest to the Minister of Commerce and Industry that he waive, on a single case basis, certain duties, fees and foreign exchange procedures for one firm over a certain period of time. If successful, this would serve to illustrate that in the absence of these bottlenecks, the firm's ability to export efficiently and profitably would increase.

iii) **Market channels:** the consultant, along with the management of the firm, will be expected to identify, based on his/her knowledge of the markets, the foreign countries which will constitute the initial and long-term focus of the marketing effort.

iv) **Value adding and margins:** the consultant will work with the management of the firm to refine the profit margin on the product. He/she will be expected to emphasize the future benefits that will accrue from lowering, as much as possible, the introductory price at which the firm sells its products, as it attempts to capture new or larger shares of foreign markets.

This aspect of the assignment may involve market research prior to arriving in Burundi. Travel to, or consultation with potential buyers in the U.S., Europe and the East and Southern African regions may be required.

Length of time: 20 days

3. **Firm-specific marketing plan:** the consultant will work with the management of the targeted firm to create a structure devoted exclusively to export marketing. The plan will address at least the following needs:

- i) **Dedicated staff:** the consultant will help identify one or more staff members in the firm to oversee marketing and, if justified, the creation of a formal marketing division or team as an integral part of the firm's management structure.

- ii) Specific plan: the consultant will develop a realistic marketing plan which will incorporate the new regional and overseas objectives of the firm. It should clearly set sales targets and the means of attaining these targets, and be realistic in respect to the productive capacity of the firm and its ability to carry out needed expansion.
- iii) Corporate backing: a special account should be allocated to these efforts and made an integral part of the firm's overall budget. The consultant will develop a proposed budget for this purpose.
- iv) Plan review: The plan should be reviewed periodically as a gauge to compare with the results which are attained during the course of the year. The consultant will develop a method for identifying shortfalls and designing corrective steps.

Length of time: 15 days

4. **Reporting Requirements:** before departing Burundi, the consultant will prepare, in English and French, a report of his findings and recommendations. This report will consist of:

- 1. A brief summary.
- 2. Detailed marketing analysis.
- 3. Detailed firm-specific marketing plan.
- 3. Recommendations for the Export Promotion Agency's follow-up assistance to the firm.

Length of time: 3 days

V. MARKETING CONSULTANT/EXPORT MARKETS

QUALIFICATIONS OF SPECIALIST

The consultant should have 5 years of professional experience in marketing, including market analysis, new market development, expansion of existing markets, and analysis of export marketing potential; work in a marketing enterprise or the marketing branch/division of a multinational corporation or medium-sized company; specific industry/product experience required in the product/commodity chosen; Africa or developing country experience preferred; English and French capability (FSI 3-speaking and reading)

GENERAL BACKGROUND OF THIS ASSIGNMENT

USAID/Burundi is assisting the Ministry of Commerce and Industry of the Government of Burundi in its export promotion initiatives. These initiatives focus on developing Burundi's regional and international marketing and on assisting those small and medium-sized Burundi enterprises which will be able to take advantage of improved export marketing. The Government has created an Export Promotion Agency which is an autonomous organization. This Agency has been charged with the execution of the Government's policies on export promotion.

This is one in a series of consultancies to assist the Export Promotion Agency carry out its mandate. The consultant will travel to Burundi and work for six and a-half months directly with the Director of the Export Promotion Agency. He/she will also collaborate with the Ministry of Commerce and Industry, the Burundi Chamber of Commerce, Industry and Artisans, and the staff of the USAID mission. Throughout this assignment the consultant will work closely with an assigned representative of the Export Promotion Agency who will have participated in earlier consultancies and will progressively be given more responsibility for the tasks to be accomplished.

SPECIFIC OBJECTIVES OF THIS ASSIGNMENT

1. **Government of Burundi and USAID briefings/document review:** the consultant will meet with the staff of the Export Promotion Agency; the Burundi Chamber of Commerce, Industry, and Artisans; and USAID staff, to discuss the performance of the firm selected for assistance in its export program.

The consultant will carry out a complete review of relevant Ministry and USAID documents relating to the specific industry and firm receiving marketing assistance, and follow up on the market plan carried out by earlier consultants.

Length of time: 10 days

2. **Execution of the marketing program:** the consultant will work with the marketing team of the targeted firm. He/she will be expected to devise the procedures mentioned above, as well as developing a new client base resulting in actual contracts for the firm. In so doing, he/she will:

i) Review and update the marketing plan developed earlier. This review will include possible changes to the marketing objectives or the product, based on practical of the firm to date.

ii) Develop new markets resulting in short or long term contracts to sell Burundi products overseas. The consultant will first help to devise practical marketing procedures which should lay out the successive steps to follow in the development of a new market. These are to:

- o initiate contact with a potential client,
- o organize a marketing trip abroad,
- o conduct the first meeting with a potential client,
- o organize follow up procedures (letters, samples, encouragements, price concession, etc.)

Market development will include identifying potential clients and organizing marketing trip with APEE and firm staff members. The objective of these trips will be to win over new clients.

Length of time: 6 months

3. Reporting Requirements

Before departing Burundi, the consultant will prepare, in English and French, a report of his findings and recommendations. This report will consist of:

1. A brief summary of the finding and a report outlining the various procedures to be followed in the development of new markets.
2. Detailed analysis of the firm's performance an recommendation about steps to consider in a subsequent effort to enhance the effectiveness of the firm in the export market.
3. Recommendations for the Export Promotion Agency follow-up assistance to the firm and subsequent support to the effort of other firms interested in the program.

Length of time 10 days

ANNEX 2:
PERSONS INTERVIEWED

PERSONS INTERVIEWED

WASHINGTON, D.C.

- Brandstetter, Robert. Consultant/Economist, Federal Research Division, Library of Congress, Washington, D.C. Oct. 2, 1989.
- Damon, Jacqueline R. Burundi Economist, World Bank, Washington, D.C. Oct. 5, 1989.
- Johnson, Francis. AFR/MDI, Agency for International Development, Washington D.C. Oct. 4, 1989.
- Marwitz, Harald R. OIC Kenya/Uganda/Tanzania/Rwanda/Burundi Desk, Agency for International Development, Washington, D.C. Oct. 4, 1989.
- Meyer, John. Arizona Sonora Field School, Tucson. Oct. 5, 1989.
- Terry, Caralton. AFR/PD/EAP, Agency for International Development, Washington, D.C. Oct. 4, 1989.
- Wege, Antoine. Ets ADE/Import-Export, Bujumbura, Burundi. Oct. 5, 1989.

BUJUMBURA, BURUNDI

- Akilimali, Joseph. Director of Research and Documentation, Chamber of Commerce, Industry, Agriculture and Craft of Burundi.
- Beavogui, Mohamed. Technical Advisor, FAO.
- Bigirimana, Maurice. Assistant to the Commercial Director, VERUNDI.
- Bucibaruta, Felicien. President, "N.A.B. Super Confection".
- Dominessy, Larry J. Agricultural Development Officer. Agency for International Development.
- Felka, Kadisha M. Advisor, Ministry of Commerce and Industry.
- Gahungu, Athanase. Director General, "Societe D'Assurance du Burundi" (SOCABU).
- Gahungu, Pierre-Claver. Commercial Director, Burundi Tobacco Company (BTC).
- Haranungarawe Sylvere, Ministry of Commerce and Industry.
- Hart, Donald. Private Enterprise Officer. Agency for International Development.
- Karegeya, Adelin. Director General, Burundi Coffee Company (BCC).

Khelifi, Menouar. Advisor in import management to the Ministry of Commerce and Industry, Center for International Commerce (CNUCED/GATT).

Kigoma, Marie Muque. Commercial Director. "FRUITO".

Masunzu, Montfort. Marketing Manager, "Office du Thé du Burundi" (OTB).

Miller, Don. Representative, Agency for International Development.

Ndabadugaritse, Anadet, Manager: Export Services, "Banque de la République du Burundi" (BRB).

Ndayisaba, Anicet. Commercial Director, "Complexe Textile de Bujumbura" (COTEBU).

Ndikumana, Victoire. Director of External Commerce, Ministry of Commerce and Industry.

Ndimwizinga, Dumas. Chief Foreign Department, "Banque Commerciale du Burundi" (BANCOBU).

Ngaruko, Emmanuel. Sales and Marketing Manager, BRARUDI.

Nindorera, Prosper. Director General, Ministry of Commerce and Industry.

Niyongabo, Prime. Director/Owner, "Maison Fleurie".

Ntawubonavyose, Catherine (Mrs Winkel). Director, "N.A.B. Super Confection".

Nyamoya, Prime. General Secretary, Chamber of Commerce, Industry, Agriculture and Craft of Burundi.

Wickam, Cam. Program Officer, Agency for International Development.

Wyart, Laurent. Logistic Advisor, Burundi Coffee Company (BCC).

ANNEX 3:
BIBLIOGRAPHY

BIBLIOGRAPHY

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- Ariza-Nino, Edgar, and Grasberg, Eugene (Robert R. Nathan and Associates). Private Sector and Agricultural Development in Burundi. Washington, D.C., Oct. 1988.
- Banque de la République du Burundi (BRD). Rapport Annuel. Bujumbura, 1988.
- Centre du Commerce International, CNUCED/GATT. Promotion des Exportations. Projet BDI/86/014, Geneva, 1986.
- Czinkota, Michael R., ed. Export Promotion: The Public and Private Sector Interaction. New York, Praeger, 1983.
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- Economist Intelligence Unit. "Country Report No. 1: Zaire, Rwanda, & Burundi, 1989," pp. 4, 6, 7, 21-5, appendices 1,2,5.
- Economist Intelligence Unit. "Country Report No. 2: Zaire, Rwanda, & Burundi," 1989, pp. 4, 6, 7, 21-5, appendices 3, 6.
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- Frank, Isaiah. Trade Policy Issues for the Developing Countries in the 1980s. Staff Working Paper No. 478. World Bank, Washington, D.C., 1981.
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- Keesing, Donald B. Trade Policy for Developing Countries. Staff Working Paper No. 353. World Bank, Washington, D.C., 1979.
- National Technical Information Services. "A.I.D Congressional Presentation, FY 1990," Annex I, pp. 58-79, Springfield, VA, 1989.
- Phillips, Lucie Colvin. Trade Between Burundi and Zaire. AID Interim Report, Washington, D.C., Feb. 5, 1989.
- Phillips, Lucy Colvin, and Nicimpaye, Bonaventure. Doing Business in Burundi: Laws, Regulations, and Practices. World Bank, Washington, D.C., Sept. 1989.
- Ranguza, Ignace. Le Transport International au Burundi. AID Interim Report, Washington, D.C., Feb. 1989.
- Rhee, Yung Whee. Framework for Export Policy and Administration: Lessons from the East Asian Experience. Industry and Finance Paper No. 10. World Bank, Washington, D.C., 1984.
- Rhee, Yung Whee, Ross-Larson, Bruce, and Russell, Gary. Korea's Competitive Edge: Managing Entry into World Markets. Johns Hopkins University Press, 1984.
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- Thomas. The Great Lakes Corridor Study. World Bank, Washington, D.C., Nov. 1988.
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- USAID/Conakry. Guinea Agricultural Export Promotion Project (Initial Executive Project Summary). Conakry, Jan. 1989.
- United States Department of State. Burundi Post Report. Washington, D.C., Feb. 1983.
- World Bank. Burundi: Problèmes de Développement et d'Ajustement Structurel. Report

No. 6754-BU. Washington, D.C., Jan. 1988.

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NOTE: The following documents and notes are available in Burundi.

APEE: Projet de Programme et de Budget.

Analyse du Potentiel Exportable du Burundi.

Compte Rendu des Réunions sur l'Agence de Promotion de Echanges Extérieurs. 9 Juin 1989 et 19 Mai 1989.

Compte Rendu Réunions de Consultation sur l'Agence. 3 Mars, 19 Mai, 9 Juin.

Consultations pour l'Adhésion a la Création et au Financement de l'APEE.

Décret 100/171 du 19/9/1989 (Participation Etat a l'APEE)

Décret-Lois: du 15 Avril 1988 et du 29 Juillet 1989.

Etude COLEACP (Fruits et Légumes).

Liste Indicative des Produits Exportables.

Note de Présentation de l'Agence Burundaise de Promotion des Echanges Extérieurs.

Note Relative au Programme 1989 - 1992 du Promotion des Exportations et de Substitution des Importations.

Note sur la Simplification de Procédures a l'Exportation.

Note sur le Plan d'Action de Promotion des Exportations de Certains Produits.

Note sur les Actions du Promotion Devant Etre Mêmes a Court Terme pour Suppléer aux Pertes des Récoltes en Devise sur le Café.

Ordonnance Ministérielles: du 15 Avril 1988, du 3 Octobre 1988, et du 6 Octobre 1988.

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