

COMESA – Egypt Business Dialogue

“Local Sourcing, Trade Facilitation and Accessing Regional Markets”

6th March 2018, Cairo- Egypt

MEETING REPORT



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A. INTRODUCTION

1.1 Background

The COMESA – Egypt Business Dialogue was held on 6th March 2018, in Cairo, Egypt. COMESA Business Council in partnership with the Egyptian Federation of Industry co-hosted the meeting with support from USAID. The dialogue was held under the theme, **“Local Sourcing, Trade Facilitation and Accessing Regional Markets”**. The objective of the meeting was to;

- To provide a platform for CBC’s engagement with the business community in Egypt as a way of introducing CBC and the opportunities within COMESA for increased regional partnerships and trade;
- To understand the trade facilitation instruments available, business impediments faced by Egyptian industries and provide expertise and guidance on the issues;
- To provide basic standard training on food safety management systems for growth enterprises thereby building their capacity to meet national and regional standards requirements which is condition for market access.

The gathering brought together more than 50 industry players from the Egyptian business community. The sectors that were represented among others were services such as construction and financial services, agro – processors, manufacturing, business associations. The public sector and other commercial attaches from Rwanda, Tanzania and DR Congo were also present as per the attached participants list. (Annex 1– List of Participants.)

1.2 Mode of Presentation

During the meeting the presenters were given time to present and then questions followed after the presentations. The format was “inter-participatory or dialogue” approach. The audience was given time to discuss and openly comment on the speakers’ presentations. After the opening ceremony, the presentations were lined up as follows:

- i. Introducing the COMESA Business Council- Ms. Sandra Uwera
- ii. Understanding the Benefits of the COMESA FTA Mr. Tasara Muzorori
- iii. Introducing the COMESA Institutes – Mr. Tasara Muzorori
- iv. Trading in the COMESA Region – Challenges and Experiences – Mr. Mohamed Kassem
- v. Introduction to Food Safety Principles (HACCP- RPRs) – Ms. Anne Chepkoech
- vi. Introducing the Local Sourcing for Partnerships Project – Ms. Gallina Tembo

In this report the discussions and key deliberations of the meeting have been captured.

B. THE OPENING CEREMONY

1.1 Introductory Remarks- *CBC Chief Executive Officer, Ms. Sandra Uwera*

In her introductory remarks, the CBC Chief Executive Officer welcomed the participants to the meeting. She made mention that for the next five years- CBC 's vision is “ Building regional , Going Global.” She reiterated that the this is the reason CBC was in Egypt- to take Egypt on this long journey with the rest of Africa towards regional sustainability and global competitiveness.

She commenced by introducing the COMESA Business Council as recognized business apex body in the COMESA region and the voice of the Private sector and the private sector Institution of COMESA. She went on to echo the importance of developing the competitiveness through an enabling business and policy environment, a robust and efficient private sector, and the ability to take advantage of the opportunities that are available for regional and integrational trade.

Ms. Uwera thanked the Federation of Egyptian Industries (FEI) for the enormous support towards the success of the dialogue and looks forward to a continuous strong working relationship FEI. As economists coin it, the private sector is the mainstay of every economy and contributes largely to job creation. The important role industry plays in the economy of Egypt cannot be over emphasized and as CBC we get delighted once we see a competitive private sector that is actively participating in regional and international trade.

She informed the gathering that CBC was in Egypt to share the potential and opportunities that lie in trading within COMESA. Ms. Uwera highlighted that COMESA holds third of the African population, estimated at 530 Million people with 19 countries as member states. The COMESA Regional Integration agenda seeks to create borderless territories within the 19 countries, establishing seamless movement of goods and services. Aligned to the overall AU agenda of creating a Continental Free Trade Area, COMESA has developed trade facilitation tools and services that are used on a daily basis all over Africa. She therefore, urged the Egyptian business community to take advantage of this huge market. Currently Egypt contributes 3% to the intra- COMESA trade.

During her speech she highlighted that Egypt's economy is diverse and endowed with vast natural resources. Egypt's major contributors to its GDP are services, manufacturing and agriculture, which respectively accounted for 55.3%, 17.1% and 11.9% of GDP in 2015/2016.

In closing, she urged the business community to engage come up with such key recommendations and positions that will facilitate the growth of national and regional businesses.

1.2 Opening Remarks -*CBC Board Chairperson – Egyptian Business Women Association – Dr. Amany Asfour*

Dr. Amany Asfour welcomed the audience and informed them that the essence of the event was to discuss the various opportunities and challenges that the regional integration agenda presents before the Egyptian Business Community. She highlighted that during her tenure as the Chairperson of the

CBC, she met with various businesses who have indeed ventured into partnerships with COMESA region, with key ambitions- to be part of the largest market in the world. While the African continent slowly breaks into the global competitive market- there is still a need to drive our agenda towards consumption of our own products and services and strengthening our workforce to respond to the trends of globalization.

Dr. Amany believes that initiatives such as this meeting, will help the business community to understand how to create value for businesses through trading with African markets. She urged the industry to ensure that the capacity to trade is facilitated by instruments that can promote movement of goods and services in the region. She reiterated that, in the next 5 years CBC will continue positioning itself as the voice of the private sector by supporting strategies that promote the competitiveness of the private sector.

She highlighted that Egypt is the leading exporter in the COMESA region in terms of value contributing 3% of the total 7% of intra- trade in the region. Addressing issues of industry competitiveness and regional integration are essential, not only to the growth of the Egyptian economy, but for the COMESA region. Egypt trades more with western and Eastern countries than it trades with the countries in COMESA.

Private sector is critical for long-term economic prosperity and growth of any nation and has a fundamental role to play in sustainable economic growth of COMESA member states. When supported more, the Egyptian private sector will contribute more than 70 percent to the labour force.

Egypt has a high potential to increase intra-COMESA trade by US\$ 24.9 billion. There is a huge demand for Egyptian products from within the COMESA region- in the areas of agro- produce inputs , textiles, drugs, food and beverages, business services and the like.

Some of the key challenges cited when trading with the COMESA region are- increased technical barriers to trade, logistical impediments of getting our products into the region, and long administrative procedures that reduce our speed to market for African products as well as standards issues. Due to standards issues on the part of SME's CBC launched the Local Sourcing for Partnerships Project that supported over 480 SMEs in 6 countries in technical capacity building on food safety management systems. She informed that the records show 17 contracts were secured between buyers and suppliers within the said countries of Zambia, Kenya, Uganda, Rwanda, Ethiopia and Malawi.

She further urged the Egyptian business community to cease this enormous opportunity and start trading more with other COMESA countries. In conclusion, Dr. Amnay urged the business community to affiliate to CBC and become members of the association.

1.3 COMESA Secretariat – Mr. Tasara Muzorori

On behalf of the COMESA Secretariat Mr. Muzorori was delighted to be part of the meeting and applauded CBC for this initiative. In his opening he introduced COMESA as been formerly a

preferential trade area until 1994 when COMESA was born. The major objective of COMESA has been to attain sustainable growth and development of the member states by promoting a more balanced and harmonious development of its production and marketing structures.

Mr. Muzorori, highlighted that COMESA had proved to be an important market for Egyptian companies due to the proximity of the member states and their demand for Egyptian products. He mentioned that since its adoption in 1997 to COMESA, Egypt has been playing a key role in shaping the integration agenda for the region. He however, stated that the effectiveness of a country to penetrate regional or any market depends on the country's ability to produce goods and services competitively. According to the figures available on the COMSTAT database, Egypt's global total merchandise exports stood at \$16.14 billion in 2007 and rose to a peak of \$30.6 billion in 2011 and declined again to \$22.5 billion in 2016.

On the other hand, the imports were \$26.97 billion in 2007 and rose to a peak of \$74.37 billion in 2015 and thereafter declined slightly to \$71.36 billion in 2016. For all the years 2007-2016, Egypt has been registering huge negative trade balances with the highest negative trade balance of \$52.38 billion in 2015. This suggests that more effort is required to increase merchandise exports to at least equal the imports but better still to surpass the imports. He therefore appealed to the private sector to take advantage of the huge market that COMESA offers.

1.4 Egyptian Federation of Industries- Dr. Sherif El Gabaly

On behalf of the Federation of Egyptian Industries' leadership, Dr. Gabaly welcomed everyone to the dialogue. Dr. Gabaly introduced FEI as an organization that represents the voice of Industry in Egypt at the national level and at all international platforms. It represents 19 Industrial chambers in all traditional manufacturing sectors to ICT, healthcare services and real estate. Members affiliated to FEI benefit from its advocacy capacity as well as a package of services including internationalization and partnerships.

Dr. Gabaly informed the gathering that Egypt can be a front runner in transforming intra-African trade and boosting innovation and industrialization on the African continent. Despite current low trade figures, opportunities abound and there are many areas in which Egypt could expand its trade with the rest of Africa. With the new significant policy shift toward export promotion, especially within Africa, and capitalizing on regional trade agreements, like COMESA and the upcoming Continental Free Trade Area, an improved and dedicated shipping line from Sokhna Port to Mombasa, quality and competitive Egyptian products and services, Egypt can transform its trade with Africa and become a major trade partner.

When addressing the gathering Dr. Gabaly mentioned that Egypt has embarked on major economic reform and structural transformation programs, that are supported by the International Monetary Fund (IMF) and the World Bank Group. These programs are aimed at fixing structural imbalances, promoting social justice and inclusion, and unlocking private sector investment potential. He said that Egypt had unique geographical position, its free trade agreements with the COMESA and the Tripartite Free Trade Agreement between COMESA, EAC and SADC, the country is ideally positioned to be a gateway for investors into Africa.

Africa's global economic and strategic importance is rapidly increasing, spurred by more than a decade of unprecedented growth and investment. Reform is driving a more business-friendly investment climate, and with its youthful demographics, growing workforce, rapid urbanization and abundant natural wealth, the continent is well-poised for economic transformation. Despite this progress major challenges remain. More must be done to accelerate infrastructure development, drive regional integration and trade. To realize Africa's full potential its young entrepreneurs must be empowered through an enabling environment, underpinned by inclusive and broad-based growth.

Egyptians main exports to COMESA countries include aluminum products; pharmaceuticals; petroleum products; carpets; ceramics; foodstuff; furniture; fertilizers; insecticides; cement and reinforced iron; rice; fabrics Egyptian imports from COMESA countries are tea, coffee, cocoa, legumes, sesame, raw leather, tanning substances, plant essences and livestock.

COMESA provides Egyptian products with the opportunity of accessing African markets tariff-free. Under the COMESA charter, an Egyptian could establish a business either individually or jointly with a counterpart from other member states; Furthermore, a number of Egyptian companies have already set agencies in several COMESA countries. This gives Egyptian products a competitive edge in African markets.

Dr. Gabaly urged the private sector in Egypt to come on board CBC so that the membership can grow. He further highlighted that FEI will be signing up for CBC membership so that the private sector in Egypt will have a wider representation.

C. MEETING DELIBERATIONS

1. SESSION 1; Introducing the COMESA Business Council- *Ms. Sandra Uwera*

In her presentation, Ms. Uwera introduced the COMESA Business Council as established under the COMESA Treaty as the consultative platform of the business community in COMESA. She highlighted that CBC is a Business member organization managed by a Board of Directors; with membership comprised of the private sector apex

Associations, sectoral Associations and companies with presence in more than one COMESA member country.

She spoke of the strategic pillars of the CBC; Business advocacy and policy, Business Support Facilitation and membership Development. In terms of Business policy

advocacy, she highlighted some of the key activities of the CBC; the annual COMESA Business Forum held on the margins of the COMESA Heads of States Summit. Other initiatives including the Framework on combating Illicit Trade, the development of the COMESA Business Visa and various position reports on agro industries, on transport and trade facilitation, on the Rules of Origin and movement of business persons. In terms of Technical capacity strengthening she cited the CBC Local Sourcing Project whose objective is to increase local sourcing from SME Growth enterprise by multinational companies in the COMESA region to create jobs and economic

development. On Business linkages, Ms. Uwera highlighted the various business linkages platform; Online Business portal, Business to Business matchmaking and exhibitions as some of the ways in which CBC fosters business partnerships, joint ventures, sourcing relationships for the businesses in the COMESA region.

In conclusion, she highlighted the various membership options; association, corporates, SMEs and invited the businesses to approach the CBC for tailored business facilitation services.

2. SESSION 2. Market Opportunities in the COMESA Region – Mr. Tasara Mozorori

In his presentation, Mr. Muzorori introduced COMESA as a regional trade and investment integration grouping with a total of 19 countries in Eastern and Southern Africa. Formerly a Preferential Trade Area, COMESA was established in 1994 with an ultimate objective of becoming an economic community. It was highlighted that like any other regional economic grouping COMESA had 5 stages of economic integration namely; Preferential Trade Area, Free Trade Area, A Customs Union, A Common Market and an Economic Community.

- On priority programs – it was highlighted that these include – trade liberalization, trade facilitation, liberalization of financial and monetary systems, investment promotion, private sector support and free movement of people. Among the achievements recorded in COMESA include transport, air transport,

development of transport corridors, energy, telecommunication and trade facilitation.

- On the Free Trade Area, it was highlighted that it was launched in 2000 and only 15 out of the 19 countries have joined. Negotiations are still on going for the remaining four countries and significant progress has been recorded. Mr. Muzorori pointed out the following as some of the benefits found in the FTA; cheaper products, opportunities for trade, wider market opened up, incentives for FDI, increased intra-regional investments, a catalyst for small scale cross border trade, opportunities for wealth creation, job creation and poverty alleviation, better allocation of resources, increased utilization of regional inputs and access to regional economies as launchpad for global markets.

- The trade contribution of Egypt to COMESA was shared during the presentation. Egypt contributes 3% of the intra COMESA trade and a total share of 1,757 million as at 2016. Its top 10 trading partners include; Sudan, Kenya, Libya, Ethiopia, Eritrea, Uganda, Djibouti, Mauritius, Rwanda and Zimbabwe. Egypt largely exports cane or beet sugar, marble, raw cane sugar, articles of plastic and reception apparatus for television. Among the imports from the region are tea, copper, live bovine animals, cotton, sesame seeds, petroleum oils, tobacco and others products.
- On trade facilitation instruments, Mr. Tasara highlighted that COMESA was implementing the following; COMESA Yellow card Thirty Party Motor Vehicle Insurance, COMESA Carrier License for road freight operators, Regional Customs Bond Guarantee System, COMESA Harmonized Axle Load, Gross Vehicle Mass Limits which includes the COMESA Certificate of Overload Control, COMESA Customs Declaration Document, COMESA Virtual Trade Facilitation System, Simplified Trade Regime (STR), One Stop Border Post, Transit Tarde and Transit facilities freedom of transit.
- On Market opportunities in COMESA he emphasized that the COMESA region was a huge market with more than 504 million consumers, with the buying power of more than 684 USD Billion as at 2016. Trade investment in COMESA largely lies in agriculture, tourism, manufacturing. COMESA's total trade as at 2016 was 235 billion.
- On trade remedies in COMESA, Mr. Muzorori pointed out to the following; security exceptions, safeguards, balance of payments, infant industry protection, dumping and subsidies. He highlighted that trade agreements recognize that disruptions can arise in domestic industries due to trade liberalization therefore the need for trade remedies.
- In conclusion Mr. Muzorori informed the gathering that the COMESA FTA has been in place for the past seventeen years and creates an opportunity for businesses to benefit from. COMESA continues to implement the trade facilitation tools and more will be developed. COMESA has established institutions to support regional trade.

Discussions and Recommendations

- COMESA was urged to quickly intervene with the issue of Ethiopia. It was highlighted that Egyptians were faced with challenges when obtaining a VISA to Ethiopia.
- It was highlighted that COMESA must apply the trade rules as stipulated in the agreement for this will benefit everyone.
- CBC was urged to share more information on transportation of goods in COMESA because it was very costly to transport goods from Egypt to the entire COMESA region.
- Payments from the importers took very long and this called for dialogue.

3. SESSION 3- Introducing the COMESA Institutions – Mr. Tasara Muzorori

Mr. Muzorori presented on the COMESA Institutes. He highlighted that COMESA has 12 established institutions and each of them had a different and specific role to play in supporting regional integration agenda. The institutions have been created in order to support trade, investment and opportunities for trade. The COMESA Institutions include the following in summary;

- **The COMESA Competition Commission.** The major role of this institution is to monitor and investigate anti-competitive practices of undertakings with the COMESA region. Further, the commission help member states to promote national competition laws and institutions. The main objective is the harmonization of those national laws with the regional regulations to achieve uniformity of interpretation and application of competition law and policy within the region.
- **COMESA Court of Justice.** The court considers cases referred to it by member states such as labour disputes and other disputes between the private sector and the member states.
- **COMESA Financial Institutions –** These have been created to support international trade and investment in the region. These include, African Trade Insurance Agency (ATIA), Trade and Development Bank (PTA Bank), the COMESA Clearing House, COMESA Monetary Institute (CMI) PTA Re-Insurance Company (Zep – Re).
- **Regional Investment Agency (RIA)-** Its main objective is to create a fully integrated, internationally competitive and unified regional economic community in

which goods, services, capital and persons move freely for the sustainable economic development agenda.

- **The COMESA/ Leather and Leather Products Institute (LLPI) –** The institution has been mandated to promote productivity, competitiveness, trade and regional integration in the leather sub-sector through the provision of human resources development, investment and trade promotion, research and development, consultancy and extension and information collection and dissemination.
- **The Alliance for Commodity Trade in Eastern and Southern Africa –** the alliance focuses on common agricultural trade issues that include learning, capacity building, harmonization and coordination which require a regional institute.
- **COMESA Business Council –** mandated to be the voice of the private sector in the region. The main objective is to create a platform through 3 service pillars namely; business and policy advocacy, business facilitation and membership development. The council addresses pertinent constraints to business and competitiveness in the region and influences the policy formulation agenda on behalf of the private sector.
- **Federation of National Associations of Women in Business in Eastern and Southern Africa (FEMCOM)-** promotes the activities of women in business in COMESA and beyond.

Discussions on the COMESA Institutions

- From the discussions it was emphasized that the Egyptian business community was more interested in the insurance of their

goods. They needed guarantee from COMESA that their goods will be insured.

4. SESSION 4 Trading in COMESA- Challenges and Experiences- Mr. Mohmed Kassem

During his presentation, Mr. Mohmed Kassem concentrated basically on key 3 issues as been the major challenges when trading in the COMESA Region. The following were highlighted in his presentation;

- Some of the member states of COMESA are not implementing the their commitments as stipulated in the agreement. Most of these countries are not applying the duty exemptions that they signed. They are subjecting the imports to high duty and the Free Trade Area agreement is not followed.
- Air connectivity in the region still remains a challenge. Mr. Kassem highlighted that there are no direct flights between many countries in the region. Further, limited

routes for maritime still remains a challenge in the region.

- Mr. Kassem further highlighted that as the private further only had a mindset of competing and not for corporation. He further urged the business community to have the mind of corporation and not competing. Once the private sector starts to corporate they will build continental supply chains for different industries in the region.

Discussions and Recommendations

- On this session no discussion or recommendations were raised from the audience.

5. Session 5 Introduction to Food Safety- Ms. Anne Chepkoeach

Ms. Chepkoeach presented on food safety standards. She highlighted the following;

- Ms. Chepkoeach introduced the programme by stating the objectives as to assist food businesses achieve the requirements of the Food Safety Standards; provide food handlers with the necessary skills and knowledge of food safety and hygiene matters relevant to their work activities and raise the level of compliance with food legislation throughout the food industry.
- In her presentation, she highlighted the importance of food consumption and some nutritional disorders that come when consuming wrong food. She further highlighted the importance of eating a balanced diet.

- she cited the effects of poor food safety practices for the SMEs as loss of customers and sales; loss of prestige and reputation; lawsuits resulting in lawyer and court fees; increased insurance premiums; lowered employee morale; employee absenteeism and embarrassment.
- The causes of food poisoning were shared amongst the trainees and the most highlighted included storing food at incorrect temperatures (anything 5°C and 60°C); poor personal hygiene; using unclean premises and poor pest control. The speaker added the following as the methods to prevent food poisoning; observing strict personal hygiene, temperature control for storage, washing

hands constantly when handling food, cleaning and sanitizing food handling surfaces, pest control and proper waste management.

- Ms. Cepekoech described a hazard as a biological, chemical or physical agent in, or condition of, food with the potential to cause an adverse health effect. She introduced the Good Manufacturing Practices (GMP) required in the premises, transportation and storage, equipment, for personnel, in sanitation and pest control and having recall systems as among the key controls for hazards. She further

introduced HACCP (Hazard Analysis and Critical Control Point) as well as the prerequisite programs which are the foundation upon which HACCP plan is developed and how to minimize biological, chemical and physical hazards.

- Ms. Chepkoeach ran the participants through the stages of HACCP and how to assemble team for HACCP. She concluded her presentation by highlighting the hazard analysis for each existing product or process.

Discussions

- Participants requested for more information to be shared after the meeting.

6. SESSION 6 – Introducing the local Sourcing for Partnerships Project- Ms. Gallina Tembo

Ms. Gallina Tembo made a presentation on the Local Sourcing for Partnership Project. It was highlighted that CBC had been implementing the project for the past two years with support from the Investment Climate Facility of Africa (IFC), United States Agency of International Development (USAID) and African Development Bank (AfDB). The main objective of the project is to increase local sourcing from the growth enterprise by large corporate companies in the COMESA region in order to create jobs and economic development. Among the specific objectives is to train more than 480 SMEs to meet the market and standard requirements of corporate manufacturers and to facilitate a number of SMEs to meet the market and standard requirements of corporate companies through business linkages and information. Finally the

project is aimed at raising awareness on the importance of local sourcing from the SMEs.

- It was highlighted that in the past two years the project had reached to eight countries namely, Kenya, Uganda, Ethiopia, Zambia, Malawi, Madagsacar, Tanzania, South Africa and Rwanda. The eligibility to be considered for business linkages was highlighted that an SME needed to be registered and a tax payer with operation years of not less than 2 years. Further, the business needs to have audited financial records with an annual revenue of more US\$ 20,000 and have a minimum of six members of staff.
- The project impact so far has been job creation, economic development,

increased income for the SMEs, increased percentage of local sourcing by buyers and access to market and this is evidenced by the number of contracts that have been signed.

- Ms. Tembo highlighted on the CBC Biznet portal is an online market platform for both large and small-scale industry players. The aim of the portal is to provide buyers with access to credible information on suppliers in the region and give them a platform to inform suppliers on their purchasing requirements including specific products, quantities, documentations/records, quality and standards-certifications required. It will also provide suppliers with a platform for marketing the products.

Ms. Tembo highlighted that;

- i. ***Business Linkages Portal.*** Online portal with features to facilitate suppliers and buyers to buy, sell, market, feature products, get quotations and company profiles, network, chat etc. in real time. Almost 2000 companies from 6 countries are listed on the portal.
- ii. ***Enterprise Intelligence Database.*** Through the Made in COMESA that provides access to trade information on key products traded within COMESA. The link is provided for on the Biznet - <http://madeincomesa.opendataforafrica.org/>.

In discussions, the participants were interested on signing up for business linkages and separate meetings were arranged with a companies after the meeting.

CLOSING REMARKS

Dr. El Gabaly and Dr. Amany Asfour

Dr. Gabaly thanked the delegates for their participation at the COMESA- Egypt Dialogue. He further urged the meeting participants to take advantage of the COMESA Business Council and address the issues they had through these channels. Once again he emphasized on the issue of FEI joining CBC.

On behalf of CBC Dr. Amany thanked everyone for creating time to be part of the meeting. She appealed to the private sector to sign up for membership o with CBC.