

WINNING THE WAR AGAINST CORRUPTION IN THE COMESA REGION



The COMESA Business Council in partnership with the Center for International Private Enterprise (CIPE) has started implementing the CBC Business Integrity Project with the objective of building the capacity of the private sector to stem corruption and enhance their participation in transparency and reform initiatives thereby achieve a good and enabling business environment.

In most Africa countries, corruption remains a thorn in the flesh of public and private sector development. The cost of corruption is very high and affects productivity, with an adverse effect on the growth of enterprises. This is of grave importance to economies in COMESA and the rest of the Africa, which consists of 70% of Small and Medium sized enterprises as part of the employee base. Corruption in Africa remains a thorn in the flesh of public and private sector development.

Meeting
Dates

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Countries that score badly on the World Bank's Doing Business Indicators also score badly on the Corruption Perceptions Index.

This suggests that highly corrupt countries also have difficulty attracting resources-resources-business. IMF research has shown that investment in corrupt countries is almost 5% less than in countries that are relatively corruption-free. The World Economic Forum estimates that corruption increases the cost of doing business by up to 10% on average.

This project initially targets training of 50 businesses from Rwanda, Ethiopia, Zambia and Mauritius these will be selected from the CBC's national focal points who are the Principle members of CBC. The project will use the CIPE Anti-Corruption Compliance Training aimed at improving integrity practices for businesses in line with international practices.

Post the training, the CBC will also develop a Regional Model Code on Anti-Corruption Compliance for enterprises, as part of the Project with the objective of providing a regional guide for anti-corruption compliance amongst enterprises with the COMESA region. The Code will be available for use and adoption by enterprises in the whole region.

Rwanda, Kigali – 27th to 28th September, 2018 – Lemigo Hotel

Ethiopia, Addis Ababa – 9th to 10th October, 2018 – Intercontinental Hotel

Mauritius, Port Louis- 31st October to 1st November – TBA

Zambia, Lusaka – 2018 – TBA

AFRICA BRAISED TO FIGHT CORRUPTION

11th July, each year, Africa commemorates the "African Anti-Corruption Day"

Theme for 2018: "Winning the Fight Against Corruption"

AU - Has signed several Treaties to fight corruption.

Evils of Corruption:

- Harms Africa
- Hampers Democracy
- Derails Development
- Increases poverty levels



The theme of the year 2018: "Winning the Fight Against Corruption: A Sustainable Path to Africa's Transformation", was officially launched by H.E Mr. Muhammadu Buhari President of the Federal Republic of Nigeria, on 28th January 2018, during the opening ceremony of the 30th Assembly of Heads of State and Government of the African Union (AU).

President Buhari congratulated the African Union for dedicating the theme of the year to the noble cause of fighting corruption on our Continent. He pledged to work harder and ensure that the anti-corruption agenda receives the attention it deserves yield results in many years to come. "Corruption is indeed one of the greatest evils of our time. Corruption rewards those who do not play by the rules and creates a system of distortion and diversion thereby destroying all efforts at constructive, just and fair governance", said the theme Champion for 2018. He added that, in tackling corruption, the Continent has made significant strides, putting in place legal and policy frameworks, notably the African Union Convention on Preventing and Combating Corruption (AUCPCC).

The President further highlighted that corruption poses real threat to national security, unity and survival of the African State and people. The African Union Agenda 2063, under Aspiration 3 recognizes that corruption erodes the development of a universal culture of good governance, democratic values, gender equality, respect for human rights, justice and the rule of the law. The United Nations 2030 Agenda for Sustainable Development, under Goal 16, calls on all countries to promote and develop accountable and inclusive institutions at all levels, notably, by reducing bribery and corruption.

Therefore, strong institutions are a necessary condition in any society which aims to fight corruption. In building strong national and regional institutions, "we must adequately empower our national anti-corruption agencies and insulate them from political influence. President Buhari promised the Heads of State that, with their endorsement during the course of 2018, he will prioritize the following initiatives, to help fight corruption in Africa:

- a) to organize African Youth Congresses against Corruption, in order to sensitize and engage our youth in the fight against corruption;
- b) mobilizing all African Union Member States to implement the African Union Convention on Preventing and Combating Corruption; and
- c) advocating for the strengthening of the criminal justice system across Africa through exchange of information and sharing best practices in the enforcement of anti-corruption laws.

Read more on:

<https://au.int/en/pressreleases/20180129/president-buhari-nigeria-launches-au-theme-year-2018-fighting-corruption>

COMBATING ILLICIT FINANCIAL FLOWS IN AFRICA

How can cross-border flow of illicit assets be tackled? How can asset recovery and return be enhanced? These and more were discussed at the second “International Conference on Combating Illicit Financial Flows (IFF) and Enhancing Asset Recovery (AR) for Sustainable Development.” It was organised by the Presidential Advisory Committee Against Corruption (PACAC), in collaboration with the Ministry of Foreign Affairs, the African Union (AU), the Federal Inland Revenue Service (FIRS) and the Federal Ministry of Justice

Between 2000 and 2015, Africa is said to have lost \$73billion yearly through illicit financial flows (IFF). Added to what is lost through other channels, the figure may be close to \$100billion. To tackle this problem, the Presidential Advisory Committee Against Corruption (PACAC), in collaboration with the Ministry of Foreign Affairs, African Union (AU), Federal Inland Revenue Service (FIRS) and the Federal Ministry of Justice, brought international experts to find solutions. They organised the second International Conference on Combating Illicit Financial Flows (IFF) and Enhancing Asset Recovery (AR) for Sustainable Development (Second Abuja IFF/AR).

PACAC, refers to money illegally earned, transferred or used. It means any flow of money in violation of the laws in their origin or during their movement or use.

Money may become illicit due to the way it is created, transferred or used. For instance, money legally earned transferred illegally, such as to avoid tax, becomes illicit. IFF has diverse origins, such as laundering of proceeds of crime, abuse of power by politically exposed persons (PEPs), market or regulatory abuse by multinational corporations, trade record falsification and tax evasion. Others are mispricing of intangibles like foreign loans, overpricing of intellectual property, and use of secret companies, secret trusts or non-disclosure agreements.

Poor governance, weak regulatory structures, pressure for foreign investment, unbridled tax incentives that become counterproductive, and acceptance of financial secrecy jurisdictions and tax havens are some of the enablers of illicit financial flows. Others are the ability to shift profits from source countries to tax havens, thus denying the source country of tax revenue; weak international cooperation and information sharing, such as on beneficial ownership and tax records of multinationals, and opacity of records and information on what companies pay to governments in extractive and natural resource industry.

Read more on:

<http://thenationonlineng.net/combating-illicit-financial-flows-in-africa/>

GLOBAL COST OF CORRUPTION IS AT LEAST 5 PER CENT OF WORLD GROSS DOMESTIC PRODUCT

In its first ever meeting to address the links between corruption and conflict, the Security Council considered ways to effectively disrupt the illicit siphoning of money by leaders and other practices that weaken State institutions, thereby making a country susceptible to conflict.

“Corruption breeds disillusion with Government and governance and is often at the root of political dysfunction and social disunity,” Secretary-General António Guterres told the 15 member Council, which bears the mandate for the maintenance of international peace and security. Noting that corruption can also be a driver of conflict, upon which it thrives, and is linked to such forms of instability as illicit trafficking in arms, drugs and people, terrorism and violent extremism, he stressed that the problem is present in all nations – rich and poor, North and South, developed and developing. Citing estimates by the World Economic Forum, he said the global cost of corruption is at least \$2.6 trillion, or 5 per cent of the global gross domestic product (GDP), adding that, according to the World Bank, businesses and individuals pay more than \$1 trillion in bribes every year.

Also briefing the Council was John Prendergast, Founding Director of the Enough Project and Co founder of The Sentry, who said: “Regrettably, there is currently no coordinated strategy to gain the necessary leverage to disrupt the illicit siphoning of money by leaders and their foreign business partners, or to break the link between corruption and conflict.” He added: “Throughout history, war may have been hell, but it has been very lucrative for small groups of conflict profiteers.”

Today’s deadliest conflicts in Africa, such as those in South Sudan, Somalia, northern Nigeria, Sudan, the Central African Republic and the Democratic Republic of the Congo, are sustained by extraordinary opportunities for illicit self enrichment that emerge in war economies, where there is a visible nexus between grand corruption and mass atrocities, he said, calling upon the Council and other interested parties to take the necessary measures, such as levying sanctions against entire networks, not just individuals; strengthening anti money laundering measures; and prosecuting financial crimes associated with atrocities.

In the ensuing debate, the representative of the United States, which holds the Council Presidency for September, spoke in her national capacity, noting that her delegation convened today’s meeting because the relationship between corruption and conflict has gone unaddressed for too long. The problem, “which has been staring us in the face”, allows transnational crime and drug trafficking to flourish, resulting in massive flows of desperate people and posing challenges to regions as well as the wider global community. Recalling that the “Arab Spring” was a result of popular protests against corruption, she said the United Nations remains too willing to ignore corruption as simply “the cost of doing business” in many countries.

Read more on:

<https://reliefweb.int/report/world/global-cost-corruption-least-5-cent-world-gross-domestic-product-secretary-general>

ANTI-CORRUPTION

INDUSTRY EXPRESSES CONCERN OVER POOR QUALITY IMPORTS

Confederation of Zimbabwe Industries (CZI) has raised concern over the influx of substandard imports, which are easily evading the Bureau Veritas pre-importation assessment system in a development likely to frustrate ongoing efforts to resuscitate local industry. CZI president Sifelani Jabangwe told NewsDay that some of the mechanisms put in place to plug smuggling and restore industrial productivity were facing serious threats.

“A few years back, a quality conformity assessment programme that checks the suitability of foreign-manufactured goods before they enter the country was put in place and is run by a third party entity, Bureau Veritas,” he said. “It was charged with the responsibility to conduct health and general quality checks and when the programme commenced, over 40% of foreign manufactured products were condemned and blocked from entry.

“However, CZI recently unearthed that smugglers are now using alternative routes, which make it easier to evade the assessment system and, in turn, there is a high volume of substandard goods flooding the local market.”

Jabangwe noted that it had become increasingly difficult for formally operating companies to remain afloat because they incurred higher expenses as compared to smugglers.

“Our members are contributing (to the national economy) by paying taxes, creating employment yet some players are importing goods for free and selling them on pavements, a development which may discourage formal businesses to remain in the market,” he said. The CZI leader bemoaned the fact that most of the perpetrators of this vice were high-ranking officials who seemed to be “untouchables” yet perpetuating economic sabotage.

“Smuggling is difficult to arrest because most of the goods are not entering through the borders. Those who illegally transit goods are sometimes armed and it is risky for our employees to pursue them,” she said. “This is a problem which requires all the borders’ manning agencies to work together because we can only manage what passes through the border posts.”

Read More on:

<https://www.newsday.co.zw/2018/08/industry-expresses-concern-over-poor-quality-imports/>



BAD BUSINESS CLIMATE AND CHEAP IMPORTS KILLING EAST AFRICA ECONOMIC DREAM

Plans by East African countries to anchor economic growth in the manufacturing sector are increasingly becoming unfeasible as existing manufacturers grapple with financing challenges and rising competition from cheap imports. Across the region, governments have identified the manufacturing sector as the cog that will accelerate economic growth, create employment and alleviate poverty.

In Kenya, manufacturing is on the Jubilee administration's top development agenda, forming one of the Big Four sectors that the government has identified to drive growth. Manufacturing is expected to contribute 15 per cent of gross domestic product in 2015, up from 8.4 per cent currently. But the rising cost of production – particularly energy and transport – competition from imports from China, declining purchasing power, rising labour costs, unfavourable policies including tax hikes and counterfeits have placed hurdles in the development path of this sector.

Recently, regional cement maker ARM Cement Ltd joined a growing list of manufacturers that have folded while others struggle to survive. ARM was placed under receivership due to massive debt, and its shares suspended from trading at the Nairobi Securities Exchange.

Other listed manufacturers like Bamburi Cement, East African Portland Cement Company, Unga Group, British American Tobacco and East Africa Breweries Ltd have either posted declining profits or sunk into loss making

“High and multiple taxation, an unpredictable and unstable policy environment, the high costs of energy, the scarcity of the necessary technical skills and the high cost of labour have hampered business growth and expansion of industry,” said Phyllis Wakiaga, the chief executive of the Kenya Association of Manufacturer (KAM).

The fact that the manufacturing sector, whose contribution to GDP declined to 8.4 per cent in 2017 from 9.2 per cent in 2016, is in crisis is evident in Central Bank of Kenya data that shows that the sector is leading in loan default as uptake of new credit remains flat. CBK statistics for the first quarter of this year show that non-performing loans in the sector increased to \$455.3 million in March from \$390.3 million in December 2017. “The manufacturing sector registered the highest increase in NPLs due to a slowdown in business, which led to delay in loan repayments,” said the quarterly economic review.

In Uganda, mounting challenges have forced industries to downscale their operations, so much so that the sector is operating at only 54 per cent of installed capacity, according to the Uganda Association of Manufacturers.

In Tanzania, notable challenges such as rising production costs, limited infrastructure and high tax burdens have seen the sector's contribution to GDP decline from 7.6 per cent in 2011 to 4.9 per cent last year.

Notably, the region does not have a strong manufacturing sector considering that the food and beverage industries dominate, accounting for more than 40 per cent of total output. Other categories of manufacturing include textiles and apparels, chemicals, furniture, rubber and plastics, non-metallic minerals, fabricated metals, basic metals and paper. This state of affairs has been brought about by the fact that although East Africa is endowed with vast resources, the level of value addition has remained depressingly low despite gradually increasing from \$2.5 billion in 2010 to \$6.5 billion in 2016, according to KAM.

Read more on:

<http://www.theeastafrican.co.ke/business/Cheap-imports-killing-East-Africa-economic-dream/2560-4764214-t0ey9vz/index.html>

WHY BECOME A MEMBER OF CBC

MEMBERSHIP BENEFITS

- 1** Advocacy excellence in the region – influence decisions at the highest levels of policy decision makers in COMESA.
- 2** Regional brand recognition as a business through CBC
- 3** Market intelligence and analysis to inform trade, investment and joint venture decisions.
- 4** Increased partnerships in regional and global markets.
- 5** Business facilitation in regional and global markets through trade promotion, linkages and advisory services
- 6** Industry collaboration through CBC memberships for efficiency and sustainability of enterprises and associations.



Our Important Links

- <http://comesabusinesscouncil.org/>
- <http://comesabusinesscouncil.org/Account/Login>
- http://comesabusinesscouncil.org/Content/web/documents/news-media/2016_CBC_Inst_Report.pdf
- <http://comesabusinesscouncil.org/Home/AboutUs/Membership>

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