CBC COMESA BUSINESS COUNCIL
Voice of the Private Sector in the Region
BUILDING REGIONAL GOING GLOBAL

BIZNET WEEKLY

ISSUE 25 25/09/2018

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.

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.
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.

Meeting Dates

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

INDUSTRIES FLAG HURDLES FACING AGENDA FOUR

Manufacturers in Kenya are concerned over the government's Big Four development agenda and say it will remain a pipe dream if a number of roadblocks standing on its way are not properly addressed. The Kenya Association of Manufacturers (KAM) said their contribution to the national economy might fail to reach 15 per cent as envisioned since key factors of production are yet to be addressed. "There is need to reduce the cost of power to USD 0.09/kwh, in line with this year's budget where all taxes and levies on power bills for manufacturers will be removed.

Restructure the time of use for the 50 per cent cut in tariff at night to incorporate more industries, especially small and medium enterprises," KAM told Smart Company. Manufacturers said more needs to be done on development and maintenance of roads especially within industrial zones to facilitate faster movement of goods. They also faulted preference for imported goods among local consumers. "Preference of imported products has eroded local manufacturers market share. The 'Buy Kenya Build Kenya strategy' remains a pipe dream since operational guidelines requiring government ministries, departments and agencies to dedicate 40 per cent of their allocations for local purchases is yet to be effected," they said.

The Institute of Quantity Surveyors (IQSK) of Kenya Chairman Peter Kariuki said increase in fuel prices would hurt the Big Four development agenda as the costs of doing business are bound to go up. Mr Kariuki said project costs will have to be reviewed upwards with studies undertaken on site to help financiers and project owners re-plan on how best to carry on with the projects. "Starting at the quarry where diesel-operated stone cutters are to transport trucks as well as at the construction site where petrol-driven machines abound from rollers, pulleys, vibrators, hydraulic drills, concrete mixers, water pumps, tippers and trucks, businesses will be hard hit," he said.

The IQSK chairman said the rise in fuel prices will deal a severe blow to the government-fronted affordable housing plan as all costs incurred by developers as well as material manufacturers will be passed on to the final buyers of the housing units. "The disposable income for low income Kenyans has been hard hit. We have increased electricity costs for them, matatu transporters have hiked fares and food prices are also exorbitant. This means the planned government housing units will be bought by the rich," he said.

Companies are also calling for closer harmonisation of East African standards to facilitate free flow of goods and services saying Kenyan goods and service companies were still finding it impossible to access some markets.

"Some partner states refer to their standards thus locking out local manufacturers who in turn have to either find other export markets or go through the rigorous and costly process to access those markets," it said. Inclusion of manufacturing as a top priority investment area in the Big 4 was hailed as a major score for manufacturers who now enjoyed closer consultations with state agencies tasked with improving the business environment.

https://www.nation.co.ke/business/Industries-flag-hurdles-facing-Agenda-Four/996-4765656-f7q48jz/index.html

EGYPT'S CEMENT PRODUCTION CANNOT COMPETE GLOBALLY

Egypt's cement export has the challenge of increasing in its price by $15 per tonne compared to global prices, according to Medhat Istvanos, head of the cement division of the Chamber of Building Materials, affiliated to the Federation of Egyptian Industries. Istvanos attributed this increase to Egypt's energy price hikes, following the government's decision to increase energy prices in June. Consequently, Egyptian cement products lost their competitive edge as well as their promising export markets.

"However, the country has succeeded in exporting some cement shipments over the past year, but the government's bureaucracy has eliminated export hopes," he added. "The liberalisation of the Egyptian pound exchange rate created an opportunity for export, but the bureaucracy prevented exports, as a result of rising costs which led to the absence of the only positive purpose of the flotation." Exports of cement production amounted to $57m during the first half of the current year.

He elaborated that 40% of the cement production capacity is out-of-commission in Egypt and went on to say that investments of the stalled capacities are estimated at EGP 100bn, and the volume of investment in the cement industry exceeds EGP 0.25tn.

The number of operating cement factories in Egypt's market registered at around 23 factories, of which 80% are affiliated to the private sector.

He called on decision makers to develop innovative solutions, in order to promote the cement industry in the coming period, noting that the use of coal is a national security issue, and Egypt needs to have multiple sources of energy, and not rely on a single energy source.

"The cement industry is facing unprecedented challenges as the volume of production exceeds the volume of consumption by 50%-60%. The production capacity of cement factories is estimated at 84m tonnes, while the volume of consumption has not exceeded 54m tonnes for the past four years and it's still ongoing, which means a surplus of 30m tonnes," he explained. "I do not expect an increase in cement consumption during the coming period."

The continued increase in production costs, as a result of some economic reform decisions, led to an increase in the cost of the price of cement. The increase in prices is due to the increase in production costs, including the increase in coal import costs, following the flotation decision, which led to the price of a tonne of coal to reach $1,800 compared to $800 before flotation, he said.

Finally, he concluded that the decision to build the Beni Suef cement complex was not based on precise information. The production and consumption of cement in the local market, before the construction of the Beni Suef cement complex was capable of producing up to 80m tonnes, without the addition of new investments, thus this complex harmed local production.

https://dailynewsegypt.com/2018/09/22/egypts-cement-production-cannot-compete-globally-istvanos/

MAURITIUS AMBASSADOR SEEKS TO INCREASE TRADE WITH RUSSIA

Ambassador of Mauritius to the Russian Federation, (H.E.) Mr. Maheshwar Singh Khemlolive, has visited the Chamber of Commerce and Industry of the Russian Federation to discuss about the investment, trade and economic potential of Mauritius and the development of new areas of cooperation with Russia. Mr. Khemlolive expressed satisfaction with the current level of bilateral relations and suggested that further steps were necessary to deepen Russia-Mauritius cooperation especially in trade, economic and tourism areas.

On September 19th, Moscow will host the next presentation of the investment and economic potential of Mauritius, after that from November 19th to 23rd Mauritius will host the 2nd Mauritius-Russian Investment Forum. An important basis for the economy of Mauritius is the development of tourism, he said, and acknowledged further that "a special role in establishing and strengthening mutually beneficial bilateral contacts is played by business associations and chambers of commerce and industry."

He pointed to the fact that strengthening ties with Russia is an important factor for the country's further development and the trade relations between Mauritius and Russia have great potential.

Mauritius is a direct gateway to the markets of Africa, India and China, therefore, Russian business can use this opportunity to establish business ties.

Russian investors will find a very comfortable business climate for doing business in Mauritius, Mr. Khemlolive said.Mauritius is a direct gateway to the markets of Africa, India and China, therefore, Russian business can use this opportunity to establish business ties. Russian investors will find a very comfortable business climate for doing business in Mauritius, Mr. Khemlolive said.

Last November, Minister of Foreign Affairs, Regional Integration and International Trade Seetanah Lutchmeenaraido, headed a business delegation to a similar forum looking for long-term partnership in high technology, transport, fishing and tourism. At the same time, the delegation show-cased the transition of Mauritius from an offshore financial centre to a full fledge regional financial hub and promoted investment opportunities across various sectors. It portrayed the island as a strategic platform for structuring investments and managing operations in Africa.

Whether in theory or practice, Russia is prepared to share its technologies and developments in the field of mining, the building of transport infrastructure, in the energy sector, information technology and agriculture. But, Russia is seriously lagging behind in developing trade-economic ties with Africa. Experts have often suggested that there was the need for both Russians and Africans to make bridges for establishing practical contacts, not only Mauritius business, but also other countries and/or regions in Africa. Further, Russia and Africa have to design strategies for improving overall public diplomacy.

Mauritius is an island nation in the Indian Ocean, about 2,000 kilometres (1,200 km) off the southeast coast of the African continent. It is ranked high in terms of economic competitiveness, a friendly investment climate, good governance and a free economy. Besides, it is a country with dynamically growing economy, high living standards and favorable conditions for doing business. The World Bank report in 2016, said Mauritius occupied the first place among African countries south of the Sahara on the business climate.

https://www.eurasiareview.com/11092018-mauritius-ambassador-seeks-to-increase-trade-with-russia-oped/

CZI PROJECTS UP TO 6% JUMP IN CAPACITY UTILISATION

The Confederation of Zimbabwe Industries (CZI) has projected average manufacturing capacity utilisation to grow between 4,5% and 6% this year, a significant recovery from last year's dip. However, the improvement would still be below 50%, showing a huge variance with potential output, which tends to increase costs per unit.

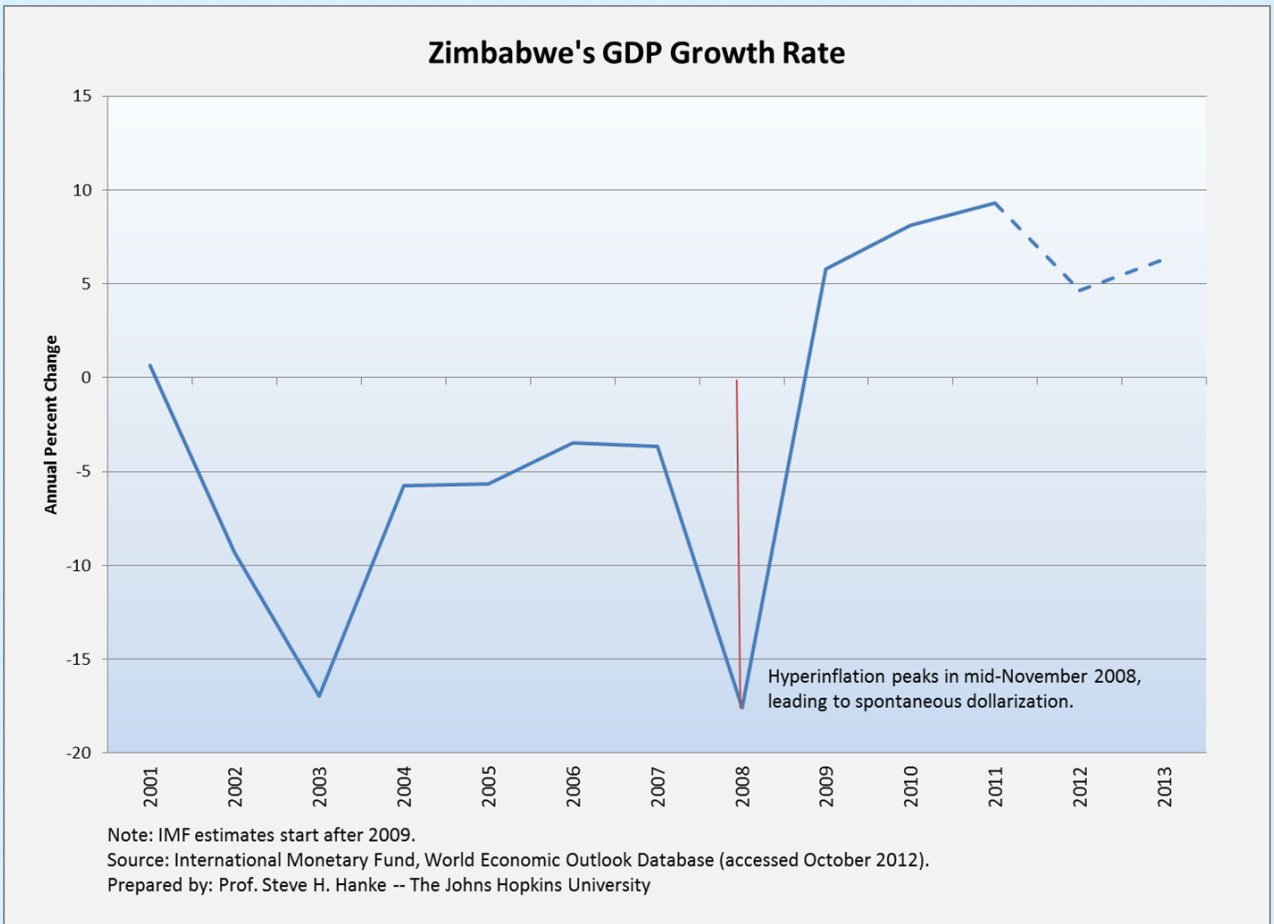
Last year, the average capacity utilisation in the manufacturing sector dropped 2,3% to 45,1% in 2016, weighed down by cost and shortage of raw materials, low local demand and foreign currency shortages but volumes increased 5%. CZI president Sifelani Jabangwe told journalists in Bulawayo during a Press conference on Friday that the industry was optimistic that average capacity utilisation in the manufacturing sector would surpass last year's level.

"When we talk of [the manufacturing] industry, one statistic that we need to track is capacity utilisation," Sifelani said.

"Before [Statutory Instrument] SI64 was put in place in 2015, we were basically on our knees, closing a lot of the companies. With the implementation of SI64, we have seen growth in capacity utilisation. In 2016, the growth was 0,6%. We had also stagnated. Then after the implementation of SI64, growth jumped to 3,7% in 2017."

Industrial capacity utilisation peaked at 57,2% in 2011, before sliding to 44,2% in 2012; 39,6% in 2013; 36,3 % in 2014 and 34,3% in 2015.

"In 2018, we are anticipating growth of between 4,5% and 6%, so the trajectory is on the right path," Jabangwe said.



TEA GROWERS, PROCESSORS IN KABAROLE PUSH FOR RESEARCH, IMPROVED

Members of the Private Sector Foundation (PSF) operating in the tea rich area of Kabarole and Kyenjojo districts have appealed to government to scale up tea research as one way of improving on its quality. "We need to start planting new improved tea clones that are high yielding and disease resistant…….. until now farmers are still planting tea seed yet there are over 100 tea clones that have been researched on," Thomas Joseph the general manager of Rwenzori Commodities told Rtd Gen Salim Saleh, Chief Coordinator of Operations Wealth Creation on Tuesday during meeting with the private sector held at Rwenzori Commodities tea factory in Busoro sub county, Kabarole district.

Thomas explained that neighboring countries like Kenya and Rwanda are doing well because of the existing tea regulation policies in their countries coupled by improved high yielding improved gardens. According to research, Kabarole and Kyenjojo districts were the first areas in Uganda were teas was introduced.

Erisa Kakyomya the director at Rusekete tea Factory in Hakibale Sub County, blamed shrinking tea quality in Uganda on the collapse of the country's tea regulatory body. Kakyoma said that most of the tea production guidelines are not being adhered to because of the lack of a regulatory body. "Tea companies are competing for green leaf because some don't even have their own tea gardens Both the farmers and tea companies are doing what they want," Kakyoma said.

Read more on: https://www.softpower.ug/tea-growers-processors-in-kabarole-push-for-research-improved-yields/

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.

COMESA BUSINESS COUNCIL
Voice of the Private Sector in the Region
BUILDING REGIONAL GOING GLOBAL

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

For media enquiries please contact:

COMESA Business Council
COMESA Secretariat
Ben Bella Road, P.O. Box 30051, Lusaka, Zambia
Phone: +260 211 229725/32
Fax: +260 211 225107
Email: info@comesabusinesscouncil.org;

Building Regional Going Global.