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

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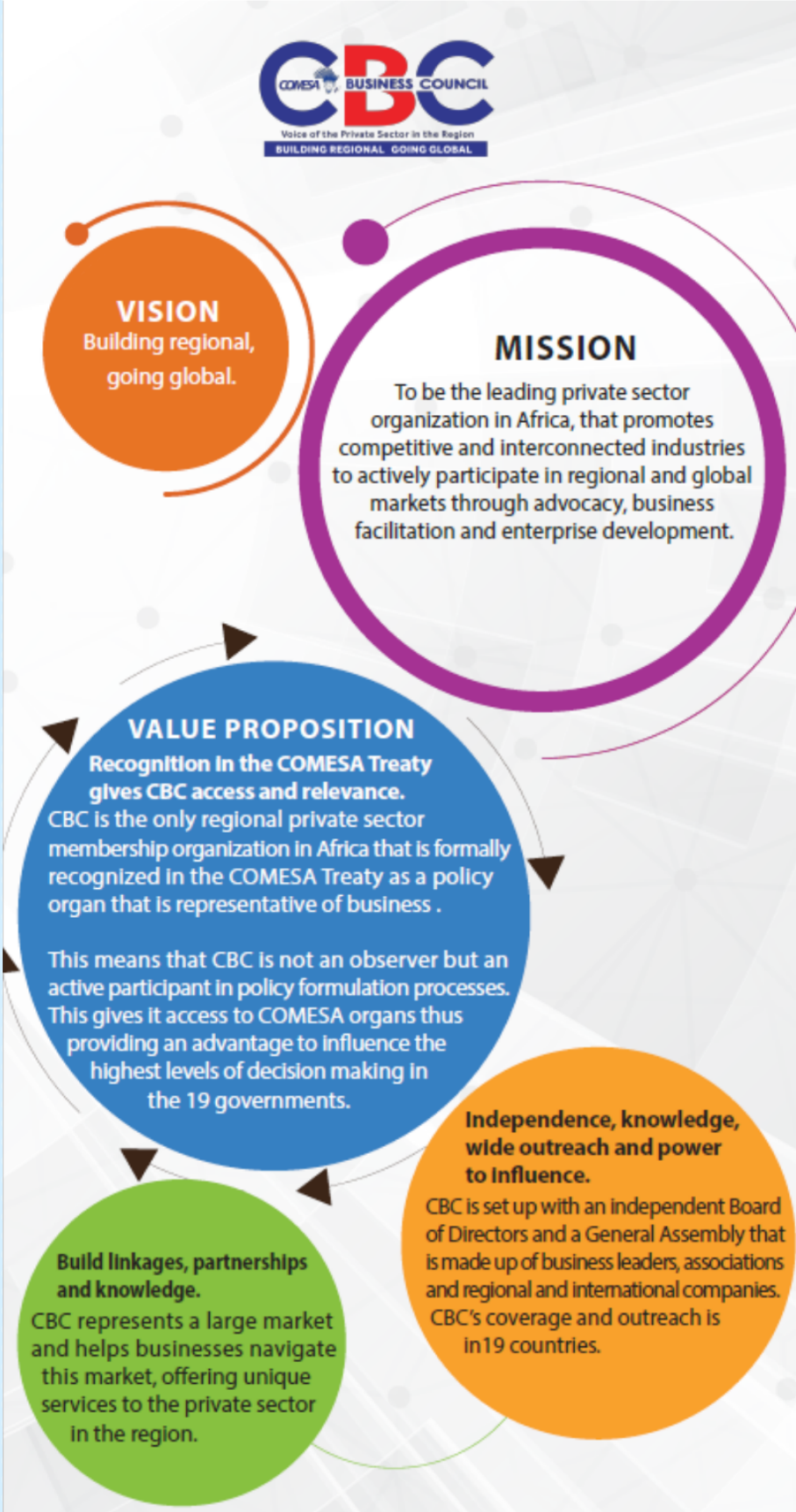
INSIDE THE NEWS THIS WEEK



TOUGHER NEW PAYMENT RULES TO PROTECT SUPERMARKET SUPPLIERS

Supermarket suppliers are headed for a big relief from payment delays and defaults following the formulation of rules that will make it difficult for retail chains to engage in unfair trading practices. The new rules, proposed by the Ministry of Industry and Trade in collaboration with stakeholders, seek to cut the average payment period in the retail sector to 30 days from the current 180 to 240. The move comes in the wake of mounting retail sector debts that topped Sh40 billion at the end of last year amid industry turbulence that has left some supermarkets on the verge of collapse.

If the proposed rules become law, supermarkets will pay suppliers of fresh produce within 15 days of their weekly statement, offering a big relief to farmers who have been waiting for months after deliveries. “Unless otherwise provided in the supply agreement or joint business plan the payment term for fruits, vegetables and fresh produce deliveries shall not exceed 15 days from the date of the weekly statement,” the draft retail code of practice and regulations says, adding that payment terms for fast moving consumer goods (FMCG) shall not exceed 30 days from the date of monthly statement.

Retail Trade Dispute Settlement Committee

Penalties for non-compliance include accumulation of interest charges on any pending payments at the prevailing market rates until paid in full. “Unless otherwise stated in the supply agreement or joint business plan, late payment shall attract interest at the market lending rate as determined by the Central Bank of Kenya,” the rules say. “Interest will accrue on the amount not paid after the due date as determined by the date of statement of supply agreement and or joint business plan.” Interest on overdue payment shall commence accruing from the first date of default until settlement of the disputed amount is made in full.

Besides, suppliers will refer cases involving retailers who fail to pay interest on amounts due within one month to the Retail Trade Dispute Settlement Committee for determination. Trade principal secretary Chris Kiptoo said his office was fast tracking process of making the draft rules law. “I am happy we now have consensus on retail sector regulations and code of practice. We are now working on anchor trade law,” Dr Kiptoo said.

“He said the majority of stakeholders, including the Association of Suppliers of Kenya, the Kenya Association of Manufacturers (KAM) and the Retail Trade Association of Kenya (Retrak) have accepted the proposals. Retrak chief executive Wambui Mbarire said the regulations had been drafted by a task force made up of government representatives, retailers and manufacturers.

“Once the trade Bill has been finalised, the retail regulations shall be anchored there,” she said.

Association of Kenya Suppliers chairman Kimani Rugendo described the proposed laws as a landmark, arguing it is what the industry needs to rein in rogue retailers. Mr Rugendo said the industry needs prompt payments to enhance cash flow in the market and protect businesses.

Suppliers of fresh produce and processed products said in October 2016 that the supermarkets owed them an estimated Sh40 billion, straining their cash flows and even pushing some of them into bankruptcy.Mr Rugendo attributed the industry's troubles to the “big boy” tactics that the retailers use to arm-twist suppliers into continuing to deliver goods on credit despite failing to pay outstanding debt. Manufacturers, however, backed the proposals, saying the rules will enhance markets for local goods, as well as increase liquidity in businesses.

“The short-term payment period will encourage a cash flow economy, that will play a key role in providing more investment and job creation opportunities for manufactures,” KAM said in a statement. “SMEs will also greatly benefit, as prompt payments ensure sufficient flow of necessary resources they need to survive.”

https://www.businessdailyafrica.com/news/Tougher-new-payment-rules-to-protect-supermarket-suppliers/539546-4796474-1da7ic/index.html

ZIMBABWE SLAPS 'CATASTROPHIC' TAX ON ELECTRONIC TRANSACTIONS

Zimbabwe's newly appointed Finance and Economic Development Minister Mthuli Ncube has announced a 2 cents per dollar tax on electronic transactions as the country moves to widen its tax base. "I hereby review the Intermediated Money Transfer Tax from 5 cents per transaction to 2 cents per dollar transacted, effective 1 October 2018," said Minister Ncube.

He said due to the increase in the informalisation of the economy and huge spikes in electronic and mobile phone-based financial transactions and real-time gross settlement transactions (RTGS), "there is [the] need to expand the tax collection base and ensure that the tax collection points are aligned with electronic mobile payment transactions and the RTGS system". While the new tax seems like a downward review, it isn't as consumer will now be charged on every dollar transacted, whereas in the past it was 5 cents for every transaction, including those above $1.

The new 2c per dollar tax effectively means most Zimbabweans will have to fork out more in tax for every dollar transacted as more than 96% of the transactions currently conducted in the southern African country are electronic. Analysts have described the hikes as catastrophic for consumers who are already forking out more on value added tax and other bank charges related to electronic transactions.

"It's catastrophic for most Zimbabweans, as most of our transactions are now conducted electronically. It's an increase in costs on all transactions and the consumer will be hurt," said Walter Mandeya, an analyst with Trigrams Investment. In 2018, 1.7 billion transactions were conducted electronically.

The latest Reserve Bank of Zimbabwe figures for the half year to June show electronic transactions done in the country amounted to $64.7bn. This means if 2 cents is charged on every dollar transacted, government coffers would have swelled by $1.3bn. If similar transactions were to be conducted in the second half of the year, the country's treasury can expect to collect at least $2.5bn for the year from transaction charges alone. At least $4bn worth of transactions went through Point of Sales machines in retail outlets, which means on top of the 15% value added tax that is charged at POS, most transactions will add another 2% tax charge for every dollar spent at the till.

https://m.fin24.com/Economy/Africa/zimbabwe-slaps-catastrophic-tax-on-electronic-transactions-20181001

CBC Membership Categories

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AUSTRALIA SEEKS MORE DEALS IN AFRICA

Australia is looking to increase its business footprint in Africa, aided by a new look foreign policy that emphasizes partnerships with mutual benefits. Australia recently held an Africa Week in Perth, where it announced that it will push for mining, trade, education and cultural exchanges and technological advancement programmes in the coming years. With the USA, UK, China and India all making huge financial offers for projects, Australia is touting joint ventures.

To begin with, it intends to share its technology with African countries that have mineral resources. The mining sector, it is argued, holds the key for important technological developments; for instance renewable energy, battery storage and communication technologies all rely on a robust mining sector to provide the raw materials.

"We are hoping to create greater economic and social opportunities for African countries, and the people living in them. These opportunities can be made easier and more accessible through the increased access to technology that the world is creating," said Western Australia's mineral minister Bill Johnson.

http://www.theeastafrican.co.ke/business/Australia-seeks-more-deals-in-Africa/2560-4788038-vsdmg4/index.html

IRAN SEEKS TRADE TIES WITH EAST AFRICA

Iran is mounting a charm offensive in East Africa, seeking trade and investment opportunities barely two months after the region's top two economies stopped oil and gas imports from Tehran ahead of the United States sanctions next month. Iran's Vice President for Science and Technology Sorena Sattari was in Uganda and Kenya last week to explore business opportunities and boost bilateral trade ties tagging along government and business executives including those from petrochemicals. On Tuesday, Mr Sattari met Ugandan President Yoweri Museveni in Kampala, where he said Tehran is trying to diversify its exports to the region.

The Iranian leaders visit comes barely a year after Iranian Minister for Foreign Affairs Mohammad Javad Zarif toured the region as the country tried to shake off the sanctions and seek new opportunities outside oil. "Globally we are known for our oil and gas but we are now trying to move away from an oil based and dependent economy into a technology driven one and we believe the region offers us great opportunities to do this," Mr Sattari said, adding that Tehran was ready to offer the region expertise in technology.

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In Nairobi, the delegation, through the Kenya National Chamber of Commerce and Industry also held the Kenya – Iran Business Forum.

http://www.theeastafrican.co.ke/business/Iran-seeks-trade-ties-with-East-Africa/2560-4794534-822bt6z/index.html

FEI, UNION CAPITAL SIGN MOU TO BACK AILING FACTORIES

The Federation of Egyptian Industries (FEI) has signed a protocol of understanding with Union Capital Company for Financial Consultants to support industrial institutions and firms along with ailing factories.

The deal was signed in cooperation with the Industrial Modernization Center (IMC) and a number of institutions concerned. The MoU was signed by FEI Board member Mahmoud Soliman and Managing Director at Union Capital Sahar el Damati.

During the signing ceremony, Soliman said that the deal aims to achieve joint goals of both bodies in view of saving the ailing industrial institutions and contribute to re-operating them. The move falls within the framework of the State's approach aiming to assist and re-operate the ailing companies and factories as well as the FEI's keenness on backing the Egyptian industrial sector,

Soliman noted. For her part, Damati pointed out that the deal embodies both bodies' belief in the importance of the industrial sector and its positive role in supporting the national economy. Both bodies agreed to hold joint meetings during the coming period to outline a plan of action and working mechanisms.

http://www.egypttoday.com/Article/3/58171/FEI-Union-Capital-sign-MoU-to-back-ailing-factories

ETHIOPIA: GOVT TO BAN LIVESTOCK EXPORT, FAVOURS PROCESSING

The government is considering a ban on live goat and sheep exports in a bid to encourage exports of processed meat and to ensure quality. To implement this, the Meat and Dairy Industry Development Institute, an office established to oversee the livestock business under the Ministry of Industry, is drafting a proclamation that is expected to be implemented by the end of the current fiscal year. "Eventually, the ban will include the export of live camels and cattle," Haileselassie Weres, director of the institute.

Before presenting a draft of the proclamation to parliament for adoption, it will be put up for discussions at the ministries of Agriculture & Natural Resources, Industry and Trade, the Ethiopian Chamber of Commerce & Sectoral Association and the Livestock Exporters Associations, according to Haileselassie.

Although Ethiopia is one of the leading countries in livestock resources, it has failed to capture its commercial and market potential. During the past fiscal year, the country earned 192.7 million dollars in exports from livestock, mainly sending animals to Saudi Arabia, Qatar, Kuwait, United Arab Emirates and other north African countries. However, this export figure is far below the 350 million dollars in revenue targeted by the government.

The size of the revenue generated is not considered satisfactory considering the large livestock population found in Ethiopia. The country tops Africa in livestock resources and ranks fifth in the world with 59.5 million cattle, 30.7 million sheep, 30.2 million goats and one million camels.

Illegal trade and smuggling into neighbouring countries, inadequately organised domestic and export market chains, cattle health, fodder shortage, gaps in the value chain and processing are major reasons cited for the underperformance of the industry, according to different studies.

The proposed government ban on livestock export is expected to encourage exporters to switch to processed meat, according to Fikadu Getachew, director of Livestock Marketing at the Ministry. There are 12 companies that process and export meat operating in Ethiopia as listed by the Ethiopian Meat Producer-Exporters Association. The country also has 14 meat export abattoirs.

Applauding the move in promoting value addition, Gemechu Desta, an economic development consultant with 15 years of experience working in Ethiopia and Germany, challenges the rationale on quality protection.

"Loose regulatory methods caused quality problems," said Gemechu. "By working on the regulatory side, quality can be maintained," he added.

Beyond the ban, value addition on meat products through processing will help set favourable prices in the global market and help the country increase the revenues it currently receives from live animal export, according to an expert with two decades of specific experience in agriculture.

https://allafrica.com/stories/201810080325.html

UP COMING EVENTS IN OCTOBER

COMESA BUSINESS COUNCIL

Voice of the Private Sector in the Region

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CBC BUSINESS INTEGRITY PROJECT

"Anti- Corruption Compliance Training for Enterprises"

'Business Integrity for Enterprise Sustainability and Global Partnerships'.

CIPE 60

Mauritius- 30th October, 2018.

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