COMESA BUSINESS COUNCIL
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BUILDING REGIONAL GOING GLOBAL

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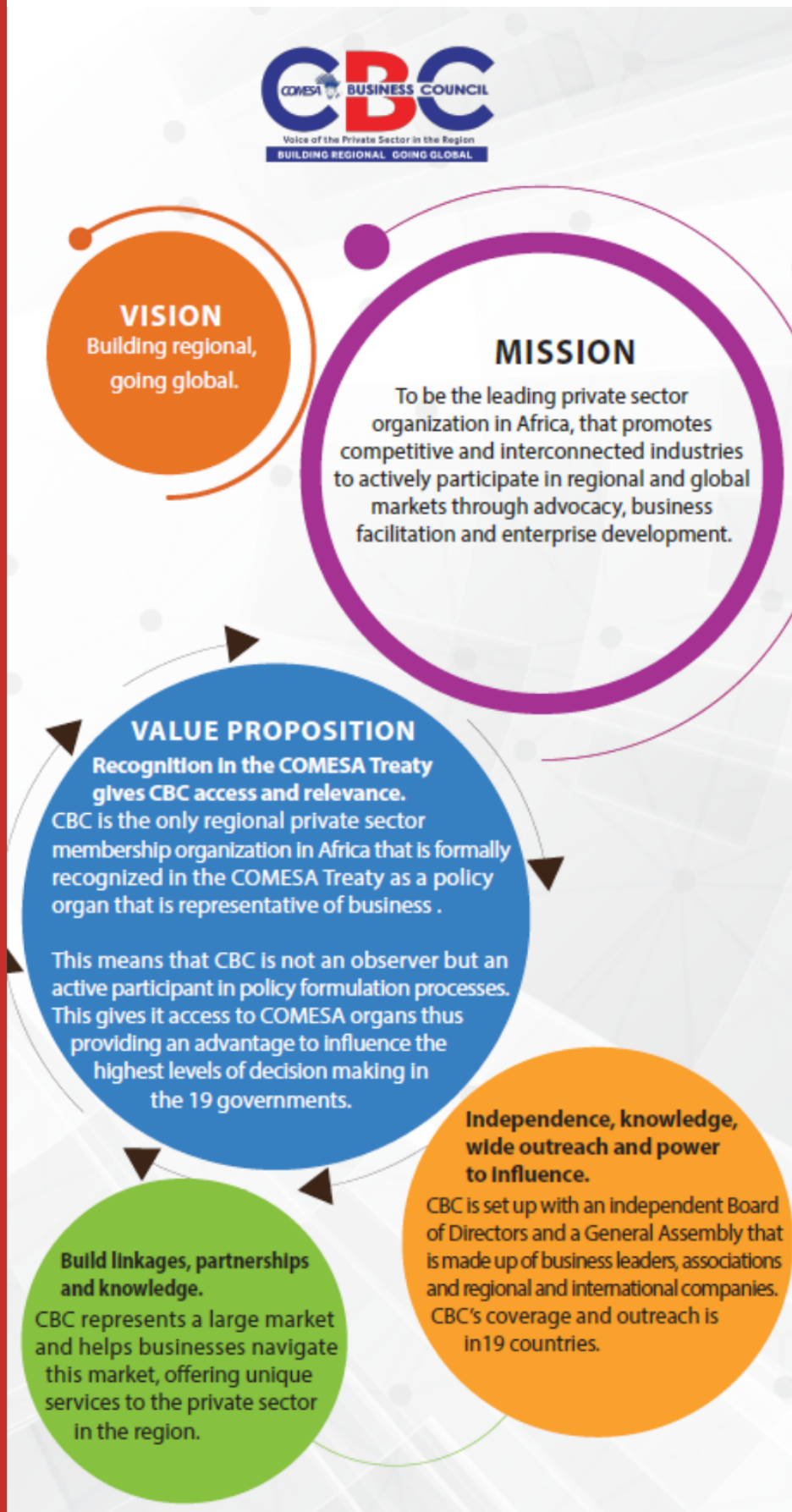
INSIDE THE NEWS THIS WEEK



NAIROBI TRADE TARIFF TALKS WITH CHINA TO BOOST FLOWER EXPORTS

Kenyan flowers growers will be banking on the recently formed working committee, to thrash out tariff issues with China, possibly easing their entry into the world's largest market. Kenya and China have formed a technical work group that will oversee the withdrawal of the four per cent duty on most Kenyan exports to China. If successful, this will allow flower growers to tap into the growing Chinese market and boost the earnings of the sector, as part of the country's effort to diversify its markets. "We are going to have the first meeting next January with China and we hope to have completed negotiations by the end of February. Our target is to do away with this four per cent tariff to make our products competitive," Kenya's Trade Cabinet Sectary Peter Munya said.

In July 2010, China removed tariffs charged on 60 per cent of the goods that it imports from Kenya and 32 other developing countries but retained the levy on cut flowers. Beijing and Nairobi also signed a memorandum of understating to drive exports of over 40 per cent of Kenya's fresh produce to the Chinese market that has over 1.3 billion consumers. Currently, Kenya's cut flowers are sold to a single economic bloc, the European Union, exposing export trade to vulnerabilities. Most Kenyan flower reach China via the Netherlands-based international flower auction.

However, Kenya enjoys a duty and quota-free export arrangement in the EU market, and also has a duty-free flower arrangement with Japan. In the region, it is only Ethiopia that enjoys a duty- free flower arrangement with China. "This agreement will facilitate export of agricultural products from Kenya to China. We would love to see more of Kenya's products on our shelves," Guo Ce, the economic and commercial counsellor at the Chinese embassy in Kenya, said."I haven't seen the actual documents signed but we are interested in expanding our footprints in China. Currently our flowers are being charged higher taxes in China, which makes them uncompetitive. We hope that the government will negotiate favourable trade protocols and agreements with China," Clement Tulezi, the chief executive officer of the Kenya Flower Council, said. Bobby Kamani, the managing director of Primarosa Flowers Ltd said the government talks with China were welcome development, especially for the flowers sector, given the potential it has.

"We were in China with government officials and we saw the interest. It was an eye opener for us at the expo because Kenyan growers had an unexpected reception in the Chinese market. We got contacts of flower suppliers who have traditional dealt with Ecuador and Colombia and having an African connection further opens up our access," Mr Kamani said.

Some Chinese flower importers have been forced to use a single import and centralised distribution system to lower costs as it allows them to import multiple batches of products at a single time and redistribute them in warehouses scattered across China, which also reduces their tax obligations.

The opening up of the Chinese market now offers bigger opportunities for Kenyan flower farmers and also Chinese importers, who have over the years developed strong interest in the produce.

Logistics is, however, still a challenge since only Kenya Airways through its code share with China Southern Airlines flies directly to Guangzhou. The other options are Ethiopian Airlines flights from Addis to Shanghai, with a two hour transit time, while the Gulf carriers are costly because of connections.

https://www.theeastafrican.co.ke/business/Nairobi-trade-tariff-China-flower-exports/2560-4859222-12u7649/index.html

BANK OF KIGALI TO GO INTO LIFE INSURANCE BUSINESS

The Bank of Kigali is expected to inject $22.6 million new capital into its subsidiaries as it seeks alternative revenue streams to boost falling shareholders returns. The bank's 2017 full-year report to December 2017, showed returns on assets down to averaging 3.4 per cent, from 3.5 per cent the same period in 2018. This was lower than return on average assets, the bank reported in the 12 months to December 2014 and the 12 months to December 2013. The bank's return on average Equity has remained almost flat at 20.2 per cent during the 12 months to December 2017 from 20 per cent reported during the same period in 2016, a drop from the 22.9 per cent reported in the whole year to December, 2014 and the 22.2 per cent reported in 2013.

Capital buffers

The money is part of Rwf60 billion ($68 million) the Bank of Kigali is mobilising in a rights issue at the end of this month as it seeks to raise capital to finance mega projects and boost its capital buffers. According to the bank's chief executive, Diane Karusisi, the bank's insurance business — BK General Insurance — will be allocated Rwf15 billon ($17 million). The bank also plans to venture into the life insurance business, a segment that has not attracted many players, but has the potential to generate high returns as demand for insurance cover increases with a growing middle class.

Rwanda has only four life insurers, but they lack the resources to underwrite a bigger population, which gives new investors an opportunity to tap into this market. The National Bank of Rwanda suspended licensing of new insurance companies in 2017, to protect existing insurers from the losses they were reporting, attributed to a mall market with a low penetration rate of less than 2 per cent.

According to the bank, part of the Rwf5 billion ($5.6 million) balance will be invested in other subsidiaries including BK Capital, an investment bank to offer brokerage services; BK Nominees, which holds assets in custody for clients and BK Registrars, which is involved in registration administration and fund management services.

New products

BK General insurance's new capital will go into supporting the rollout of new products, increased in electronic delivery of the products and a marketing drive to retain and recruit new customers. Analysts say the large allocation of funds to the insurance business signals the sector has potential to generate more revenues for the bank.

According to bank officials, BK General Insurance reported net premiums of Rwf2 billion ($2.2 million) and underwriting net profit of over Rwf300 million ($340,607) in the 12 months to December, 2017, with a 23 per cent return on assets.

"There is a lot of potential for growth in both general insurance and life insurance business given the low penetration rate and young population," said Nathalie Mpaka, chief finance officer at Bank of Kigali.

"Our target is to control 30 per cent insurance market share by injecting more capital into BK General Insurance to underwrite bigger and more businesses and acquiring an existing life insurance licence."

UGANDA GOES INTO ICT PARTNERSHIP WITH MICROSOFT

Uganda has signed a deal with Microsoft as part of its strategy to create jobs and encourage innovation in the information and communication technology sector. The memorandum of understanding with Microsoft will see the firm support Uganda to develop platforms for app acceleration, establish innovation hubs to provide creative spaces that will harness the developer ecosystem and developing next generation applications.

"Microsoft will also partner with academic institutions in Uganda to provide content and software that will prepare students for the job market," Microsoft East Africa's Lillian Nganda said. The Microsoft deal comes after the country last year initiated a partnership with tech giant Intel to develop the government's technology hub in Nakawa, a centre of technology research and development.

Artificial intelligence

"We are encouraging these multinationals to train our talented youth and use them in the local markets as their systems maintenance teams. Why should Microsoft, Google fly in software engineers for system audits and upgrades when we have talented people to perform these tasks?"

Frank Tumwebaze, the Minister of Information and ICT told The EastAfrican.The arrangement, he said, will give local ICT professionals jobs and also help the multinationals with cheap labour

. The ruling National Resistance Movement party in its manifesto said all government ICT programmes for the next five years will be geared towards creation of jobs for the youth and enhanced production and local innovation. "We want partnerships that do not involve heavy financial obligations because our ministry's innovation fund is small. But the good news is that our innovators are doing a great job and so these multinationals will be attracted because of talent that is easy to mentor and work with," Mr Tumwebaze said.

The ministry is also planning to set up an expert task force to study and advise government on Fourth Industrial Revolution innovations (block chain, artificial intelligence, cryptocurrencies, local apps). The task force's study findings will guide the authorities in developing a robust strategy to boost startups and have them adopted on both domestic and international markets.

https://www.theeastafrican.co.ke/business/Uganda-goes-into-ICT-partnership-with-Microsoft/2560-4856494-138x3c1z/index.html

GOV'T TO ADOPT LAW BANNING LIVE POULTRY DISTRIBUTION

CBC VALUES

The core values that guide our behavior and actions are:

- People: Adhere to the highest professional standards
- Integrity: Trust, transparency and accountability
- Ownership: For the members, by the members
- Collaboration: Shared vision, clarity of roles and responsibilities
- Service: Representative and Inclusive

The ministries of agriculture, trade and industry, supply, health, and local development have prepared mechanisms for adopting law No. 70 of 2009, aiming to ban the distribution of live poultry in Cairo and Giza governorates in May 2018. The law also aims to prevent the spread of diseases like bird flu (H5N1) and protect public health and the environment.

Head of the Poultry Division at the Federation of Egyptian Chambers of Commerce Abdel Aziz al-Sayed clarified that the mechanisms would offer facilities to investors in the production of poultry and the establishment of slaughterhouses and storage refrigerators in the desert areas. Sayed added that the government would establish poultry marketing companies to facilitate the delivery of poultry from the farm to slaughterhouses, packaging stations, traders and consumers.

The government will form a technical committee that will hold meetings to assess the new law and ensure the abundance of frozen and refrigerated poultry.Historically, the government of Egypt has adopted a number of mechanisms aimed at limiting the spread of avian flu, with varying degrees of success, since the subtype H5N1 virus was first reported in poultry in 2006 and was declared enzootic in 2008. However, the virus continued to circulate, and infections were reported in more governorates.

https://www.egyptindependent.com/govt-to-adopt-law-banning-live-poultry-distribution/

GOVT, INDUSTRY IN PRICES DEADLOCK

Government and business reached an impasse over arbitrary price hikes after a lengthy meeting between Industry and Commerce minister Mangaliso Ndlovu and captains of industry in the capital. The meeting ended with the minister demanding action against retailers charging multiple prices for goods and services.
Zimbabwe has witnessed a sharp rise in prices of basic goods blamed on the new 2% transaction tax on money transfers which was imposed last month and the loss of value on the black market of the local bond note currency and electronic transfers against the US dollar. After the meeting, Ndlovu said the three-tier pricing system for the bond note, US dollar and real-time gross settlement systems (RTGS) – was illegal and that the law should be enforced.
"Government has been clear that it is (multiple pricing) not legal in our economy and the law enforcement has to take its course," Ndlovu said. "However, it is not in our ministry to enforce the law. We only spell out what is legal where we can which is under our ministry."
Cabinet last month resolved to enforce the Bank Use and Promotions Act that prohibits putting a premium on the US dollar. Some retailers, particularly pharmacies, were demanding payment in US dollars. Ndlovu said Zimbabwe needed to address the pricing issues at source, such as increasing production to enable exports.
"Foreign currency is a commodity that has to be earned if I may put it that way. We do not have adequate foreign currency and government is doing everything it can to make sure we allocate the scarce resource to productive sectors.
So we cannot talk about having enough foreign currency, but government is doing all that it can," he said
"What came out from the deliberations is that there are more fundamental issues that have to be addressed. Prices are only a reflection of structural deficiencies that need to be addressed. So the discussions were candid, frank, open and all stakeholders had a chance to make their contributions. We have agreed to have a similar meeting in the time to come." However, after the meeting, several industry players told News Day no concrete solutions had been agreed to deal with pricing challenges after two-and-half hours of talks. They said the growing mismatch between RTGS transfers and the US dollar was driving price increases.
The rise in prices has seen inflation rising to 20,85% at the end of last month from the previous month's 5,39%. According to the Confederation of Zimbabwe Industries, industry needs $2 billion to recapitalise, translating to a monthly foreign currency requirement of $167 million. On average, government is supplying about half that requirement.

https://www.newsday.co.zw/2018/11/govt-industry-in-prices-deadlock/

UP COMING EVENTS

8TH MEETING OF THE CBC BOARD AND ANNUAL GENERAL MEETING

27TH TO 29TH NOVEMBER, 2018.
LUSAKA, ZAMBIA.

INTRA-AFRICAN TRADE FAIR

PROMOTED BY | IN COLLABORATION WITH | HOSTED BY EGYPT

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.

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