

FINAL COMMUNIQUE
CHIEF EXECUTIVES OF THE ESA-BMO NETWORK



ANNUAL CONFERENCE, STANLEY HOTEL, NAIROBI
23RD - 24TH FEBRUARY, 2010

We, the ten chief executives attending the third Eastern and Southern Africa Business Membership Organizations (ESA-BMO) Network Annual Conference held in Nairobi on 23rd - 24th February 2010 at the Stanley Hotel Nairobi, hereby endorse four policy position papers developed by our technical teams. The positions were on access to electricity, SME market access, climate change and rules of origin. The positions will serve as a point of departure for our advocacy efforts towards our respective national governments and regional economic blocs.

COMMON POLICY POSITIONS 2009

The four areas above had previously been identified as priority issues for businesses across the countries represented in the Network. The policy positions presented by the technical working groups had been narrowed down to specific areas in order to get specific recommendations. The work resulted in two regional positions on *'promoting the role of business in combating climate change'* and *'harmonising and simplifying the Rules of Origin in the ESA region'* and two national positions on *'market access for SMEs through private and public procurement'* and *'delivering accelerated investment in least cost power generation'*.

During the Nairobi Annual Conference we received, discussed, amended and endorsed the four policy positions developed by the cross-cutting technical teams in 2009, with minor changes. The policy positions also include recommendations, strategies and activity plans for implementation by members of the Network.

Through this Joint Communique, the respective BMOs that are members of the Network are urged to lobby their domestic governments and regional economic blocs.

The following is a summary of the policy position papers developed by the technical working groups and endorsed during the Annual Conference:

i) **SME market access:**

SMEs face major challenges when participating in procurement. In spite of most governments' commitments to make life easier for SMEs there is a disjuncture between policy and practices. Many government departments do not follow the rules for procurement and payments when goods are sourced from SMEs are often late. The latter being a big burden on the liquidity of SMEs. In addition, the procurement procedures within Governments are very bureaucratic for SMEs.

For these reason SMEs participation in procurement is low and there is a need for BMOs, Governments and large enterprises to cooperate enhance SMEs access to public and private procurement.

Recommendations

The procedures for public procurement should be simplified and it should be made easier for SMEs to benefit from government tenders. Payments should be timely and agreed timeframes in contracts should be enforced by both companies and government agencies. There should be monitoring by both BMOs and government agencies to ensure that the rules are followed. In addition, a quota of 30 p.c. procurement from SMEs should be introduced for government agencies. To achieve this, large tenders should be divided in smaller bits to make it possible for SMEs to make a bid.

On the business side, SMEs should be encouraged to procure from each other to enhance the SME market access. SMEs are also

encouraged to form coalitions to enhance their possibilities when bidding for tenders.

ii) **Electricity:**

Africa has a low consumption of energy compared to other countries. In spite of this the capacity for electrical generation is still too low and this deficit is expected to increase in the coming years. For a GDP growth of 8 p.c. a raise of demand of 14 p.c. can be expected. Furthermore, climate change makes traditional power sources such as hydro power unstable.

If African businesses are to experience growth in the coming years it is essential to ensure a stable supply of electricity with a power grid able to distribute it.

Recommendations

The governments in the region are invited to cooperate with the private sector to draft a plan for development of the countries electrical capacity. The private sector should play a much bigger role in the power supply. The governments should therefore guarantee return of investments among other things through a guaranteed tariff through a fixed period of time. Another incentive is a tax rebate for investments in power generation.

To make it easier for the private sector to engage in the power generation sector the government should develop clear guidelines for entering the sector and a one-stop-shop for independent power producers should be established.

iii) Rules of Origin

Rules of origin are defined (GATT 1994) as “those laws, regulations and administrative determinations of general application applied by any Member to determine the country of origin of goods”. Rules of origin are therefore to guarantee certainty and are not to distort or restrict international trade. Particularly, the rules should be: objective, understandable and predictable; coherent, administered in a consistent, uniform, impartial and reasonable manner; and should be based on a positive standard. Complicated rules of origin can act as non tariff barriers to trade, therefore reducing the intra- regional trade

A study done by the ESA BMO Network reveals that 47% of Companies in the three Regional Economic Communities (RECs) neither know nor understand the Rules of Origin of the countries to which they export to and other studies conducted have also showed that there are many other areas that need harmonization with regards establishing a lenient Rules of Origin system in the ESA region.

Recommendation

The Rules of Origin of the three Regional Economic Communities (EAC, SADC and COMESA) should be simplified and harmonised. Especially, it should be encouraged to use a common threshold and common elements for value added criteria to determine the country of origin. Further, the conditions for the cumulation of origin should include countries belonging to economically integrated economies in the three RECs.

iii) Climate change:

Africa has historically been, and is at present, a minor contributor to Green House Gas (GHG) emissions on a global scale. In spite of this, it is the continent hardest hit by the negative effects of climate change and both people and business are suffering.

Research carried out by the ESA BMO Network¹ among 470 of its member companies in Botswana, Kenya, Rwanda, and Uganda shows that the private sector's ability to contribute to combating climate change is challenged by inefficient governance structures, lack of specialised staff and limited access to energy efficient technology and finance. The combat of climate change represent a business opportunity for African enterprises and at the same time energy efficiency can reduce costs in production. Therefore, it is important to improve the African enterprises conditions for reducing carbon emissions.

Recommendations

In order to address these challenges the ESA BMO Network recommends that Governments in the ESA region improves the governance structures, enhance the specialized skills and facilitates the access to finance and technology. More specifically, government should involve the private sector in the development of national climate change strategy. Public private partnership should be promoted as a mean to combat climate change. In addition tax exemptions schemes for investments in energy efficiency and renewable energy should be developed. Energy efficiency issues should be included in the national education strategies. And the African governments should lobby for a simplified regime for the

transfer of technology and funds to developing economies through the future climate change agreement.

CEOs RESOLVE

The CEOs present agreed to

- 1) Endorse the four policy position papers for implementation as presented by the technical working groups
- 2) Commit organisational staff and staff time to implement the advocacy work contained in the four policy positions and activity plans
- 3) Adopt the following four new topics for the technical working groups for 2010: *Tax & tax administration, improving value chains in agribusiness, common border procedures and combating fake goods and illicit trade.*

NEW AREAS OF WORK FOR 2010

Furthermore, we identified the following new topics to be the focus of our technical working groups for 2010:

National issues:

1. Tax & tax administration

The tax laws are complicated and often lead to high cost for business in the region. There is need for simplification of tax administration so the administration of various taxes becomes easier for business, especially for SMEs.

2. Improving value chains in agribusiness

Cost of raw materials for agro based industries is high and many products are imported in spite of the fact that conditions are conducive for

production of such materials in the region. The main reason for this is that the conducive conditions for agricultural production are not fully utilised. The agribusiness value chain should be improved to increase production. This would mean better access to raw materials for industrial production and would at the same time entail improved income opportunities for ESA farmers.

Regional issues:

1. Common border procedures

The different border procedures in the region are burdensome for business and hampers intraregional trade. Therefore, common procedures should be introduced including: common documents, common nomenclatures, a common electronic customs system and common opening hours at border posts.

2. Combating fake goods and illicit trade

Counterfeited goods available in the region are a major problem for businesses, especially those in manufacturing. To combat this, laws should be introduced to enforce Intellectual Property Rights and export of counterfeited goods should be stopped at the border.

THE ESA BMO NETWORK

The ESA-BMO Network comprises of 10 countries namely Kenya, Uganda, Tanzania, Rwanda, Burundi, Botswana, Mozambique, Zambia, South Africa and Zimbabwe.

National business associations that are members of the Network include Kenya Association of Manufactures (KAM), Uganda Manufacturers Association (UMA), Confederation of Tanzania Industries (CTI), Rwanda Private Sector Federation (PSF), Burundi Chamber of Commerce, Industry, Agriculture and Handicraft (CCIB), Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), Confederation of Business Associations of Mozambique (CTA), Zambia Association of Chambers of Commerce and Industry (ZACCI), South African Chamber of Commerce and Industry (SACCI) and Confederation of Zimbabwe Industry (CZI).

The Network is facilitated by the Confederation of Danish Industry (DI) through the coordination of the Kenya Association of Manufacturers, with the external support of the Danish International Development Assistance (Danida).

PARTICIPANTS AT THE ANNUAL CONFERENCE

	Name	Designation	Organisation
1.	Ms. Cecilia Chambaka,	Director of Business Unit	Confederation of Tanzania Industries
2.	Mr. Sebagala Mustapha. Kigozi	Executive Director	Uganda Association of Manufactures
3.	Ms. Prisca M. Chikwashi	Chief Executive Officer	Zambia Association of Chambers of Commerce & Industry
4.	Mr. Norman Moleele	Deputy Executive Director	Botswana Confederation of Commerce Industry and Manpower

	Name	Designation	Organisation
5.	Mr. Adrien Sibomana		Burundi Chamber of Commerce, Industry, Agriculture and Handicraft
6.	Mr. Lucas Murenzi	Head, Policy Advocacy	Rwanda Private Sector Federation
7.	Ms. Alima Hussein	Deputy Executive Director	Confederation of Business Associations of Mozambique
8.	Mr. Alan Campbell	Chief Operating Officer	Foundation for African Business and Consumers Services (FABCOS)
9.	Thami Nompula	Executive Director, Business Development	Foundation for African Business and Consumers Services (FABCOS)
10.	Mr. Clifford Sileya	Managing Director	Confederation of Zimbabwe Industries
11.	Mr. Thomas Bustrup	Deputy Director General	Confederation of Danish Industries
12.	Mr. Lars Tejlgaard	Director	Confederation of Danish Industries
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