ICF

The Investment Climate Facility for Africa

Monthly Bulletin March 2014

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Kigali Construction Permits at a Click of the Mouse

The Mayor of Kigali, Fidele Ndayisaba, has commended ICF support in making it easier for the private sector and members of the public to obtain construction permits in the City of Kigali.

William Asiko shakes hands with Fidele Ndayisaba, Mayor of Kigali City

The Mayor expressed his appreciation when the ICF Chief Executive Officer, William Asiko, visited him recently to see firsthand how ICF's support is helping to improve the business environment in Kigali.

"We have achieved something revolutionary," said the Mayor. "We are improving transparency, improving our governance and increasing automation. This initiative has contributed to Rwanda's improved rankings in the World Bank's Doing Business report last year [2013]." The acquisition of a construction permit is one of the World Bank benchmarks in ranking countries in its Doing Business reports.

Between June 2012 and August 2013 ICF worked with the City of Kigali to implement an online Construction Permit Management Information System (CPMIS). The system enables the full construction permit process to be done online: from application and submission of necessary documents, to approval and delivery of the permit. This has made the process of obtaining the permits faster, easier and more transparent. No longer do architects have to print big files, in duplicates, and haul them to the City of Kigali offices. It has also removed risks of document loss as the system automatically archives all documents.

With the new system, construction permits for large commercial structures and single family homes can be processed within 30 days as promised in the City of Kigali Client Charter.

The new system also allows users to process other related permits issued by the City of Kigali district offices and the City One Stop Centre. These include permits for occupation, renovation, change of use, transformation, and construction of a fence.

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Business and Asset Registration Made Easier in Mauritius

Mauritius Head of Corporate and Business Registration Department, Mrs. D.P. Chinien (right), takes William Asiko on a tour of the Corporate and Business Registration Department

The Mauritius Registrar of Companies is making it easier for businesses to register and file statutory information of their businesses, thanks to support from ICF. William Asiko, ICF's Chief Executive Officer, met recently with Mrs. D. P. Chinien, Head of Mauritius Business and Corporate Registration Department to discuss progress of this support.

Mrs. Chinien expressed great appreciation for the project saying, "We started the conversation with ICF first before we got the buy in of the Government of Mauritius, which realized that the project was very key to making it easier for the private sector to register businesses and file statutory documents."

ICF support is helping the Mauritius Registrar of Companies to increase its efficiency by introducing an electronic document management system which will reduce the time for registration and filing of statutory information and improve the quality of data for the Government and the public. The system will also make it easier for businesses and the public to search for documents in the Registry, especially with the introduction of the bar code.

As part of the support, a call centre was established to improve customer service to the public. It is seen as a major service delivery innovation in the Mauritius Government. In fact, the Registrar of Companies won the Mauritius Public Service Excellence Award, because of the innovative processes implemented in the Registrar of Companies Department. The Registrar of Companies attributes this achievement largely to ICF's support.

In October 2013, the Registrar of Companies invited their counterparts and heads of registration reforms from 11 African countries to share the knowledge they have gained in implementing the project. Some of these countries include Rwanda, Mozambique, Burkina Faso, Ivory Coast, Senegal, Nigeria and Sierra Leone.

Mr. Asiko also spoke to stakeholders like Mauritius Commercial Bank, KPMG and OCRA Mauritius Ltd who had positive feedback about the new electronic document management system.

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Large Companies in Senegal Now Pay Their Taxes Online

William Asiko, ICF Chief Executive Officer, recently paid a visit to Senegal to see firsthand how ICF support is helping to improve the investment climate in the country.

William Asiko meets Seynabou Niang Thiam, Senegal's managing Director of Tax

He visited the Senegal Land and Tax Authority which in December 2013 launched an electronic system that allows large taxpayers to file and pay their taxes online. The system was installed with ICF support as part of an effort to modernize tax administration in the country. The modernization drive includes the introduction of a new legal framework for specific, transparent, streamlined and modernized regulatory and administrative tax procedures. It also includes automating administrative processes and digitizing tax records.

The Managing Director of Tax, Seynabou Niang Thiam, expressed her appreciation for ICF's support, saying without it they would not have been able to achieve the current results.

These results include the reduction of the time it takes to process tax payments. Using the online system, taxpayers now only take 15 minutes instead of 2 days to declare and pay taxes. The national tax law has been amended to allow for the use of electronic documents and electronic payments of taxes. It also enforces deadlines to settle tax disputes. Corporate tax reimbursements now have to be done within 15 days instead of the previous 175 days. VAT credit refunds now have to be done in 30 days instead of the previous 175 days.

Mr. Asiko also met with the private sector who welcomed the change. Sonatel, Senegal's largest taxpayer whose contributions account for more than 40% of tax revenues, expressed their appreciation of the system. Sonatel's Chief Financial Officer, Aboubacar Sadhikh Diop, said the paperless system is helping them to save time as they no longer have to physically go to a tax office to pay their taxes. They are now able to file their returns much faster while at the same time reducing data errors, and this is enabling them to redeploy some of their staff to other areas.

Ecobank was the pioneer in adopting the electronic payment system. The Chief Executive Officer for Ecobank, Yves Coffi Quam-Dessou said, "The experience with Senegal Tax is exceptional because it has an immediate effect; it will increase the baking rate in the country. This is an experience Senegal must advocate for with ICF and expand in all sub-Saharan African countries."

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Homosexuality Law Hits Uganda's Currency

The gains that made Uganda's shilling the second-best-performing currency in Africa this year are evaporating after President Yoweri Museveni imposed harsher penalties on gay and lesbian people.

The shilling slumped 2.9% against the dollar since Mr Museveni signed the bill on Monday, the biggest decline after Ukraine's hryvnia and Haiti's gourde.

The crackdown on homosexuality has caused a backlash against Uganda. Denmark and Norway have pulled or redirected aid while Sweden is reconsidering its programme. Virgin Group's Richard Branson called for a boycott in an interview with CNN.

"Aid inflows definitely matter for the balance of payments in Uganda, to a higher extent than in Nigeria and many other African countries," IHS Global Insight sub-Saharan Africa economist Mark Bohlund said.

"The homosexuality bill makes it more difficult to get this suspended budget support reinstated."

Uganda's central bank sold dollars for a second day on Thursday to reduce volatility in the market, Bank of Uganda director of financial markets Stephen Mulema said. The currency's drop is because of "sentiments that it will depreciate" and the market positions taken on Thursday were "not proper", he said.

Uganda, which relies on aid for about 20% of its annual budget, may post a deficit equal to 7.1% of gross domestic product in the fiscal year to end-June, up from an estimated 4.1% gap the previous year, the International Monetary Fund said in December.

Kampala-based Alpha Capital Partners MD Stephen Kaboyo said the outcry over the law would not hurt Uganda's finances or the shilling.

"The impact will not be significant because from this year the government has had a strategy of reducing budget support from donors and depending more on domestic revenue," he said on Wednesday.

Source Site: www.bdlive.co.za/

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Microsoft Invests U.S.$75 Million in Nigeria, South Africa, Kenya and Others

Emeka Aginam

The President of Microsoft International, Jean-Philippe Courtois has disclosed that the Devices and Services company, Microsoft has invested $75 million in Nigeria, South Africa, Kenya and other African countries in the areas of access, innovation, skills development, youth empowerment; software development; digital curriculum, skills among others.

Courtois who stated this last week during a press briefing shortly after several meetings with the company's local partners said that , "I think so far in a new drive, we have invested about $75 million in the African Markets and Nigeria has had a fair share of that deal.

Affirming Microsoft's status as the no .1 go-to in the driving down of data costs especially for SMEs that often don't have the capital for IT infrastructure investment, he said that Nigeria was one of company's most important markets in Africa hence its upgrade of Microsoft Nigeria office to a single country subsidiary come its new Financial Year 2015 which will commence on July 1, 2014.

According to him, with Microsoft's rapid transition to devices, the corporation was set to double its efforts in skills investments, innovation support and access provision for people across the globe in general and Nigeria in particular, to create sustained economic opportunities.

A testament being the recent signing of a Memorandum of Understanding (MOU) with the Federal Ministry of Communications Technology to support the Information and Communications Technology (ICT) Week.

Also speaking, , Kabelo Makwane, the in-coming Country Manager, Microsoft Nigeria said the Nigeria office elevation became necessary because of the maturity of the market; immense opportunities that abound; fast economic growth; skills deposit as well as large enterprise that exist.

According to him, there is urgent need to support these all.

Makwane also noted that under the 4Afrika initiative which goal is the empowerment of African youth, Microsoft is already training 18 interns while one of its partners, Galaxy Backbone is training 50 with an explanation that 75 per cent of them will end up in Microsoft Ecosystem.

Addressing Microsoft's acquisition of NOKIA, Courtois explained that full possession will take place once every regulatory structure has been put in place.

He also tipped Steven Elop, to head the Devices division once the transaction is completed.

Jean-Phillipe expressed optimism that Microsoft which will expand its cloud services in Nigeria and other markets, will benefit from NOKIA's mapping system.
Jean-Phillipe who made a stop-over at the Co-Creation Hub described the capacity building

as a vibrant place of innovation.

He encouraged the app developers present to take advantage of the new Windows 8 platform to identify real life problems; create functional local applications that have global competitiveness around such and publish same to the Windows Store so they can monetize their innovation and share it with the world.

Meanwhile, Jean-Philippe Courtois leads global sales, marketing, and services for Microsoft International, a territory that spans more than 110 subsidiaries operating outside the United States and Canada.

As president of Microsoft International, Jean-Philippe drives strategic planning, global operations, and key growth initiatives in developed and emerging markets across Europe, Middle East & Africa, Asia and Latin America for all of Microsoft's products and services.

Courtois previously served as CEO and president of Microsoft Europe, Middle East and Africa (EMEA), where he led business planning and sales, marketing and services. His many notable accomplishments include significant improvements in customer satisfaction, enhanced regional integration and record sales growth.

Before his role in EMEA, Courtois was Corporate Vice President of worldwide customer marketing, based out of Microsoft's worldwide headquarters in Redmond, Wash. Courtois joined Microsoft in 1984 as a channel sales representative and, after holding several leadership positions, rose to general manager for Microsoft France in 1994.

Outside of Microsoft, Courtois is administrator for PlaNet Finance. He also serves on the board of directors for AstraZeneca, and is President of the Strategic Committee at Skem Business School. He has served as co-chairman of the World Economic Forum's Global Digital Divide Initiative Task Force and on the European Commission Information and Communication Technology task force.

In 2009, he also served as an EU Ambassador for the Year of Creativity and Innovation, and in 2011 he was named one of "Tech's Top 25 by The Wall Street Journal Europe.

Source Site: allafrica.com/

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Energy a Major Business Opportunity in Rwanda, says US Official

Eugene Kwibuka

Insufficient electricity in Rwanda is number one challenge and opportunity for investors, the head of a US Government body that supports American investors overseas has said.

Elizabeth Littlefield, the president of the Overseas Private Investment Corporation (OPIC), is on a working visit to Rwanda.

OPIC is a US State Department agency in charge of working with American investors overseas, providing them with debt financing, political risk insurance, and support for private equity investment funds.

"The power sector is clearly the biggest challenge but also the biggest opportunity. We will encourage US investors to come and venture into hydropower, geothermal, wind, solar, and biogas," she said in an interview with the media, shortly after meeting President Kagame at Village Urugwiro.

With electricity production standing at 110 megawatts and only 16 per cent of the population accessing electricity, Rwanda intends to produce at least 563 megawatts by 2018.

Government officials say producing more energy will be done by exploiting various energy sources, including methane gas, peat, solar, and biogas.

Apart from the country's energy sector, which remains attractive for American entrepreneurs, the latter have also invested in coffee and tea processing, forestry and agriculture investment management, and humanitarian services.

OPIC has invested $26 million to cover financing and insurance for five active business projects in Rwanda, including the tea processing and exporting company Sorwathé and Rwanda Trading Company, a coffee processing group.

The Finance minister, Amb. Claver Gatete, said Rwanda's environment is open to investors and encouraged OPIC to continue investing in the country.

After visiting different companies with American interests in the country, Littlefield said OPIC officials "are very excited" to help trigger more investments in Rwanda.

Source Site: www.newtimes.co.rw

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Uganda, Ethiopia to Join Comesa Free Trade Area

Allan Odhiambo

Ethiopia and Uganda have pledged to join the Comesa free trade area (FTA) by December, raising hopes of higher trade volumes for Kenya and the region. Although the two countries are members of the Common Market for Eastern and Southern Africa (Comesa), they have not ratified a special FTA arrangement.

Under FTA a designated group of countries agree to eliminate tariffs, quotas and preferences on most (if not all) goods among them.

Heads of State of the Comesa said the two countries had pledged to join the bloc's FTA alongside the Democratic Republic of Congo (DRC), an important destination for Kenyan exports, by the end of the year.

"We commended the Democratic Republic of Congo, the Federal Democratic Republic of Ethiopia and the Republic of Uganda on their commitment to deposit their accession instruments to the Comesa FTA with the secretariat not later than December 2014," they said in a communiqué at the close of an annual summit in Kinshasa last week.

Analysts said the plans by Uganda, DRC and Ethiopia to join the Comesa FTA would boost commerce in the region. "Ethiopia has shown a lot of protectionism in its market which makes it unpopular with traders in many neighbouring countries and the wider Comesa. We hope they change this by adopting the FTA status and make it easier for trade," Joshua Ndegwa, a textile export dealer said.

Ethiopia has of late found itself at loggerheads with other partner countries over trade controls and restrictions to its markets. Only recently it introduced price curbs to tame runaway inflation, triggering protest among Comesa partners such as Kenya who favour free market policy.

Ethiopia imposed price controls on about 20 essential commodities, pushing costs of goods down five to 45 per cent. Those those who violate the rules are liable to up to 15 years in jail.

Two years ago, Kenya also raised the red flag on Ethiopia's restrictive trade practices and urged the Comesa secretariat to arbitrate in a dispute over a list of products eligible under a special cross-border trading scheme.

Kenya took issue with Ethiopia for failing to honour its pledge to reach a deal with Kenya on a list that would be covered under a newly instituted Comesa Simplified Trade Regime (STR). Other partners of the 19-member bloc also protested against Ethiopia adamancy to adopting the STR, prompting a special mission from the Comesa to hold talks with Addis Ababa.

Under the new Comesa STR, traders will be granted simplified certificates of origin to enable them enjoy duty and quota free access as long as their goods appear on a list of agreed products.

The certificates would be filled in by traders at designated border posts and stamped by customs officials upon verification.

For purposes of health and safety, those carrying chemicals, foodstuff, plant and animal products would, however, have to report to offices of the ministries of Health, Environment and Agriculture for clearance.

Kenya's trade with Uganda has however been relatively smooth thanks to their membership of the East African Community.

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Source Site: www.theeastafrican.co.ke

Turkey Looks to Ghana For Business

The Turkish Kitchenware sector is working to increase its trade investment inflow in Ghana through partnerships with Ghanaian industrialists within the next five years.

Currently, Turkish kitchenware exports to Ghana stands at $1.06 million. Overall, Turkey's annual kitchenware exports to the rest of the world stands at $4 billion.

Mr Murat Akyuz, Chairman of the Istanbul Chemicals and Chemical Product Exporters' Association (ICCPEA), who led a 14-member business delegation to Ghana, said the current export levels were low and that the target was to increase it ten-fold.

"Our goal is to increase the Turkish kitchenware exports to Ghana to $10 million in the next three years and $20 million in the next five years," he said. The delegation has had business meetings with kitchenware importers, distributors, wholesalers and retailers in the country.

Mr Akyuz said Ghana was chosen because of the great potential it had as a stable democracy and the gateway to countries in the West African sub-region.

He said the long-term focus of the delegation was to seek joint-venture opportunities with their Ghanaian counterparts that would enable them to bring their expertise to bear on the production of kitchenware.

"Our focus is not sales but our vision is to encourage Turkish industry players to see Ghana as a market they could establish their production plants to produce locally and for export to the rest of the countries in West Africa," Mr Akyuz said, adding that, selling alone will not help each other's economy.

Source Site: www.spyghana.com

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The Ten Leading Family Businesses In Africa

Mfonobong Nsehe

Family businesses control a significant portion of Africa's economy. While family businesses are quite common across the continent, only a handful of them enjoy longevity. The survival rate of most African family businesses beyond the founder's generation is extremely low. For example, the late Nigerian business mogul Moshood Kashimawo Abiola, who at one point was believed to be one of the wealthiest men in Africa, successfully built one of Nigeria's biggest business empires consisting of an airline, a chain of newspapers, extensive real estate, fisheries and retail. After his death in 1998, his businesses crumbled. None of them exist today.

I set out to produce a list of 10 successful African family businesses, canvassing my database of African companies and entrepreneurs to find families that have successfully passed on business entities to successive generations. To do so, I enlisted a panel of 8 judges from across Africa to help identify African companies with annual revenues of $50 million or more, where the share capital controlled by the family members is in at least its second generation and the family controls at least 30% of the company's equity and voting rights.

Cut across luxury goods to construction, agriculture, banking and retail, these are the most successful African family businesses that have sustained the vision for decades and are poised to prosper for generations to come.

Remgro
Year Founded: 1941
Founder: Anton Rupert
Country: South Africa

In 1941, Anton Rupert, an Afrikaner South African businessman, started manufacturing cigarettes from his garage with a £10 investment. Rembrandt, the cigarette company he founded, went on to become one of Africa's largest tobacco firms. As Rembrandt grew, Rupert subsequently diversified the company from tobacco manufacturing into the industrial and luxury branded goods sectors. In 1988, his son Johann joined Rembrandt, splitting it into two divisions – Remgro, a Johannesburg Stock Exchange listed investment company with holdings in the banking, healthcare and industrial sectors – and Richemont, a Swiss-based luxury goods company. Johann Rupert serves as Chairman of both companies and has been CEO of Richemont since 2010.

Pick n Pay
Year Founded: 1966
Founder: Raymond Ackerman
Country: South African

When Raymond Ackerman was fired from his position as a Managing Director at South African food retailer Checkers in 1966, he used his severance package to buy up three retail outlets in Cape Town which traded under the name Pick n Pay. Ackerman built Pick n Pay to become one of the most popular and largest retail outlets in South African by building a strong reputation as a consumer champion and fighting supplier cartels in bread, petrol, cigarettes and many other industries. Pick n Pay now has close to 800 stores in Southern Africa. Raymond Ackerman stepped down from his role as Executive Chairman of the company in 2010, giving way for his first son Gareth Ackerman to take over as Chairman. Gareth is still working hard to prove himself. Pick n Pay is the second largest grocer in South Africa, but in the last couple of years the company has lost significant market share to rivals such as Woolsworth and Shoprite while struggling to adopt new information technology and distribution systems. Pick N Pay is listed on the Johannesburg bourse, but it still remains a family business for the most part. The Ackerman Family trust owns 53% of the company's stock and Gareth's siblings occupy senior positions in the company: his sister, Suzanne Ackerman-Berman, serves as Transformation Director at the company while Jonathan Ackerman is Executive Director.

Dantata Organization
Year Founded: 1910
Founder: Alhassan Dantata
Country: Nigeria

The Dantata Organization was founded around 1910 by the patriarch of the Dantata family, Alhassan Dantata, who started trading commodities such as kolanut, cocoa, beads and groundnuts in Lagos and Accra under the company name, Alhassan Dantata & Sons Limited. Upon Alhassan's death in 1955, the mantle on running the business fell on his 4 sons, named Mamuda, Sanusi, Ahmadu, and Aminu. Of his four sons, only Aminu, his last son who is aged 82 is still alive. However, Aminu's eldest son, Tajudeen Aminu Dantata is now in charge of the overall family business. He took the reins of the business in 1988, starting off as Group Director in Dantata Organisations Limited, a position he held until he was appointed Group Managing Director in 1994. The Dantata Organization is a large conglomerate with interests in oil exploration, manufacturing, banking and finance, import and export, farming as well as merchandising and commodity trading. Companies in the group's fold include Dantata & Sawoe Construction, a leading construction firm, Bebeji Oil & Allied Products Limited – a petroleum marketing company, Express Petroleum & Gas Company Limited- an oil exploration company, Dantata Property Development & Management and Kundila Finance Company among others. The group's annual revenues exceed $300 million annually.

Ibru Organization
Year Founded: 1957
Founder: Olorogun Michael Ibru
Country: Nigeria

Nigerian businessman Olorogun Michael Ibru started out in 1957 by importing and selling frozen fish from the back of a truck. As his fish trading business grew, he chartered his first fishing boat and went into large scale fishing, acquiring fishing trawlers. From fishing, the company expanded into other business sectors such brewing, construction, petroleum distribution and bulk storage, Bulk liquid products, warehousing and importation. Ibru's first son, Oskar, took the helm of the organization in the 1980s and has been responsible for steering the wheel since then.

METL Group
Year Founded: 1960
Founder: Gulam Dewji
Country: Tanzania

Mohammed Enterprise Limited (METL) is one of the largest industrial conglomerates in East Africa. Gulam Dewji founded the conglomerate decades ago as a commodities trading concern until his eldest son, Mohammed 'Mo' Dewji, returned from attending Georgetown University and a stint in a job on Wall Street in the U.S and joined the business. Mo began acquiring government-owned textile and soap manufacturing entities that were being offered for sale in a privatization exercise. METL's turnover now exceeds $1 billion, mainly driven by its textile and soap manufacturing units, but the younger Dewji has also expanded the company's interests to include financial services, retail and petroleum marketing. Mo's younger brother Hussein Dewji acts as the group's Director of Marketing while Gulam Dewji still serves as chairman.

Bakhresa Group
Year Founded: 1963
Founder: Said Salim Bakhresa
Country: Tanzania

Said Salim Bakhresa, 65, laid the early foundations of the Bakhresa group as a teenager when he began selling potato mix after dropping out of school. He subsequently opened up a series of small business operations including a small restaurant and an ice cream manufacturing operation and reinvested his profits in setting up a grain milling operation. Today, Bakhresa group is Tanzania's dominant food manufacturing company. The company's interests include grain milling, confectionaries, frozen foods, beverages and packaging. Bakhresa's two sons, Mohammed and Abubakar, are both Executive Directors of the company and independently manage arms of the business outside Tanzania.

Bidco Oil Refineries
Year Founded: 1970
Founder: Bhimji Depar Shah
Country: Kenya

Bidco Oil Refineries manufactures edible oils, baking powders, canola and detergents. The company was founded in 1970 by Bhimji Depar Shah as a garment manufacturing outfit, before he and his sons shifted their focus to edible oils. Bidco has a 49% share of the edible oils market in Kenya. Bhimji's eldest son Vimal Shah currently serves as the CEO of the $500 million (revenues) company.

Madhvani Group
Year Founded: 1918
Founder: Muljibhai Madhvani
Country: Uganda

In 1918, Muljibhai Madhvani acquired a piece of land in Kakira, a small commercial town in Eastern Uganda, with which he established a sugar factory. That sugar factory, Kakira Sugarworks, is today the largest producer of sugar in the East African region, producing an estimated 165,000 metric tonnes of sugar annually and employing over 8,000 people. It is also the flagship company of the Madhavani Group, a large Ugandan conglomerate that owns numerous hotels, tea estates, construction, insurance and distribution companies. It also owns and operates the Kakira Airport. Muljibhai Madhvani's youngest son, Mayur Madhvani, currently holds the reins as CEO of the group, a position he assumed after his elder brothers passed away. Mayur has played a crucial role in revitalizing the group, and is responsible for diversifying Madhvani's interests from manufacturing to service-related industries. His younger daughter is being groomed to take over.

Ramco Group
Year Founded: Early 1940s
Founder: Rambhai Patel
Country: Kenya

Kenya's Ramco Group was founded by Rambhai Patel, an Indian immigrant who settled in Nairobi in the early 1940s and founded a hardware store in the city's downtown district. His 3 sons, Kirit, Mahendra and Chandrakant, joined the family business after completing their studies and helped expand the Ramco's holdings into print, stainless steel, IT & office supplies. Ramco now has operations in Uganda, Tanzania and Rwanda and employs over 2,000 people with an annual turnover in excess of US$220 million. Kirit currently serves as Chairman, while his other brothers serve on the company's board.

The Kenyatta Family Business
Year Founded: Late 1960s
Founder: Mzee Jomo Kenyatta
Country: Kenya

Muhoho Kenyatta, the youngest son of Kenya's first President Jomo Kenyatta, runs the ship of a business empire spanning extensive land holdings in Kenya, a string of hotels, Kenya's largest dairy company, a media outfit and a stake in large commercial bank. President Jomo Kenyatta laid the foundation for the family business back in the 1960s and 1970s when he acquired hundreds of thousands of acres of land across the country when the British colonial government and the World Bank funded a settlement transfer fund scheme that enabled government officials and wealthy Kenyans to acquire land from the British at very low prices. Jomo's children, particularly Uhuru and his family, also own Brookside Dairies, Kenya's largest dairy company, as well as stakes in popular television station K24 and a commercial bank in Nairobi, among other interests.

Source Site: www.forbes.com/

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Myths and Mining: The Reality of Resource Governance in Africa

Claude Kabemba

There are two economic realities on the African continent today. You will find the first one in World Bank, IMF and Africa Development Bank reports – and in articles across the globe about 'Africa Rising'. This reality depicts Africa as a continent that is forging ahead – onwards and upwards. And some of the world's best performing economies are indeed in Africa, such as Angola and Mozambique, which are growing at an extractive-powered rate of knots. Meanwhile, other southern African states are also surging ahead – with Zambia, Zimbabwe and the Democratic Republic of Congo (DRC) growing at speeds not seen in a very long time.

The second reality depicts Africa as the world's poorest continent, where the majority of people live with no access to clean water, decent health care, education and electricity, and struggle to survive in the face of high levels of unemployment, poverty and inequality. This is the reality we see all around us when we travel through southern Africa.

Unsurprisingly, many people are asking how there can be two such conflicting realities. And in particular they are asking about the exploitation and export of our region's mineral resources. They want to know what governments are doing with the revenues that they collect from the commercialisation of these minerals – and why our natural riches do not seem to translate into a reduction in poverty. And another question that comes up time and again is – how have other nations managed to use their minerals to successfully build their societies and diversify their economies?

The extraction of Africa's minerals by Africans started long before colonialism and even before the slave trade. In fact, the oldest mines in the world are to be found in Africa – such as the Ingwenya mine in Swaziland, which was being exploited 2000 years ago for iron ochre for rock paintings. In addition, there are thousands of ancient gold and base metal mines across the continent. In general, these mines were integrated into the local pre-colonial economies, providing essential raw materials and high value goods for trade (gold, copper).

The extraction took another form when the Arabs began trading in mineral resources, such copper and gold, in addition to their existing slave and ivory trading. And extraction took yet another turn with colonisation, which stopped the evolution of mineral trading in its tracks by directing everything towards Europe. Africa has never recovered.

Following the European colonial conquest of the continent, African mining became integrated into the economies of European countries, providing raw material for their industrialisation. Subsequently, Europe monopolised the exploitation and commercialisation of Africa's mineral resources for its own advantage. Indeed, African minerals contributed significantly to the development of Europe – a reality that is not always told.

Europe expanded natural resource extraction in Africa dramatically by using forced labour and ensuring that access to the continent's minerals was free. There was no compensation for people displaced from their ancestral land or for the destruction of the environment. Human right abuses were seen as normal and acceptable. The custodians of land and customs, the chiefs, were introduced to corruption. They sold their land and their people as slaves and labourers in exchange for beer and guns – often with no bullets. African chiefs were transformed into administrative clerks for the colonialists. This is important because the picture has not changed much today.

The outside world continues to enjoy a monopoly over African resources today. Since colonialism, the West's approach to African resources has been to exploit them as much as they can for as little as they can – or ideally for free. The method has changed depending on the circumstances but the philosophy remains the same.

At independence, most aspects of African economies, including control of mineral resources, remained in the hands of elite metropolitans. These groups continued to control, exploit and trade in minerals resources as in the past without being threatened by the new political elite. The few African leaders who dared to speak about reclaiming – let alone those who actually tried to take control of – these resources were silenced or their political goals were sabotaged by fomenting chaos in their countries. In other situations, African leaders – many of whom came to power with the support of the West – gave European powers free access to minerals to ensure the security of their regimes. While the Cold War raged, Africa was the scene of many proxy battles since economic control of resource rich countries was critical in the geostrategic considerations of the two superpowers and their supporters.

The structural adjustment programmes that were imposed on African countries were also designed to ensure that the continent's mineral resources would continue to be exploited for the benefit of Western countries – primarily as the main means of repaying Africa's vast debts.

In the 1980s most African countries were deeply indebted because of the nature of the international economic system, which ensured that Africa was a net exporter of raw materials and a net importer of manufactured goods. Because of the decline in the price of minerals in the early 1970s, African countries were accumulating less revenue from their mineral exports than they needed to pay for all the manufactured goods that were being imported – forcing them to borrow to fund their ever increasing trade deficits. At this point, African nations lost control of their own economies and economic policies and were forced to abide by decisions imposed on them by foreign creditors, including governments and international multilateral institutions such the World Bank, the IMF, the Club of Paris and the Club of London.

One of the results was the imposition of structural adjustment programmes. These were not introduced to help Africa countries restructure their economies but rather to ensure that they were able to continue repaying their debts. It was an era when key countries – the United States under President Ronald Reagan and the United Kingdom under Prime Minister Margaret Thatcher – were pushing a less statist, more market-orientated approach. This philosophy influenced the SAPs – with states being required to cut the number of teachers, health care workers and other civil servants as well as workers in the manufacturing and agricultural sectors.

Indeed, only one sector was spared the axe – the mining sector. It was critical to protect this sector because it was the only sector capable of generating sufficient returns to repay the Western debt. But with mineral revenues being used to cover debt repayments, there was very little left over – and not much from any other sector – to support state administration and social services. Indeed, with the price of raw materials continuing to fall, mineral revenues were often insufficient to cover all the repayments, so debts and defaults increased. The end of the Cold War and the failure of the structural adjustment programmes paved the way for the wave of democratisation that swept across much of the continent in the early 1990s. While democratisation gave African people the opportunity to ask questions that they could not ask previously, it also brought with it a new economic strategy – privatisation. Right from the start, the crown jewels of the privatisation process were mineral resources.

Two cases of failed state run mining companies will help us understand this phenomenon – namely Zambia Consolidated Copper Mines, and Gecamines in the DRC. In both cases, the World Bank advised the governments to privatise these companies by unbundling them into different units. Unsure whether to follow this advice or not, both countries delayed implementation – and their relationship with key donors suffered. Eventually, they proceeded with privatisation when they qualified for the World Bank's Heavily Indebted Poor Country (HIPC).[1] But the key point is that both countries were put under serious pressure to choose between debt relief or control over their own mineral resources.

Throughout the privatisation process, African governments were encouraged to establish an 'investor friendly' policy regime. What did this mean? Simple – it meant allowing the unrestricted flow of foreign direct investment (FDI), particularly into the mineral sector. Because of price pressures and difficulties in attracting FDI, countries were forced to sell off their precious mineral rights cheaply – on the assumption that private owners would pump money into the mines, revive the sector, generate employment and help kick-start the economies. But many countries – including the DRC and Zambia – were misled into thinking that the foreign purchase of existing capital goods was the same as foreign direct investment. In reality, many investors who bought into the mining sector were solely interested in asset stripping the mines, not wealth and job creation. And the result – in the long run, the countries, especially the DRC, became poorer.

This is not to say that privatisation failed. In both DRC and Zambia production increased – from 50,000 tons in the late 1990s to 600,000 tons today in the DRC and from 250.000 tons to 850.000 over the same period in Zambia. But privatisation has not significantly resolved the previous problems faced by the mining sector or contributed to genuine, sustainable socio-economic development.

The biggest problem with privatisation is that it has created enclave economies. Companies are reluctant to beneficiate minerals on the continent, preferring to export the raw materials and add value elsewhere. Across Africa, mining economies are not really linked to the broader local economies. Equally, because of increased automation in the mining sector, it is unable to contribute significantly to job creation.

Meanwhile, as Africa continues to be pressurised into privatising its extractive industries, much of the rest of the world is intent on nationalising its natural resources. Today two thirds of oil exploration and extraction is controlled by state companies from Russia, China, Saudi Arabia, Venezuela, Iraq, Norway etc.

But in Africa, mining activities are undertaken by private foreign entities, which pay taxes to the state. However, mining activities are not contributing as much as they should to national economies. Despite the increase in productivity and profits, the real benefits of mining have yet to be felt by the majority of the people, especially mining communities. Many factors – including the negotiation of dubious mining contracts by politicians with no real experience in the sector, keeping contracts secrets[2], lack of transparency by both mining companies and governments, tax evasion, transfer pricing and corruption – have contributed to reducing the amount of revenue that goes to governments and is therefore available to support critical socio-economic development programmes.

Furthermore, the mining companies' much celebrated corporate social responsibility projects are usually little more than charity and not pursued out of any real conviction or determination to improve the socio-economic conditions of mining communities.

And while the SAPs played a critical role in destroying African states' capacity, internal economic policies and corruption also contributed significantly to the demise of the mining sector. Many prominent political figures – from both ruling and opposition parties in southern Africa – have interests in extractive industries and this can compromise government policies by putting the interests of the well-connected elite ahead of the needs of the majority. Fortunately, there is no evidence of the direct involvement of political parties themselves in the mining sector – with the exception of the African National Congress in South Africa, which has a holding company called Chancellor House, which does invest directly in mining activities (including across the border in Swaziland).

All of this points to the need for a new approach to mineral resources in Africa. And governments and civil society on the continent are reflecting on the current state of the extractive industry and discussing different models to ensure that Africa benefits as much as possible from its natural wealth. In South Africa, a debate on nationalisation has been raging for the past few years but the government has now made it clear that it will not pursue that approach. Instead, the ANC is considering the introduction of a super tax.

Meanwhile, in Zimbabwe, the government has introduced an indigenisation policy, which calls for 51 percent of all shares in mining companies to be in the hands of indigenous Zimbabweans. This policy has been widely criticised but the reality is that most governments in SADC are partners in mining companies. The DRC government controls 25-30 percent of the shares in all mining companies, while the Zambian government holds 20-25 percent of the shares in most mining companies. The Zimbabwean government boasts a 50 percent shareholding in two diamonds companies, while Botswana owns a 51 percent stake in Debswana and Namibia control 51 percent of NamDeb (both of which are joint ventures with De Beers). And Mozambique has just decided that it should maintain 20 percent shareholdings in all extractive companies.

Governments are also increasingly prepared to review badly negotiated mining contracts. In the DRC, the government has renegotiated 63 dubious contracts. Mozambique is also considering reviewing previous deals but it is not clear whether the government has the stamina – or political will – to go through the lengthy process since investors are strongly opposed to it. Zimbabwe could also review some of its diamond contracts.

Another option is the introduction of a windfall tax, In Zambia, the MMD government introduced a windfall tax just before the financial crisis hit but then U-turned when commodity prices started to fall. However, what is really interesting here is that the Zambian government reversed a decision that mining companies, despite their earlier opposition, had agreed to implement. Needless to say, the price of copper soon picked up but by then it was too politically embarrassing to try and reintroduce the windfall tax.

A lot of attention has been focussed on the Botswana model, which has attracted considerable praise over the years. The model, which has benefited from luck and strong leadership – certainly seems to have been more successful than most. Many other governments have studied it but none have subsequently introduced it in their own countries. And it is true that the model is not perfect. Indeed, a very similar model in Namibia does not seem to work so well. For example, according to a statement made by the Namibian Minister of Mines and Energy, Erkki Nghimtina in 2009, "NamDeb is literally a post office through which money is dispatched. The money is just for operational costs and the real profits go to De Beers." Furthermore, while the Botswana government has invested heavily in social services using the proceeds from the country's diamonds and its 51 percent stake in Debswana, the fact is that Botswana is still struggling with acute poverty, serious inequality, and one of the highest rates of HIV/AIDS in the world. This suggests that even Botswana's celebrated model is inefficient and not up to the task of truly transforming society for the better.

So what needs to be done? Clearly, governments need to tackle corruption and try to ensure that policies and profits benefit all the people, not just the elite few. However, it is far too simplistic to simply affirm that corruption and a lack of transparency and accountability are solely responsible for limiting the benefits of natural resource extraction. While corruption and secrecy remain serious challenges, there is also a genuine lack of capacity within government administrations to manage the sector.

Many countries in SADC are facing administrative challenges in terms of the necessary qualified staff, infrastructure, information, technology and financial resources to manage properly the sector. Indeed, the intrinsic complexity of managing the sector – including developing laws and regulations; conducting contract negotiations; monitoring the behaviour of mining companies in relation to production levels, tax evasion, environmental controls, human rights; collecting and distributing revenues; and continually re-evaluating policies – may be the biggest challenge to better resource governance in southern Africa, especially as weak administrations also foster corruption.

This weakness extends beyond the executive to other key institutions of the state – such as parliament, the police and the judiciary – that are supposed to provide oversight, support and control. And it is not just the state. Civil society groups are also weak, while most communities are not empowered and are unable to make their voices heard.

It is clear that drastic changes are necessary – and that there is now a chance that real change can now happen. The African Mining Vision has finally produced a charter that all African countries can use to improve the governance of their natural resources – to start to transform the mining sector so that it benefits everyone not just foreign mining companies and local elites. But to achieve change, countries need to strengthen those institutions that are essential to controlling, directing and overseeing the mining sector. In particular, parliaments need to be given the skills and knowledge to perform their role better. It is not a 'silver bullet' since other work also needs to be done – to build capacity of civil society and local community groups, to root out corruption, to make companies adhere to international best practices – but boosting the ability of parliaments to oversee the mining sector would go a long way towards improving governance of this critical sector.

And this is why SARW – in partnership with the SADC-Parliamentary Forum – has devoted considerable time and resources over the past three years to develop a Southern Africa Resource Barometer, which can help to empower members of parliaments to play a more constructive role in the extractive sector in the region on behalf of all the people by highlighting key issues and demonstrating how they can be most effective.

The design of the barometer was enhanced by contributions from civil society activists, members of all 14 SADC parliaments, selected mining companies and community members. Created to strengthen the capacity of parliaments and parliamentarians, the barometer is a set of simple and clear principles to measure transparency, accountability and equity in the management and distribution of mining benefits. It is expected that the barometer will be officially launched in November 2013 in Mozambique and will be utilised across the region. Indeed, as it is in line with the African Mining Vision, the barometer could easily be used in the rest of the continent as well.

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EADB to Boost Oil and Gas Policy-Making in the Region

Public sector lawyers involved in drafting of the extractives sector laws and policies in the region will next week undergo training to improve their negotiation and policy-making skills.

The training is aimed at assisting East African Community (EAC) countries to make extractive industry contracts and related policy to ensure they achieve tangible benefits from their natural resources, the East African Development Bank (EADB), which is hosting the training said in statement yesterday.

The training, that takes place from March 9-14 in Kigali, targets senior government lawyers involved in policy formulation and negotiations and law dons from Kenya, Tanzania, Rwanda, Burundi and Uganda.

“The training is designed to build the capacity of public sector lawyers involved in negotiating transactions and drafting agreements for extractive and other industries,” it added. The bank said the training will help reduce the risk of costly or politically-difficult dispute resolution, going forward.

Vivienne Yeda, the EADB director general, observed that the last decade had seen the discovery of minerals such as coal, gas, oil, titanium, among others, in East Africa, noting that the region had entered a period of ‘economic tipping point.’ She noted that this calls for laws and policies that will safeguard revenues from extractive industry. “The fundamental question we must ask, going by the experiences of other resource-rich regions in Africa, is whether the region will benefit from these resources,”said Yeda

“Can East Africa ensure the newfound resources are converted into tangible wealth for its people, current and future generations?” In the past few years, oil and gas discoveries have been made in Uganda, Kenya Tanzania.Rwanda is also exploring for oil and gas, but has various firms involved in mining of various minerals like wolfram and cassetirite in different parts of the country.

The training should be a big boost to the region, especially as some countries grapple to make extractive sector laws that ensure equitable distribution of resources from the sector.

Also, the need for policies that promote sustainable development of the natural resources to safeguard the environment is important, according to industry experts.

The seven-day training will be conducted jointly with global law firm, DLA Piper and its affiliate, New Perimeter, which provides free legal assistance.

DLA Piper partner, Jay Finkelstein, said the training would focus on analysing and negotiating the types of complex transactions, including project finance, extractive industry agreements and public-private partnerships.

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Rwanda: Local Governments Surrender Tax Collection to RRA

Peterson Tumwebaze

Efficiency in revenue collection at the grassroots could be boosted after Rwanda Revenue Authority (RRA) took over the work from local governments. According to a draft agreement, RRA has been tasked to collect all revenues from the districts and remit percentages back to local authorities.

Amb. Claver Gatete, the minister for finance, said the move will not only enhance efficiency in tax collections but also reduce on the cost of collecting revenues at district level. “Local governments have on most occasions been hiring tax collectors to collect taxes on behalf of Rwanda Revenue Authority due to capacity constraints,” Gatete told The New Times last week.

“But now that RRA has built its capacity in terms of expertise, skills and knowledge, they will fully take over the job of collecting taxes from local government, the whole idea is to have the job of tax collection done properly and efficiently by people who understand the sector well.”

He said RRA is already collecting taxes as prescribed by the new agreement and that the parties will sign a memorandum of understanding to seal the deal soon. The minister said government has already contacted all stakeholders, including mayors, about the new arrangements.

The country’s actual domestic revenues stood at 16 per cent of GDP (the value of all goods and services) during fiscal year 2012/2013. Tax revenues accounted for 14.2 per cent while the value of non tax revenue was 1.8 per cent of GDP, according to World Bank Rwanda economic update report, 2014.

Drocelle Mukashyaka, the RRA deputy commissioner for taxpayer services department, said the tax collection body has the capacity to do the job as required.

“Rwanda Revenue Authority has invested much in terms of capacity building, knowledge and skills in a bid to improve efficiency and accuracy as far as revenue collections is concerned,” she said.

Mukashyaka said RRA is currently working with all stakeholders to ensure that revenue collections are done more efficiently and transparently while widening the country's tax base.

Positive trend

Rulindo mayor Justus Kangwagye, who is also the chairperson of the Rwanda Association of Local Government Authorities, told this paper that the deal provides yet another great opportunity for tax collectors at the district level to learn from the expertise that will come with RRA.

"The deal does not take away taxes from us but rather provides a healthy partnership between local government and RRA that will reduce the cost of collecting taxes and build on skills and capacity of collecting taxes at the district level. The idea of decentralising services is to benefit every Rwandan," he said.

Prosper Mulindwa, the Rulindo vice mayor in charge of economic affairs, said at about Rwf510 million, the domestic taxes constitute about five to six per cent of the district's budget.

He cited trade licences, rental tax and property tax among those to be collected by RRA. The arrangement started effective March. RRA surpassed its revenue collection target by Rwf 22 billion for the second year in a row during the fiscal year 2012/2013, remitting Rwf675 billion to the national treasury.

With improved revenue collections, the country can now finance more than half of the budget using local resources. About 60.2 per cent of the 2013/14 Financial Year Budget is being financed by domestic revenue.

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Botswana to Sign Deal With Namibia to Develop Coal-Export Line

Felix Njini

Botswana and Namibia will sign a deal at the end of this month to develop a 1,500-kilometer (932-mile) railway for transporting coal exports to the port of Walvis Bay, according to the Botswana Chamber of Mines.

"Technical glitches" delaying the Trans-Kalahari project have been resolved, Charles Siwawa, chief executive officer of the chamber, said in a phone interview today. While he declined to give further details, Siwawa said the joint-venture agreement, originally due to be signed last April, paves the way for funding initiatives and tenders.

Chinese and Indian demand for the more than 200 billion metric tons of coal in Botswana's central Karoo basin could boost economic growth in the landlocked southern African nation, Siwawa said. The Trans-Kalahari line, which dovetails with Namibia's plan to develop the port of Walvis Bay, requires an investment of about $15 billion, Siwawa said.

"It's not clear as yet when this financing will come from but we would like this project to proceed as soon as possible," Siwawa said. "There are significant coal deposits in Botswana but we need an exit route for shipments to markets overseas. At the moment, Walvis Bay is the preferred route."

Alternative export options include transporting the coal by rail to either South Africa's Richards Bay or the port of Beira in Mozambique.

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