Tradequity
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SMEs Development through a Devolved Governance Framework in Kenya

According to UNCTAD, Small and Medium Enterprises (SMEs) are considered as main drivers of employment, competition, economic dynamism, and innovation in developing countries. SMEs have been recognised as engine through which growth objectives of developing countries can be achieved. They are considered as potential sources of employment and income. SMEs are more labor intensive than larger firms and therefore have lower capital costs associated with job creation. SMEs are more likely to succeed in smaller urban centres and rural areas, where they can contribute to a more even distribution of economic activities. Due to their regional dispersion and their labor intensity, small-scale production units as in the case of SMEs can promote a more equitable distribution of income than large firms.

In Kenya, SMEs employs about 85% of the Kenyan workforce. Unfortunately, while the SMEs constitute over 85% of employment, it only contributes 18.4% of the GDP. The SMEs sector in the country comprises of manufacturing and trade (wholesale and retail) sub-sectors, with substantial engagement in agro-based activities, which, directly affects a larger population through multiplier effects. The sub sector is also heterogeneous and dynamic in Kenya, with over 70% consisting of self-employed individuals. The SMEs create about 75% of new jobs, comprises of 72% of total wage employment and 81% of the private sector employment.

Despite the current and potential contribution of SMEs in supporting significant proportion of livelihoods in Kenya, the institutional and regulatory policy framework to foster the development of SMEs has been weak, with very little emphasis on local driven development strategies. Significant effort to revitalise SMEs sub-sector in Kenya has only been made since the last few years. For instance, a Parliamentary Bill to contribute to the regulation and development of the sub sector was prepared in 2010. The Bill presents a strategy for regulation, promotion and development of SMEs nationally.

The government of Kenya also enacted a new Constitution in 2010, which has a central role to play in enhancing local economic development (LED) initiatives. For instance, Chapter 11 (section 174 a-i) of the Constitution stipulates the key objectives of the devolved government, where one priority is to promote social and economic development locally. The new Constitutional is expected to promote local economic development (LED) through a devolved governance framework SMEs are likely to play a major role in the process.

The objective of the new Constitution in fostering LED is further supported by the recently enacted Urban Areas and Cities Act No 13 of 2011. The Act aims at supporting the preparation of Integrated Urban Development Plans, where local economic activities will feature with a refined focus on an integrated development of SMEs, as stipulated in section 36(1) of the Act.

Given the recent developments in the Kenya's institutional and regulatory framework, there is need to refocus the proposed SMEs strategy to reflect the current regime. This can be achieved by realigning the scope of the current SMEs Bill to factor in the role of the current devolved framework as affirmed in the current Constitution. Such initiatives can be advanced by understanding and addressing the existing and potential institutional and regulatory challenges which might be a bottleneck to promoting SMEs at the county level through an inclusive and participatory approach, where local stakeholders are fully engaged. This implies that the proposed SMEs policy under the current Constitution should be a localised and demand driven endeavour.

It is in this regard that CUTS Africa Resource Centre, Nairobi is implementing a project initiative entitled, "*Small and Medium Enterprises and Devolved Government System: An Assessment of The Regulatory and Institutional Challenges Affecting SMEs Development in Kenya*" (referred to as RICS project) with the support from TRUST AFRICA. The aim of the project is to analyse institutional regulatory framework for SMEs *vis-à-vis* the current devolved governance system in Kenya. The project is expected to contribute to proper alignment of the proposed SMEs policy for supporting the growth of SMEs across various counties in Kenya.

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Chinese Co not Paying Tax

Zimbabwe's Finance Minister Tendai Biti said that a Chinese company had failed to remit revenue from its operations in the Marange diamond fields amid fears it was channelling the money to other structures outside the Central government. Biti said the failure by Anjin to pay proceeds from diamond sales to Treasury would impact negatively on the US$4bn National Budget where US$600mn was expected from the sale of the precious mineral.

Biti while providing monthly update on the economy said, "We are also concerned that the Zimbabwe Mining Development Corporation is not a shareholder in Anjin but some other body that we do not really know. So we are concerned about the issue of diamonds. We need every cent to be in our coffers as Treasury." *(ND, 18.05.12)*

ZACCI Opposes Dollarisation Ban

The Zambian government's decision to compel all business transaction to be done in the local currency (kwacha), has received mixed feelings from the business community. The business community has challenged the government to come up with a 'win-win' decision on the ban against quoting prices in foreign currencies to boost foreign currency reserves in Zambia.

Raj Karamchand, Vice President for the northern region, Zambia Association of Chambers of Commerce and Industry felt boosting foreign currency reserves would enhance the economic development in Zambia instead of bringing a blanket ban on quoting of goods and services in dollars.

He said enforcing stringent currency regulation bans had the potential to send a wrong message to would-be investors and could curtail investments and foreign currency inflows in the country.

(ToZ, 29.06.12)

Canada's Trade & Aid Aligned

Canada is ending bilateral aid programmes in eight countries and refocusing efforts in five others due to "high operating costs", a move which the umbrella group representing Canadian international development organisations say is difficult to immediately measure but will affect some of the poorest countries in the world.

The Canadian International Development Agency (CIDA) will end bilateral programming where aid efforts are hindered by high operating expenditures: Nepal, Rwanda, Zambia, Zimbabwe, Malawi, Niger, Cambodia and China. The agency will also reduce and concentrate its bilateral programming in Mozambique, Bolivia, Ethiopia, Tanzania and Pakistan, Cantin wrote.

The changes are part of the Federal government's plans to curtail CA$319.2mn from CIDA's funding over the next few fiscal years. *(IPS, 29.04.12)*

Zimbabwe Losing Billions

Zimbabwe is losing billions of dollars through investment agreements with foreign investors because it does not have a pool of competent people to assist in negotiations, Finance Minister Tendai Biti said.

He said that government lacked a vibrant legal team that should negotiate and draft contracts with foreign investors. Most governments have a desk of lawyers that do the drafting and negotiating of investment deals. In Zimbabwe there is no such desk. Theoretically, there is Attorney-General's Office.

He said Zimbabwe lost a substantial amount of money when government gave away a piece of land in Selous stretching over 110km for US$200mn. The land in question had 26 million ounces of platinum valued at US$56bn.

(TH, 17.04.12)

Profit Externalisation in Zambia

Actionaid Zambia urged the government to clearly define its objectives in allowing foreign firms to externalise profits. Recently, ActionAid Zambia's Economic Justice Project Officer, Nsindano Kryticous, observed that Zambia was being robbed of the much needed funds to drive economic growth and development by allowing foreign firms to externalise profits.

He said there was need for the government to clearly define what it wanted to achieve by letting this trend to continue. The government should clearly state whether it wanted to increase investment inflows by making Zambia an attractive investment destination by allowing externalisation of profits or ensuring that the investment actually benefited Zambians. *(TP, 21.07.12)*

Precision Air Launches Flights

Tanzania's Precision Air launched its flights into Zambia, becoming the third airline to enter the market in 2012 after Emirates Airline and Royal Dutch KLM. The airline, which touched down at Kenneth Kaunda International Airport was characterised by pomp and splendour as it received a water salute amid cheers from senior government officials, ambassadors and Tanzanians living in Zambia.

Minister of Transport, Communication, Works and Supply Yamfwa Mukanga said the development will enhance trade between Zambia and Tanzania as the distance has been cut to two hours from 10 hours. Despite Zambia and Tanzania being neighbours, businessmen and women travelling to Tanzania had to fly via Nairobi or Ethiopia due to lack of a direct flight.

(ZDM, 25.04.12)

UK to Aid Malawi's Economy

The UK is calling for an urgent action to prevent a Greece-style financial crisis in Malawi, one of the world's poorest countries, where recent political turmoil, a suspension of foreign aid, and abrupt currency devaluation have conspired to leave the new government with a gaping hole in its budget.

The UK was among those which suspended direct aid to the government in 2011. Now it is scrambling to bring forward some US$47m not due to be handed to the Malawian treasury until later in 2012, and is urging other donors to do the same.

Malawi's New President Joyce Banda said, "We need a lot of support, very quickly in the region of US$500m. *(BBC Africa News, 23.04.12)*

Burundi High on Investment

The Doing Business 2012 Report from a survey by the World Bank, which included 183 countries, reported that Burundi, which finished in position 154 in 2011, made the most improvement, moving more than 100 places to finish at position 46 in 2012. The ranking means recent reform measures have left the tiny country that is emerging from decades of civil war and military coups second to Rwanda when it comes to protection of investors.

Its improved ranking is linked to the recent enactment of a new law that governs transactions between related parties and demands deeper disclosures of such transactions with a clear regime for the liability of directors.

(TEA, 30.04.12-06.05.12)

Flawed Trade Policies

Reports convey that food prices in Kenya are much higher compared to other regional markets, thanks to flawed trade policies. A new survey by the World Bank reveals that the cost of basic food items in the country has increased beyond the reach of most poor households and the situation could worsen if urgent remedial measures are not taken. The World Bank states that the high food prices in the country are largely as a result of barriers to trade, which hamper efficient flow of commodities, leading to shortage even when there is surplus in neighbouring markets.

Authorities need to work urgently on harmonising customs procedures and remove other barriers to trade that increase the cost of transaction, leading to inflated commodity prices. *(BD, 21.06.12)*

Irrigation Scheme Fruitful

Following several years of flooding, the Ministry of Regional Development, the African Development Bank (AfDB) together with the local residents came up with an irrigation project that seeks to turn the annual flood curse into a blessing. The Kimira-Oluch irrigation scheme is in final stages of completion and over 3,000 families in Homa Bay County are optimistic that it will not only save their lives and homes from raging flood waters, but will also improve their socio-economic lives.

The government is hoping that with the establishment of the irrigation scheme, more young people will turn to farming to earn a sustainable income and generate wealth for their community.

(BD, 27.05.12)

Kampala in Spotlight on Tax

Uganda lost close to US$2mn in dubious stamp duty waivers given to private companies between 2005 and 2011. Expert estimates put total losses at more than US$1bn over the same period, going by the AfDB survey that established that in the 2009-2010 financial year alone, Uganda lost at least US$272mn in such waivers and other incentives.

A popular view even within Ministry of Finance circles is that waivers should be done by a committee and the list of beneficiaries published because the *status quo* lacks transparency, is open to abuse and serves to promote unhealthy business competition, with the ultimate loser being the taxpayer. *(TEA, 30.04.12-06.05.12)*

Porous Borders a Lifeline

Vendors and informal beer sellers in Johannesburg are doing brisk business, albeit illegally, selling cigarettes and opaque beer smuggled from neighbouring Zimbabwe. Trade in such commodities is commonplace in Berea, Hillbrow and Yeoville, the populous Johannesburg suburbs where most Zimbabweans in South Africa live.

Investigations established that syndicates, mostly informal transport operators commonly known as omalayisha, were smuggling the beer through the porous Beitbridge Border Post. They take advantage of poor security or pay bribes to corrupt customs officials to facilitate the entry of goods.

They also pay bribes to police officials operating on the highway between the border town of Musina and Johannesburg to avoid confiscation of the beer.

(TZ, 24.05.12)

SA Challenged over Poultry

Brazil has taken the first legal step at the WTO to challenge South Africa's use of antidumping measures on shipments of Brazilian poultry meat. Brazil has "requested consultations" with South Africa over South Africa's accusation that Brazilian imports were "dumped", or sold at an unfairly low price that damaged South Africa's own poultry sales, the WTO said.

If the consultations fail to resolve the issue, in 60 days' time Brazil could ask the WTO to set up a panel to adjudicate. The statement did not give any more details, but South Africa's International Trade Administration Commission (ITAC) has imposed antidumping duties on frozen chickens and chicken meat imported from Brazil over the period 2008-2010.

(Reuters, 25.06.12)

SA-US Deepen Trade Ties

Business Unity South Africa (Busa) welcomed the revived economic ties between South Africa and the US, after Trade and Industry Minister Rob Davies and US Trade Representative Ron Kirk signed a trade and investment framework agreement.

The latest agreement amends a similar agreement signed in 1999 and seeks to deepen the US-South Africa trade and investment relationship. It also provides for an annual forum that will address specific business challenges and will help enhance the trade and investment relationship between the two countries.

South African exports to the US reached US$9.5bn in 2011, a 15.7 percent increase from 2010. In 2011, US$4.6bn worth of South African products entered the US market duty-free under AGOA, an increase from US$1.5bn in 2010.

(www.southAfrica.info, 27.06.12)

China's Role in African Services

China will increase its investment in Africa's service sector, helping the continent play a greater role in the industry, which has become a mainstay of the global economy, said Vice-Minister of Commerce Li Jinzao. Chinese investment will help promote the independent development and competitiveness of Africa's service industry, he added.

Accounting for about 70 percent of the world economic aggregate, the service sector is responsible for two-thirds of global transnational investment and one-fifth of world trade. By 2015, China's service trade value will reach US$600bn, or 47 percent of its gross domestic product (GDP), up from the current figure of 43 percent.

China is Africa's largest single investor, aid donor and trade partner. Standard Bank of South Africa predicts that Chinese investment in Africa will reach US$50bn by 2015.

(CD, 31.05.12)

Angola-Zambia to Re-open CFB

The Angolan Secretary of State for Foreign Affairs, Manuel Augusto, and the Zambian Deputy Foreign Minister, Effron Chakupa Lungu, said there is need for the earliest opening of the Benguela Railway (CFB) linking the two countries through the Democratic Republic of Congo.

The officials agreed that the opening of the CFB will boost trade and economic cooperation between the two countries, stressing the need to work for the construction of roads linking the neighbouring nations. Manuel Augusto and his colleague expressed satisfaction with the existing cordial relations and reaffirmed the need for a joint work to reinforce economic cooperation, within the framework of trade, tourism, cultural exchange, energy, development of infrastructures, transports and mining.

(AP, 09.05.12)

Botswana Shoots up in Logistics

An authoritative World Bank Biennial Logistics Performance (BLP) assessment measuring the efficiency of the customs clearance process in 155 countries has ranked Botswana 68th, up a remarkable 66 places from the previous edition of the survey.

The index, produced through a global survey of logistics companies and executives, measures on-the-ground trade logistics performance helping national leaders, policymakers and private sector traders understand the challenges they and their trading partners face in reducing barriers to international commerce.

Logistics Performance Index of 2012 indicates that Botswana boosted its performance across several categories, being ranked 48th out of 155 countries in terms of customs and 58th out of 155 for timeliness, both massive improvements from 2010.

(MO, 23.05.12)

Malawi, US Trade Imbalance

Trade between Malawi and the US remains skewed in favour of the North American super-power. Latest information shows that during January-April 2012, Malawi imported goods worth US$23.8mn from the US and exported items valued at only US$12.2mn.

According to the US Census Bureau, Malawi's exports to US in January were at US$2.2mn while imports were at US$6.2mn creating a trade balance of US$4.0mn. In February, Malawi exported goods worth US$1.9mn while the imports were at US$7.3mn.

Exports for March were at US$6.6mn and imports were pegged at US$5mn while the month of April saw the Malawi exports at US$ 1.5mn while exports were recorded at US$5.2mn.

(DT, 15.06.12)

Tackle Non-Tariff Barriers

A US trade expert has urged African countries to fight off the non-tariff barriers (NTBs) which are the biggest hindrance to the growth of infra-Africa trade. Deputy Assistant Secretary for Market Access and Compliance at US Department of Commerce and International Trade Administration John Anderson hailed African countries for removing tariffs on goods but complained that the biggest enemy remained the NTBs.

Anderson said with tariffs removed, the only cost for countries like Zambia in taking goods abroad, should be transportation cost but unfortunately several African countries were encountering unnecessary red tape in moving certain goods in foreign countries.

(ToZ, 19.06.12)

EPA Talks at Crossroads

With only one year to go before deadline, the finalisation of the Economic Partnership Agreement (EPA) is increasingly becoming important for Namibia. What is certain though is that the European Union wants the January 2014 deadline enforced and agreed to by all parties.

Even though much of the issues have been addressed, there are a number of items that SACU member states have to consent to among themselves. These include market access for South Africa, something which Namibia and Botswana are particularly wary about as market access agreed to between South Africa and EU have direct impact on their individual economies. Another important item is the agricultural safeguard measures that touch on all member states.

(NE, 16.05.12)

Zim to Improve Business

Zimbabwe must create a conducive business environment to attract more foreign investment into the country and into the regional trade bloc. COMESA Director for Investment Promotion and Private Sector Development, Thierry Mutombo Kalonji, urged Zimbabwe to improve the business environment taking into consideration such factors as the cost of setting up a business, licensing and regulatory issues, among others.

He said Zimbabwe should emulate countries like Rwanda and build on their achievements in the context of similar challenges faced by the private sector. Given the importance of the roadmap, the COMESA Council of Ministers decided in 2010 that the Secretariat would assist member states in the area of policy reforms to create a conducive business environment.

(TS, 15.05.12)

ESA on Economic Integration

As Eastern and Southern Africa (ESA) prepares for an integrated market covering 26 countries, there is need to set a more manageable and practical agenda that all member states can fully implement.

The Tripartite Free Trade Area, which seeks to establish a single market in the region comprising the COMESA, East African Community (EAC) and the Southern African Development Community (SADC), is expected to come into force by 2016, according to a roadmap developed by the three Regional Economic Communities (RECs).

If this happens, intra-regional trade is expected to increase sharply and deepen regional integration through improved investment flows and enhanced competition. *(SANF, 30.04.12)*

SACU, COMESA or SADC

Swaziland must decide soon whether it wants to be a member of either COMESA, SADC or the Southern Africa Customs Union (SACU). FinmarkTrust Regional Financial Integration Specialist, Mojgan Derakhshani said most of the countries in the region also belonged to numerous customs unions. She said in 2009, a single customs union was supposed to be achieved.

It was not as most countries belong to different economic blocks for example Swaziland belongs to SACU, Tanzania to EAC. Countries cannot be members of so many customs unions, some are even hesitant. Swaziland is also still trying to examine whether to be on SADC, COMESA or SACU. Many efforts are being done to examine this so as to make the very right choice and a number of studies are being conducted. *(SO, 24.06.12)*

SACU Develops Industrial Policy

The SACU is working on a regional development policy aimed at building the region's business sector. Botswana and SACU are developing an industrial development policy that will bring developments to SACU member states. This will create competitive business opportunities in the region," said Ontlametse Ward, Director of Industrial Affairs at the Ministry of Trade and Industry.

Ward said SACU members have to identify business opportunities for collaboration, adding that the private sector must lead in sectoral policy developments. Joel Sentsho, Trade and Policy Adviser at the Ministry of Trade and Industry said with tariffs in decline in the world economy, SACU revenues are going to take a knock. *(MO, 26.04.12)*

ECOWAS Integration

Companies registered under the ECOWAS Trade Liberalisation Scheme (ETLS) are now able to circulate their finished products freely without restriction, Alhaji Muhammad Mumuni, Minister of Foreign Affairs and Regional Integration, said.

Alhaji Mumuni said the liberation of trade within the sub-region has gone beyond agricultural produce to include industrial products with the adoption of ECOWAS Protocols which concerns the origin of products.

Mumuni said Ghana is vigorously pursuing the implementation of the ETLS, which provides the opportunities for small and medium enterprises to access the markets of other member states. He said in the first quarter of 2012, 22 Ghanaian products had been given approval to enjoy the benefits under the scheme. *(GNA, 25.05.12)*

Better Trade Competitiveness

The Eastern Africa sub region has taken several concrete steps to integrate the three pillars of sustainable development in the region, in spite of lingering challenges, a new report shows.

The study, "Progress towards sustainable development in Eastern Africa", acknowledges the progress made in Eastern Africa in deepening regional integration within Regional Economic Communities such as the East African Community (EAC) and the Intergovernmental Authority on Development (IGAD).

The report states that the three pillars – economic development, social inclusion and environmental protection – are progressively being integrated in the region which has some of the fastest-growing economies in the world; although high levels of poverty persist. *(TNT, 20.06.12)*

EPAs dividing SADC region

SADC integration is compounded by the ongoing EPAs' trade negotiations between the European Union (EU), a SADC official said. Barney Karuuombe, Manager for Parliamentary Capacity-Development at SADC, said the EPAs have instead served to divide the region, instead of uniting and integrating it.

Karuuombe said that it was important that SADC and the entire developing community maintain the unity and solidarity they had during the stalled Doha Round of world trade negotiations, and then the EPAs' divide-and-rule effect would not achieve much.

He further noted that the noble ideals for SADC's development blueprint, namely the Regional Indicative Strategic Development Plan and the Millennium Development Goals, whose development targets should be achieved by 2015, will only be achieved if SADC speaks more as a community and less as individual states. The deadline to sign the EPA is January 01, 2014. *(NE, 11.06.12)*

Increased FDI in COMESA

The COMESA region has registered an increase in foreign direct investment from developed countries in the last two years than aid, COMESA Secretary General Sindiso Ngwenya said. Ngwenya said the region has seen increased investment in various economic sectors such as mining, value addition in manufacturing sector and boom in agricultural activities.

http://us-cdn.creamermedia.co.za

He said regional integration is not a simple exercise whose benefit can be seen overnight but needs regional development in infrastructure to ease movements of goods and people. Africa requires about US$93bn annually to develop infrastructure such as roads, railway and energy.

He said the regional economic bloc is putting emphasis on the development of infrastructure through the North-South Corridor project, adding that without integrated transportation, it is difficult for member states to trade. *(ZDM, 31.05.12)*

Water Quality Worries Consumers

Purveyors of counterfeit products and suspect brands are putting the lives of innocent consumers at risk and this can have serious ramifications on the health of people. Recently Lusaka City Council in Zambia recommended the closure of nine companies that are manufacturing bottled water not fit for human consumption.

Lusaka Mayor Daniel Chisenga said out of the 15 companies that manufacture bottled water, only six were producing a commodity that was fit for human consumption. According to the random laboratory tests carried out by the local authority on 15 samples of bottled water from various companies, it was discovered that only six of them met the required standards. *(ToZ, 30.06.12)*

Zambeef in Pigs Deficit

Zambeef Products Plc is failing to get more than 3,000 tonnes of pigs it requires to process for the market a week because of low supply from the local animal keepers. This has put panic to many consumers as to where they can buy pork and also the inflation of the prices.

The government has, however, urged the firm to engage the local people in outgrower schemes to help boost pig production in the country. Currently, Master Pork, a subsidiary of Zambeef, is operating below capacity due to the shortage of pigs on the local market.

Zambeef Chief Executive Officer Francis Grogan said his company was facing a challenge of low supply of pigs to feed the new processing facility. He said to reduce the deficit Zambeef was buying pigs from small-scale farmers but that the demand could not be met as the supplies were always low. *(ToZ, 29.06.12)*

Shire-Zambezi Route Study

Malawi has agreed with Mozambique that experts should assess the environmental and biodiversity implications of making the Shire and Zambezi rivers navigable so that they can launch an inland waterway project to the Indian Ocean giving Nsanje port a new lease of life.

Malawi President Joyce Banda and her counterpart Armando Ghebuza signed the agreement on behalf of the two countries.

The aim was to reduce high costs of importing and exporting goods by road via Malawi's commercial capital, Blantyre and the Mozambican port city of Beria – a round trip of about 1,200 kilometres. But navigation of the Zambezi River caused misunderstandings between neighbouring Malawi and Mozambique. *(NT, 14.05.12)*

ERB to Hike Tariffs for Mines

The Energy Regulation Board (ERB) in Zambia plans to gradually hike electricity tariffs for mining firms to achieve cost reflectivity by 2015. ERB Director for Infrastructure and Regulation, James Manda, said the energy regulator would like all mining companies by 2015 to be paying electricity tariffs that reflect the true cost of producing power.

He told the mining and energy conference in Lusaka recently that the ERB would gradually raise the electricity tariffs in the mining sector to cost reflectivity by 2015. The Energy Minister Christopher Yaluma said the country was far from achieving electricity tariffs that reflect the true cost of producing power. *(TP, 22.06.12)*

Cheap Malaria Medicine

Kenya is among seven African countries set to gain from a new plan that will provide cheap malaria medicine. The Global Fund to fight Aids, tuberculosis and malaria launched the drive that will allow people in Africa to buy malaria medicines for less than US$1 a course.

Called Affordable Medicines Facility for Malaria (AMFm), the initiative aims to make anti-malaria drugs, called artemisinin-based combination therapies, available as widely and cheaply as possible. A UN report says the first phase of AMFm covers seven African countries.

UN Secretary General Ban Ki-moon called on countries to intensify efforts to combat malaria, stressing that despite remarkable progress in recent years, much more needs to be done to end the "monumental tragedy" of one child dying every minute from the disease. *(TC, 28.04.12)*

Airtel to Launch 3G in Rwanda

Bharti Airtel would roll out 3G services in Rwanda in the next quarter and reiterated plans to invest US$100mn in the central African country. Airtel launched its mobile services in Rwanda in March, and presently runs a 2G network. It said then that IBM and Ericsson would help build and manage its network.

Airtel plans to invest US$100mn in its operations over the next three years and will work towards generating both direct and indirect employment opportunities. Other telecoms firms operating in Rwanda include MTN Rwanda, a unit of the South African company MTN and Tigo Rwanda owned by Millicom International Cellular. *(Reuters, 27.05.12)*

Creation of Food Security Trust Fund

The creation of an African-funded trust fund to support food security in the continent was discussed at FAO's Regional Conference for Africa, held in Brazzaville, Republic of the Congo. Complementing international resource mobilisation, the Africa Trust Fund would raise resources in the continent to fight hunger and would also allow for the scaling up of successful activities to prevent and respond to food and agriculture crises in the region.

In support of the proposal, CSOs attending the Regional Conference made a symbolic donation to the trust fund. FAO will engage in countries-led consultations in order to draft a detailed proposal for approval by participating member countries. *(FAO, 30.04.12)*

Special Article

The Real Frontline of the Chinese in Africa

Terence McNamee*

Every day, we carry our hearts in our hands. You hear this Chinese idiom across Africa; it means to live in fear. As one young man said recently: "Every week the police and immigration come and extort money from us, but the Chinese embassy does nothing, they just look down on us. Why do we have to live as if we are thieves?"

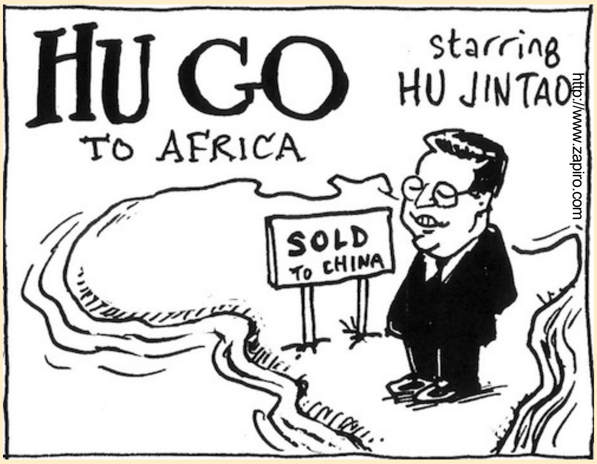
The speaker had lost his job in a factory in Fujian province and had travelled thousands of miles to work at a relative's shop in Angola's capital, Luanda. He is one of hundreds of thousands of Chinese migrants making a living as traders in Africa, selling everything from food to clothes to household gadgets.

Their stories belie two myths about China in Africa: that it's all about commodities, and that China moves as one. They also illustrate why Beijing cannot afford to ignore the immigrants any longer. For over a decade the prevailing image of China's presence in Africa has been of a monolith, as state-owned energy giants race in offering infrastructure in return for commodities. Now a more complex picture is emerging with different actors, driven by diverse aims and needs, creating new flashpoints for China-Africa relations.

The poorest and least educated of China's diaspora have forged their own pathways in the continent through family and village networks.

Most Chinese traders arrived in Africa in the past 10 years after failing to find work in China's hyper-competitive job market. The poorest and least educated of China's diaspora, they have forged their own pathways in the continent through family and village networks. They do not care about geopolitics or that China's trade with Africa exceeded US$150bn in 2011. What matters is that the barriers to entering Africa's market are low enough for them to compete, even with few skills, little capital and often no experience of trading.

When Chinese traders first set up shop in Africa's urban marketplaces and rural outposts, they were seen as a boon to the many poor Africans who were previously unable to buy almost any manufactured product. But today as the most visible Chinese presence traders have become an easy scapegoat for politicians, merchants and labour unions worried by China's presence.



They are accused of cheating Africans by not paying tax and refusing to use local suppliers; their products are derided as inferior or "Fong-Kong" merchandise. Botswana is one of only a few states to introduce legislation restricting their activities, but others will follow. And more regulation is needed. Chinese traders have done themselves no favours by failing to respect consumer rights and cloaking their operations in secrecy.

Chinese traders also know that if they don't make it in Africa, they have nowhere else to go. Nearly all plan to return to China eventually or resettle somewhere other than Africa, once they have earned enough money. The only way to prevent relations from worsening is for China to stop pretending that they don't exist. Traders do not live in secure compounds and their legal status is often unclear. Since they are not employed by a state-owned firm, Chinese embassies will not intervene on their behalf or pressure African governments to do more to protect them. This may have to change. The most important drama in the China-Africa relationship is playing out on the African street, not in say the oilfields of South Sudan. It is here where most Africans encounter the Chinese presence in Africa and decide whether it is good or bad.

At the very least, they are growing more wary. Rising anti-Chinese sentiment could make life difficult for African governments, whose mining and infrastructure deals with China are central to their countries' development. Resource-hungry Beijing can ill-afford further damage to the "China brand" in Africa.

Chinese traders are making an impact from Cape Town to Cape Verde. Beijing needs to pay closer attention to them. For better or worse, they are shaping China's reputation in Africa.

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* *Deputy Director, Johannesburg-based Brenthurst Foundation. Abridged from an article that appeared in the Financial Times, on May 05, 2012.*

Conclave on AGOA

CUTS International Lusaka in collaboration with Caritas Zambia organised a conclave on African Growth and Opportunity Act (AGOA) in Lusaka, Zambia on June 05, 2012.

The objective of the meeting was to discuss and reflect on some of commitments made during the 10th AGOA held in Lusaka in 2011 and come up with a position that will feed into the overall CSOs declaration of the Eleventh AGOA forum in June 2012.

Promoting Agriculture, Climate and Trade Linkages in EAC

CUTS Africa Resource Centre (CUTS ARC), Nairobi organised a first National Reference Group Meeting (NRG) under the project "Promoting Agriculture, Climate and Trade Linkages in EAC" (PACT-EAC) at Nairobi, on May 22, 2012. The objective of the meeting was to introduce the PACT-EAC project and seek inputs to the draft research papers that had been prepared by the research team on trade-climate change and food security linkages in Kenya. NRG meetings were also held in the other four project countries around the same time. Findings of the research activities would be discussed at an Annual Conference to be held on 17-18 September in Kigali, Rwanda.

FORTHCOMING

Consumers and National Competition Law

CUTS International Lusaka jointly with Competition and Consumer Protection Commission, Zambia is organising an event entitled, 'Consumers and National Competition Law' at Lusaka, Zambia on July 27, 2012. The event is primarily aimed at raising awareness amongst consumers on the benefits of competition law and how they can use it to address their challenges.

The specific objectives are to:

- educate participants on types of competition, some myths and realities, hurdles to fair competition and the mechanism to safeguard and promote it;
- enlighten participants on their role as consumers in ensuring effective implementation of competition law and policy; and
- discuss common anticompetitive issues in two sectors, namely Health and Transport and its impact on consumers.

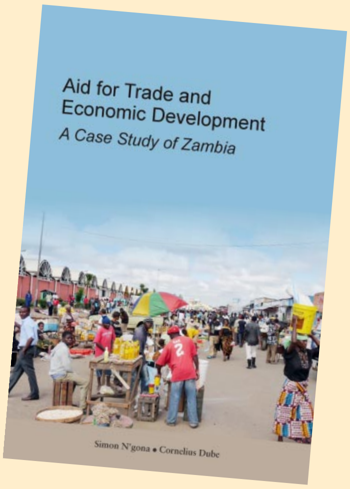
A publication entitled, *Why Should a Zambian Consumer be Interested on Competition Policy & Law* will be released on the occasion. This booklet provides concepts relating to competition law and draws examples from Zambia and other jurisdiction for the benefit of all relevant stakeholders.

Aid for Trade and Economic Development
A Case Study of Zambia

The study undertaken under the 'Better Exploration of Trade as a Means for Poverty Reduction' (referred to as the BETAMPOR project) aims at undertaking a critical survey of the current state of the implementation of the AfT (including EIF) agenda in Zambia in the context of the country's development.

The paper gives an overview of Zambia's trade and economic outlook explaining some of the potential priority sectors and initiatives. It provides an overview of the Paris Declaration on aid effectiveness, Accra Agenda for Action as well as the Busan outcome to give the context under which assistance for AfT programmes are being shaped. While giving an overview of the EIF, it explains the steps that Zambia has taken to embrace EIF and AfT in general.

www.cuts-international.org/ARC/lusaka/BETAMPOR/pdf/Report-Aid_for_Trade_and_Economic_Development-A_Case_Study_of_Zambia.pdf



Sources

BD: Business Daily; CD: China Daily; COMESA: Common Market for Eastern and Southern Africa; DN: Daily Nation; EA: East African; EN: Engineering News; IRIN: The Integrated Regional Information Network; NE: New Era; TAR: The Africa Report; TFG: The Financial Gazette; TL: TimesLive; TN: The Nation; TNB: The News Tribe; TNT: The New Times; ToZ: Times of Zambia; TP: The Post; TST: The Southern Times; ZDM: Zambia Daily Mail

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