Various surveys and indices have identified major business constraints in SADC. These include independent assessments of the regional business climate plus studies that specifically reflect the views of the private sector. These assessments have been undertaken over a number of years but there has been little follow up by policy makers or attempts to address the identified constraints. To assist in this regard, the SADC Secretariat in collaboration with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) has initiated a research and dialogue project that aims at identifying the most important business constraints for the SADC region and making them more tangible by conducting firm level case studies on the identified constraints. This is one of the collection of case studies.

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On behalf of Federal Republic of Germany The Federal Government

A CASE STUDY ON DD WILLIAMSON

MARCH 2012

FIRM OVERVIEW

Name	DD Williamson
Nationality	American Company based in Swaziland
Sector	Manufacturing – food and beverage inputs
SADC countries where doing business	South Africa, Zimbabwe, Tanzania and Democratic Republic of Congo

BACKGROUND

DD Williamson manufactures caramel colour for food and beverage companies. In Swaziland it is strategically located next to Coca-Cola Swaziland, which it supplies with half of its product (Coca-Cola Swaziland manufactures soft drink concentrate). DD Williamson exports the rest of its product across Africa. They are the dominant player in the region and don't have close competitors; competition comes from outside the region.

BARRIERS ENCOUNTERED

The company faces three main problems with regards to the tax rates and administration, working hours at the border and fluctuation of exchange rates.

The company views tax rates in Swaziland on corporations to be high. However, the bigger problem for DD Williamson is the manner in which taxes are administered. The Swaziland Revenue Authority (SRA), the government parastatal that is responsible for the administration of all taxes in Swaziland, is slow when processing tax invoices in instances where the company is importing. The delay in the processing of invoices has resulted in some goods that were needed urgently being held up at the border. For example, a forklift was recently stuck at the border because SRA had been slow to process invoices. Company personnel had to leave their daily work at the company premises to attend to the issue at the border.

The company's operations are inconvenienced by the hours of operation at the border. The company imports its raw material from South Africa and sometimes trucks carrying this material get stuck at the border for long periods, especially if they arrive at the border right after it closes for the day. This is not good for DD Williamson and the trucking companies that it contracts with. The importation of raw materials and other working tools has become a game of timing in which DD Williamson and the truckers have to work around the times that the border is open. The inconvenience of working around border hours has not gone down well with some trucking companies. Some of them have actually stopped offering their services to DD Williamson mainly because of the delays that they experience at the border, especially when they find it closed. The trucking companies have taken their service to companies that operate through borders that are open 24 hours a day like the Komati port.

The fluctuation of the exchange rate between the US Dollar and the South African Rand has recently caused problems for the company too. The volatility in the Rand has made it difficult to make prudent financial decisions both at the Swaziland company and its headquarters in the United States. Most notably, profits that the company repatriates to the headquarters have taken a hit because of the appreciation of the US Dollar against Rand and other currencies in the region. (For Zimbabwe operations this has not been a problem because the country uses the US Dollar as its currency.)

IMPACT OF BARRIERS

The issues at the border have led to a waste in company time and resources. The volatility in the Rand, though a temporary problem, has also made planning more difficult. The tax rate issue has resulted in less funds being allocated to the company from its head office.

FIRM RESPONSE TO BARRIERS, INCLUDING INTERACTION WITH POLICYMAKERS

The company has raised the border and tax issues with the Swaziland Investment Promotion Authority (SIPA), a government parastatal that is mandated to address issues affecting foreign owned companies operating in Swaziland.

As for the exchange rate fluctuation the firm has worked with its headquarters to come up with the best strategy.

DD Williamson's concerns have been well received by SIPA, and the parastatal has made tax, customs and border issues priority areas to address, especially for foreign owned companies (SIPA is a champion for Foreign Direct Investment in Swaziland).

The firm has not engaged with regional policymakers on the issues.

ADDITIONAL COMMENTS AND SUGGESTIONS

1. The company has suggested that there should be a one stop shop for documents that are required when exporting from Swaziland. With the current arrangement the firm has to go to different places for these documents, something which is an inconvenience. It would help to have health certificates and export documents under one roof for example. The Federation of Swaziland Employers and Chamber of Commerce could be a great one stop place because it is a representative organization for businesses in Swaziland.

2. The company is suggested that exporters be given exemptions when importing raw materials. This would help lower costs of operating for exporters and making them even more competitive. The exemptions will be particularly important when VAT is introduced in Swaziland in April of 2012. The firm already pays VAT on the South African side, and paying it on the Swaziland side will cause short term financial strain.

3. Lastly, the company stated that government should actively involve stakeholders when it looks to introduce new legislation. This would allow businesses to not only contribute to the process but also plan for any upcoming changes. For example, it would have been a good idea for government to have consulted with manufactures regarding the sales tax issue recently, and the upcoming VAT. This actively involvement of stakeholders could also touch on tax rates and some of the cross-border issues that are currently constraints for DD Williamson.