



# SADC BUSINESS CASE STUDIES

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.



## A CASE STUDY ON DHL

MARCH 2012

### FIRM OVERVIEW

<b>Name</b>	DHL
<b>Nationality</b>	German (South African based)
<b>Sector</b>	Courier services
<b>SADC countries where doing business</b>	DHL has a presence in over 200 countries worldwide. The South African office has a responsibility for most of the SADC countries.

### BACKGROUND

DHL is well-known as a courier company throughout the world. They operate alongside postal services and offer faster delivery making use of air and road transport.

### BARRIERS ENCOUNTERED

- Border Control – inefficiency and corruption has a serious negative impact on their business.
- Work permits are problematic in especially Botswana (but with a good system in Mozambique).
- Corruption is endemic and has a severe negative impact on efficiencies.
- Lack of infrastructure also impacts delays at borders.

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## IMPACT OF BARRIERS

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The inefficiencies at the borders have a serious impact on DHL's ability to deliver their packages as rapidly as possible. The operating hours of borders can prevent a parcel reaching its destination the next day if a truck has to wait overnight to be processed. The absence of mutually recognized and used Electronic Interface Systems for customs clearance is an additional delay. Whereas South Africa is now rolling out its e-filing system in order to speedup border crossings, this has not had the desired effect, as the infrastructure needed to implement the system is not present at the borders. In addition, border officials are reluctant to change the way in which they have been doing business and insist on hard copies of documents despite them already having been filed via the electronic system. The implementation of the e-filing system at the Beitbridge Border between South Africa and Zimbabwe has resulted in a four-month backlog and this is mainly due to the lack of bandwidth capacity, lack of adequate equipment to run the system and the lack of human capacity trained on the system.

The different culture and language in Mozambique results in additional paperwork as well as delays in crossing the border. Mozambique also makes use of the 'dispachant' – as in Angola – who is a designated official who does all the clearance. Again limited numbers are available and with a captured market they take their time, which in turn opens up the loopholes for corruption. In order to service the liquid gas find off the Mozambiquean coast, DHL has to send large numbers of containers through Mozambique but there is often a 7-10 day delay at the border, which results in cost increases and again the loophole for corruption.

In terms of the issuing of work permits, Mozambique has a very good and clear system – for every 10 locals that are employed by DHL, they are issued with one work permit for a foreigner. Botswana has a very difficult system and seems increasingly reluctant to issue work permits. Recently DHL tried to apply for a permit for a British national and after having paid R100,000 the application was denied. Mauritius and Namibia are less problematic but here DHL has less need to employ foreigners as the skills base is high.

Infrastructure is often lacking at border points. On the Mozambiquean border, for instance, there is a generator in order to run the Electronic Interface, but there are no cables connecting the generator to the offices and no diesel to run the generator. DHL has offered to pay for these things to be installed to the benefit of all operators that cross the border, but this is contrary to the tender system that should have paid for the cables and diesel, which still has to run its course. Road and airport infrastructure is slowly improving. Cheaply built Chinese investments are fast turning into a burden. For instance a loading dock near the Namibian airport was built without a ramp, leaving the building a white elephant.

Malawi always has a shortage of foreign exchange, resulting in delays in inter-SADC transfers.

Bureaucracy – in many SADC countries governments are introducing regulations in the postal industry, predominantly to protect their own Post Offices. This only results in red tape and an additional layer of paperwork to be done. There are costs to the company with little evidence of a positive impact on the industry or even the local post office.

Mauritius remains a shining example of how things can be done. Custom officials are accommodating, have embraced new technologies and engage broadly with the private sector.

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## **FIRM RESPONSE TO BARRIERS, INCLUDING INTERACTION WITH POLICYMAKERS**

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Corruption - DHL has a very strict anti-corruption policy and they try and address the problem by engaging on a regular basis with government officials, both at the Ministerial and Official level. This has not yielded much result. In terms of the other barriers they keep on engaging at as many levels as possible but have seen little progress in recent years.

DHL has tried on many occasions to engage with SADC. DHL is a pioneer in trade facilitation and has vast experience of all the border crossings in Southern Africa and can compare those to the 200 other borders world-wide that they cross on a daily basis. They would be very willing to share this expertise and assist SADC to improve, but with little to no response from the organization.

DHL is a very large operation and has managed to cope with existing infrastructure and deal with problems on a consistent basis without corrupting the process.

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## **ADDITIONAL COMMENTS AND SUGGESTIONS**

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1. A SADC-wide business visa.
2. SADC guidelines and standards on work permits.
3. Use IT and satellite technology as much as possible in improving the borders. The technology already exists it only needs to be harnessed at the borders.