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.

On behalf of
Federal Republic of Germany
The Federal Government

A CASE STUDY ON MADEL FOOD

MARCH 2012

FIRM OVERVIEW

Name	MADEL FOOD
Nationality	Congolese
Sector	Import of frozen foods
SADC countries where doing business	Democratic Republic of Congo, Zambia and Angola

BACKGROUND

MADEL FOOD is a frozen foods importer. The company was created in 1983 and imports its products mainly from Zambia and Angola. MADEL FOOD recruits its personnel exclusively locally.

BARRIERS ENCOUNTERED

For MADEL FOOD, access to credit is still very difficult and subject to many conditions. Banks are willing to finance only small business and credit is scarce for big investments in DRC. Due to the scarcity of credit in the Congolese banking system, this company resorts from time to time to the Congolese Federation of Private Enterprises for obtaining credit.

The company pays an income tax of 40% of its annual revenues and considers that the rate is too high. It also denounces the problem of multiplicity of taxes. Concerning the fluctuations of the Congolese Franc, MADEL FOOD considers that the Congolese currency is particularly volatile. Its frequent fluctuations against the USD have led the company to ask its customers to do their purchases in USD. There are not constraints impeding the company to purchase foreign currencies or to send money abroad.

The high number of public offices (DGI, DGDA, Health Office, OCC, etc) operating at the border and collecting duties is denounced by the company and presented as a major constraint to the development of its business. For MADEL FOOD, customs procedures are costly. It denounces customs officials´ behavior of always searching to obtain some money from traders. MADEL has observed that corruption is widespread in DRC. It stresses the fact that the payment of a bribe is a condition for getting any public service. If one refuses to pay, they may be victim of harassment from officials and the problem may take longer to be addressed.

The economic and political environment is uncertain in DRC and according to MADEL FOOD, many businessmen are still reluctant to invest in the country. The time taken to obtain the business licenses and other permits is still too long (at up to four to six months) and is presented by the company as a constraint to the business. However, it contends that recently the government has started to ease the procedures of getting different permits and licenses and improving business regulations.

MADEL FOOD presents the poor quality of roads both in DRC as limiting the development of its business.

Lastly, imports of the company are subject to many requirements related to standards and hygienic issues. Controls are done by the OCC (Import Control Agency) and the Health Service when goods arrive in the country and sales cannot be done until they provide their opinion of the quality of imports. There is duplication of inspections that can lead to significant delays.

IMPACT OF BARRIERS

The lack of credit limits the development of the company. Their own equity is not sufficient to finance the development of its activities. Furthermore, the lack of reliable transport infrastructure at the regional level delays delivery and this often exposes the company to the problem of stock rupture. The consequence is that the company loses its customers due to permanent unavailability of goods.

The "supplementary fees" regularly paid to the state agents reduce the company´s revenue and therefore affect its growth capacity.

Different controls undergone by the imports at the border from the OCC (Import Control Agency) and Health Office officials create a loss of time and slow down the rhythm of the business. The consequence is that it becomes difficult to do business with the neighboring countries.

FIRM RESPONSE TO BARRIERS, INCLUDING INTERACTION WITH POLICYMAKERS

For the company, the biggest constraint it encounters in its business is the customs clearance procedures, which are long and costly. To solve this problem, the strategy adopted by the company is "cooperation with customs officials" to facilitate the clearance procedures.

The Congolese Federation of Private Enterprises is in charge of discussing with the DRC government the barriers companies encounter in their business. According to MADEL FOOD, the government has promised to shorten the time for obtaining permits and licenses, and customs procedures will be eased. However, nothing has been done so far.

The difficulties encountered by the firm are usually presented to the government through the Congolese Federation of Private Enterprises. The government, through the DGDA (State Customs Agency), has promised to punish corrupted customs officials. Moreover, companies´ complain about the instability of the national currency which has also started to be tackled by the government.

ADDITIONAL COMMENTS AND SUGGESTIONS

MADEL FOOD made two recommendations for policy makers:

1. Regional and national roads need to be rehabilitated in order to shorten the delivery time of imports.

2. The company recommends governments to address as quickly as possible the harassment problem traders are facing at the borders.