



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 TRISTAN EXPORT

MARCH 2012

FIRM OVERVIEW

Name	Tristan Export
Nationality	South Africa
Sector	Exporters
SADC countries where doing business	South Africa, Angola and Madagascar

BACKGROUND

The firm sources a broad range of products locally and exports them to Angola (their largest market), Madagascar and soon also to Mozambique. A small amount is sent to the DRC as well. The exports range from fresh produce to frozen meats, fish, vegetables, office equipment and furniture with some industrial products for the oil and gas sector.

BARRIERS ENCOUNTERED

There are a number of barriers that are encountered, related namely to corruption, bureaucracy, customs and banking.

Exporting to Angola is not for the faint hearted as numerous barriers exist that the firm has to overcome. In the first instance, obtaining visas to travel to Angola is both time-consuming and unpredictable as the capacity at the Consulate in South Africa is very low. Visas are granted only as a single entry visa, which is valid for 60 days. Once this visa has been used the applicant can only apply

for another visa once the 60 days have passed.

Crossing the border with goods is also a complicated process as documents are filled in South Africa, export permits sought, a freight forwarder receives goods but only a so-called 'Dispatchant' is allowed to go to clear goods at customs in Angola. It is not clear how 'dispatchants' are appointed or what their qualifications are but it does add yet another intermediary in the already administrative process. Recent attempts to take the process online have resulted in further confusion and delays. Although documents are now electronically completed, they still have to be given to the 'dispatchant' on a flash drive, for him to take it to various authorities. Some of these dispatchants have no computers but without them no goods can be cleared. Instead of speeding the process up, it has become even more bogged-down. Every step of the clearing process clearly costs money in middle-man fees and wastes time. The ever-changing system is also opening the door for corruption – with many traders trying to clear their consignments and with even less efficient dispatchants, money oils the way.

Duties are a more transparent and clear measure but customs officials can be inconsistent and unpredictable in terms of import bans. Angola instituted a ban on all South African imported meat in May 2011. This followed a self-imposed export restriction by South Africa due to an outbreak of foot and mouth disease in Kwa-Zulu Natal. The South African ban was lifted after a month, but then Angola instituted its own ban a month later that is still in place. No reasons have been given. Madagascar also has restrictions on most food products even though they produce very little themselves on a commercial level. In Madagascar, border crossings are much simpler than into Angola, probably due to much lower volumes of imports coming into the country.

Transferring money for payment is another barrier often placing Tristan in a difficult position vis a vis suppliers. The banking system in Angola is very inefficient, with forever changing rules, especially when it comes to transferring currency outside the country. Persons have to visit the bank in Luanda, which is a waste of time in fighting traffic and queuing at the bank, often to arrive at the cashier who tells him the bank has no more dollars and suggests returning in two month's time. Alternatively systems are down frequently allowing for no transactions to be processed. In an attempt to overcome this barrier, the company opened a subsidiary in Angola, but this is also not without its problems.

For fish exports the company has found difficulties in South Africa before even exporting. In an effort to protect South African fish supplies, SA Coastal Management (Department of Agriculture, Fisheries and Forestry) has instituted an export permit that each exporter of fish has to obtain for each species of fish for each consignment that leaves the country. Tristan often makes up a consignment with several different species and then has to pay R200 per permit per species per consignment, resulting in very high costs. Apart from the cost it is also very time consuming as each permit takes a week to be issued. If one had clients on large ships lying just outside of Cape Town harbor that would like an order of fish for the same day, it would be impossible, as the permit would only be obtained a week later. Tristan has approached Coastal Management and is now being supported by the South African Association of Importers and Exporters and has apparently been well received by the Department who are now looking into issuing permits on consignment and on a faster turn-around time.

IMPACT OF BARRIERS

The largest impact of all the barriers outlined above is the time consuming element as well as cost. This eats into profit and potential volumes traded. In addition there is a high element of risk and uncertainty resulting in potentially high financial loss.

FIRM RESPONSE TO BARRIERS, INCLUDING INTERACTION WITH POLICYMAKERS

Tristan has taken some steps to address the challenges:

- Visas – The company director is permanently applying for visas to Angola in order to have a valid visa when needing to travel on short notice.
- Border, duties, import bans, banking – there is not much that can be done at firm level.
- Fish Permits – the company has approached the relevant government department in South Africa for consultation and resolution.
- The concerns raised by Tristan have been well received in South Africa.
- Tristan has not raised its challenges with any SADC bodies.

ADDITIONAL COMMENTS AND SUGGESTIONS

The following recommendations were made by Tristan:

1. Visa – A SADC Business Visa would be a very welcome step forward.
2. The company would see the value in a regional business chamber that could bring the issues to the attention of SADC. However, with Angola being the main culprit and still remaining outside of the SADC FTA it is not even clear that SADC holds any influencing role over Luanda.