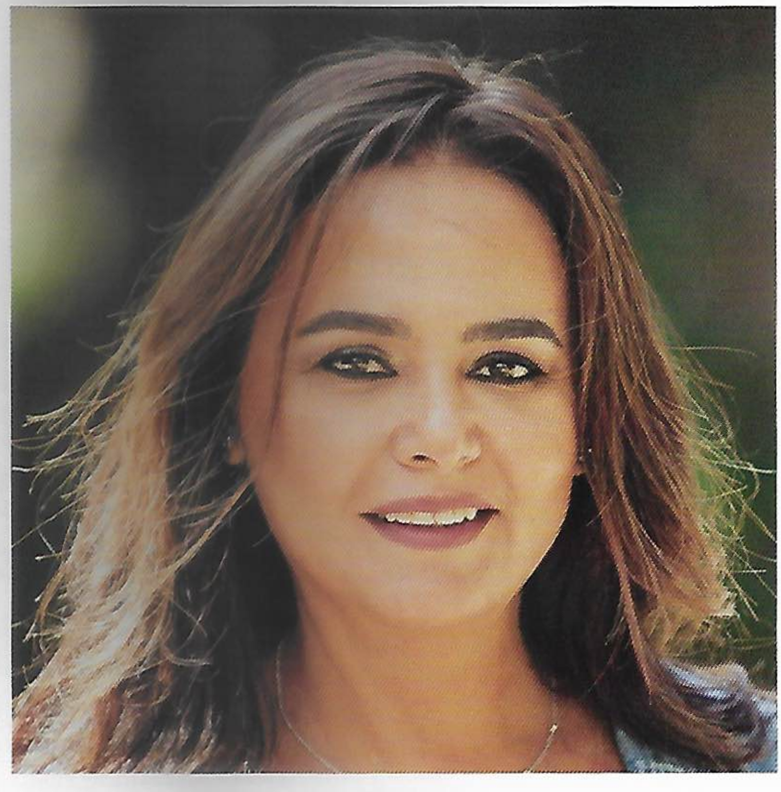
INTERVIEW: Heba Salama, COMESA RIA

The Common Market for Eastern and Southern Africa (COMESA) is a free trade area between 19 member states which stretches from Libya to Swaziland, and presents an enormous opportunity for investors. **Heba Salama**, Head of COMESA Regional Investment Agency (COMESA RIA), describes recent achievements of the Agency and why COMESA is an attractive investment destination.

What are COMESA RIA's latest activities in the COMESA region?

COMESA RIA provides platforms for the regional and international private sector to interact with COMESA governments, to ensure their contribution to the economic growth and sustainable development of COMESA economies.

In 2016, COMESA RIA organised various high-level events that were attended by African heads of state, government officials, regional and international investors, and various international development partners. In the context of Africa 2016 for example, apart from the 300 business and bilateral meetings which were organised, various government to government, government to business and business to business agreements were signed and as a result, various joint government initiatives and intra-African business ventures were launched. Due to its success, we are now organising the 2nd edition of the forum with the Ministry of Investment and International Cooperation.



Heba Salama: The COMESA region offers businesses many competitive advantages, positioning it among a shortlist of locations for investment

One of the biggest challenges as far as driving increased investment flows into the continent, is the lack of information. As such, COMESA RIA develops, on a yearly basis, various research studies and publications on COMESA Member States' economies and their investment environment, as well as on the investment opportunities investors could be interested in.

Examples include the COMESA Investment Teaser, the COMESA Investment Handbook, Practical Guides to Doing Business in COMESA Member States, a Cross-Border Investment Study, and more.

Furthermore, RIA works to improve the business and investment climate of Member States, namely through development support and capacity-building activities targeting their investment promotion agencies (IPAs) and other relevant government officials. For example, in December, COMESA RIA will organise training for COMESA and other African IPAs on aftercare, investment promotion best practices, and the World Bank's Doing Business report methodology changes. As such, RIA improves Member States' ability to facilitate and retain investments, to promote themselves and the COMESA region.

How does COMESA RIA present the COMESA region as an attractive zone? How does it overcome investor narratives of risk, associated with political uncertainty?

Collectively, the COMESA region offers investment opportunities in every economic sector, and enjoys many competitive advantages that position the region among a shortlist of locations for investment.

One of these advantages is a growing urban consumer market driving COMESA's growth and giving rise to new opportunities, namely in consumer-facing industries. COMESA-based investors can have direct access to up to 510 million consumers.

Another strength is that with its truly strategic location on world trade routes such as the Suez Canal, the Red Sea, the Mediterranean Sea, and the Indian Ocean, COMESA offers global access to a large, diversified, integrated and resilient market.

A third advantage is that COMESA has been experiencing real and sustainable growth averaging close to 4.5% in the past four years, offering investors the stability they need to commit to long-term plans.

And then, the COMESA region has a growing, increasingly qualified and less dependent workforce, which will provide better and competitively-priced human resources to businesses over the coming decades.

A fifth competitive advantage is that COMESA offers investors a fully-functioning free trade area offering duty-free access to 15 of its 19 Member States. Most COMESA countries are also members of other economic blocs, and offer the business community a diversified range of regional and international market access opportunities, including to the East African Community (EAC), Southern African Development Community (SADC) and Southern African Customs Units (SACU), among many others.

As far as risk associated with political uncertainty is concerned, based on our experience, the world has no risk-free location, so the existence of risk for investing in Africa is no exception. The first advice we give to our investors is that it is important for them to take enough time to research the actual risks involved in doing business in the region and not be turned off by perceived risks. Indeed, as already reported by many, the risk of doing business in Africa is highly overrated.

In all surveys comparing the perception of those doing business in Africa with that of those who have not, it comes as no surprise that those already established in Africa not only consistently perceive it to be more attractive than those who are not, but also think it is the best investment destination in the world.

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4.5 per cent average annual GDP growth in COMESA countries

180 bn dollars in total trade since the FTA was launched in 2000

COMESA RIA improves Member States' ability to facilitate and retain investments, and to promote themselves and the region, hence, to attract investment.

Furthermore, various institutions, such as MIGA or COMESA's own African Trade Insurance Agency (ATI), provide political risk and trade credit risk insurance products with the objective of reducing the business risk and cost of doing business in Africa. It is worth noting that ATI has secured an investment grade rating of 'A' from Standard & Poor's.

Additionally, the ease of doing business is often cited as one of Africa's main investor concerns. Should more COMESA countries follow Egypt's example of cutting red tape and streamlining the business environment?

African governments understand the reality that creating a conducive business and investment environment is a key prerequisite to attract both domestic and foreign investment, and encourage businesses to expand. As such, an increasing number of African countries have been putting private-sector-led growth at the heart of their development agenda, and adopted aggressive reform programmes to meet the needs of domestic and international businesses operating in their countries.

The results of these efforts are clear to the international business community, as can be seen for example in the World Bank's 2017 Doing Business report, which details how 37 out of 48 Sub-Saharan African countries have implemented serious reforms.

For example, Mauritius was able to reduce the number of days needed to build a warehouse to 156, compared to 183 in France and 222 in Australia. Rwanda is now the 2nd-easiest location globally to get credit and it is possible to transfer a property in Kigali in only 12 days.

Mauritius is ranked 49th and Rwanda 56th in the World Bank's Doing Business report, ahead of many developed countries.

Likewise, various COMESA Member States including Burundi, DR Congo, Djibouti, Egypt, Kenya, Uganda, and Zambia have figured among the World Bank's Doing Business report's top 10 business reformers in the past few years, which reflects COMESA Member States' eagerness to offer investor-friendly environments.

How has the COMESA Free Trade Area impacted intra-bloc trade? What more could be done?

The COMESA Free Trade Area (FTA) has so far achieved trade liberalisation and facilitation through the reduction and elimination of tariff and non-tariff barriers between its Member States.

This enabled intra-COMESA trade to increase considerably following the FTA's launch in 2000.

In pursuing the COMESA vision, trade liberalisation and market integration have been a central part of COMESA's initiatives.

Indeed, since its establishment, a total of $180bn has been traded within the bloc, which is primarily a result of an all-encompassing market integration programme which has included the founding of specialised institutions, removal of trade barriers, policy harmonisation initiatives, among many others.

According to COMESA's Statistics Unit (COMSTAT), in 2016, countries that recorded a positive growth in their intra-COMESA total exports were Seychelles (584%), Djibouti (94%), Comoros (89%) and Madagascar (39%).

Despite these positive numbers, we are still far from our potential in terms of intra-bloc trade numbers.

As such, a number of key interventions and initiatives have been proposed in the COMESA 2016–2020 Medium Term Strategic Plan, including supporting the Tripartite Free Trade Agreement, launching capacity-building programmes to enhance cross-border trade, One Stop Border Posts (OSBP), single customs transit bonds for COMESA car plate numbers, and moving forward with the COMESA Customs Union, among others.