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ZimTrade

Energising Zimbabwe's Export Growth

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3RD RWANDA-ZIMBABWE BUSINESS FORUM SET FOR MARCH IN KIGALI

Rwanda and Zimbabwe are set to deepen economic ties when the Governments and business leaders in the two countries engage during the High-level 3rd Rwanda-Zimbabwe Business Forum, set for 18-20 March 2024, in Kigali.

The event, which is organized by the country's trade development and promotion agency, ZimTrade, and the Rwanda Development Board, is expected to strengthen bilateral trade relations between Zimbabwe and Rwanda.

Following the successful hosting of the previous editions of the Business Forum, the event will provide a window for the two countries to explore new opportunities for collaboration in tourism, investment, and trade, marking a significant step forward in strengthening economic ties between the two African nations.

The inaugural event was held in Kigali in 2021, then dubbed the Rwanda-Zimbabwe Trade and Investment Conference, which saw the two countries signing several agreements to collaborate in areas of mutual economic interest.

Setting the tone of the inaugural Forum and future programmes, President Paul Kagame, said there is need for the two countries to come together, pull resources and knowledge, and reinforce one another.

The reciprocal event was held in 2022, with over 50 businesses from Rwanda engaging with potential partners in Zimbabwe, as well as tour some companies to better understand local manufacturing processes.

This year's event will strengthen business ties, as well as provide an opportunity for the Governments and private sectors in the two countries to take stock of the progress achieved to date.

The Zimbabwean Government and business delegation will be by the Minister of Foreign Affairs and International Trade, Hon. Fredrick Shava, who will be accompanied by the Minister of Industry and Commerce, Minister of Tourism and Hospitality Industries, and other Government Ministries, Departments, and Agencies.

The inaugural Rwanda-Zimbabwe Business Conference was held in 2021 in Kigali, then dubbed Rwanda-Zimbabwe Trade and Investment Conference.

A reciprocal event was then held in Harare in 2022, officiated by President Mnangagwa.

During the first Business Forum, ZimTrade and Rwanda Development Board signed a Memorandum of Understanding (MOU) in 2021.

Part of the resolutions in the MOU signed between ZimTrade and RDB was to increase collaboration opportunities that would foster trade and investment by holding the business forum annually, interchanging host countries.

The MOU seeks to provide targeted support to strengthen the capacity and improve the competitiveness of small and medium enterprises to produce products with potential in Rwanda.

The business forum will provide a space for Zimbabwean companies to exchange information, identify and build partnership with Rwanda companies.

Along with ZimTrade in 2021, Zimbabwean Government officials and the Private Sector Federation signed agreements with their Rwanda counterparts in the areas of commercial and economic relations, trade and investment, as well as energy.

The main objective of this event is to follow up on the implementation of previously signed MOUs between Rwandan and Zimbabwean institutions, to identify new opportunities for trade and investment in various key sectors and to create trade linkages and unique matchmaking opportunities.

The Business Forum is expected to bring together the private and public sectors of both countries to exchange current trade and investment-related information as well as to consolidate existing partnerships.

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RWANDA-ZIMBABWE BUSINESS Forum

Theme

Shared Prosperity: Harnessing Rwanda and Zimbabwe's Potential'

18-20 March 2024

Kigali Rwanda

Sectors invited

Manufacturing ,Mining, Tourism, Agriculture & Agribusiness, Education, Construction, Services, ICT, Finance and Transport

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NYANYADZI HONEY CLUSTER GEARED FOR ORGANIC CERTIFICATION

By Kingston Gwatidzo

Farmers in Nyanyadzi rural area of Manicaland are set for organic certification, which will allow them to earn a premium value in regional and international exports.

The certification project is being spearheaded by ZimTrade, as part of its cluster development programme that is targeted at integrating rural communities in mainstream export business.

The cluster development programme identifies honey as one of the products that can anchor rural industrialization in Zimbabwe.

The Nyanyadzi Honey Cluster has been the centre of apiaries in the Manicaland Province, with a potential outreach of approximately 1000 local small-scale beekeepers.

The Cluster was established to assist producers in Nyanyadzi to be export-ready and export honey and honey products before the end of 2024.

The main assistance that ZimTrade has channeled towards the cluster has been the Organic Certification registration, which will see the cluster unlocking new markets both in the region and international markets.

ZimTrade has engaged local experts to train the local farmers and EcoCert to conduct the audit and certification process.

For the organic certification, 100 farmers in total will pioneer the project, with a total of 4 790 bee hives in the Chikwizi, Chikwakwa, Gudyanga and Nyanyadzi areas undergoing the certification process.

According to an online publication by BeeCulture, the current level of honey production in Zimbabwe is estimated at 70 000 litres per year from nearly 16 000 bee farmers across the country.

The price of honey varies depending on the quality, packaging, and demand with the retail price range for Zimbabwe natural honey ranging between US$ 7.89 and US$ 14.80 per kilogram.

The wholesale price range is between US$ 5.52 and US$ 10.36 per kilogram, also depending on the variety and quality.

Export markets have shown high levels of demand for organic honey and with the certification process already underway, new markets are bound to be opened for exports.

Organic honey is sought after because of its health benefits as antimicrobial, antiviral, antioxidant, antimutagenic, antitumor, antiparasitic and anti-inflammatory properties.

It is also deemed as a natural source of carbohydrates, proteins, enzymes, minerals, amino acids, vitamins, and antioxidants with the major consumers of organic honey are found in cosmetics, pharmaceuticals and beverages sectors.

In the regional market honey is exported to neighbouring countries such as South Africa, Botswana, Zambia, and Mozambique.

In the International market, countries with potential include United Kingdom, Germany, France, Japan, and China.

Germany is the largest importer of natural honey worldwide, with imports amounting to a value of about US$794.28 million in 2022.

Germany also has a high domestic consumption of honey, with an average of 1.1 kg per person per year.

The United Kingdom is the second-largest importer of natural honey worldwide, with imports worth US$334.3 million in 2022.

The UK also has a high demand for organic honey, especially from the pharmaceuticals sector. The average consumption of honey in the UK is 0.6 kg per person per year.

France is the third-largest importer of natural honey worldwide, with imports valued at US$268.4 million in 2022.

France also has a strong preference for organic honey, as it accounts for 10% of the global market share.

The average consumption of honey in France is 0.9 kg per person per year.

The international market requires high standards of quality, certification, and traceability of honey products.

The process of certification that EcoCert will take the farmers through includes training for the farmers and adherence to organic honey standards.

Some organic honey standards that the farmers must consider deal with pesrfollow include:

- The honey must be produced from nectar that comes from plants that are not treated with synthetic pesticides, herbicides, or fertilizers.
- The honeybees must have access to a large area of organic forage and must not be exposed to any sources of pollution or contamination.
- The beekeepers must not use any antibiotics, chemicals, or synthetic substances on the bees or the hives. They must also have well documented records of the beehives and the harvesting records of the bee hives.

For the small-scale holder farmers in the Chimanimani region having an organic certificate for honey means that the honey will have an assurance seal that it is produced according to certain standards and conditions that ensure its quality, purity, and sustainability.

3

A NEW SYSTEM TO REVOLUTIONIZE PAYMENTS IN AFRICA.

By William Gaviyau

Imagine a centralized platform for payments and settlements related to intra-African trade!

Historically, conducting business in Africa has been a challenge because of issues with making and clearing cross-border payments.

Payments are made in denominated foreign currencies (such as US$, GBP or Euro) and take a long time to process.

Also, they are costly because the current financial system requires using correspondent banks. For this reason, the African Continental Free Trade Area (AfCFTA) Secretariat and the African Export and Import Bank (Afreximbank) created the Pan-African Payment Settlement System (PAPSS), which allows for instantaneous cross-border payments in local currency.

In addition to facilitating payments, PAPSS supports the Africa Continental Free Trade Area accord (AfCFTA) and formalizes informal cross-border trade.

The goal of this is to promote trade and commerce between corporate and retail clients. This financial market infrastructure facilitates real-time settlement of intra-African trade and payments in African currencies, across the continent.

By uniting central banks from across Africa, PAPSS seeks to address the existing challenges faced by African businesses and individuals in accessing efficient and cost-effective cross-border payment services.

Thus, revolutionize cross-border payments, making them faster, cheaper, and more secure than ever before.

In terms of outlook, PAPSS will address the challenges and facilitate intra-African trade by providing an alternative to the current expensive and lengthy correspondent banking relationships, through a simple, low-cost and risk controlled instant payment clearing and settlement system.

By using the system, corporates, small businesses, and individuals will have access to instant/near-instant payments for cross-border transactions without currency conversion hassles.

The users of the system will also be able to fund their trade obligations as against the current fragmented client's foreign exchange purchase model.

For financial intermediaries (banks and payment service providers), the system simplifies the process reduces costs and complexities of foreign exchange for cross-border transactions between African markets.

Furthermore, for Governments and Central Banks, the system removes the dependencies on third currencies and correspondent banking thereby facilitating intra-African trade.

This eases pressure on current accounts and demands for foreign exchange liquidity. Regarding rollout, PAPSS has steadily expanded its footprint in Africa, establishing itself in four regions.

This network includes 13 central banks, with six in the West African Monetary Zone (Nigeria, Ghana, Guinea, Gambia, Liberia, and Sierra Leone), three in East Africa (Kenya, Rwanda, and Djibouti), three in Southern Africa (Zimbabwe, Zambia, and Malawi), and one in North Africa (Tunisia).

This payment system brings together a network of central banks, commercial banks, payment service providers, and other financial intermediaries, fostering economic benefits by simplifying the payment landscape across the African continent.

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PRODUCT FOCUS: INDUSTRIAL HEMP

By Archford Mabuka

Traditionally, tobacco has been a major export product in Zimbabwe as it has had ready export markets and the country exports up to 98 percent of its tobacco, with only two percent of the produce sold to local cigarette manufactures.

However, to complement these exports and diversify the export range, the government is also promoting the growth of industrial hemp as an alternative due to its broad uses in industry.

Tobacco farming has often been associated with detrimental effects on the environment and on the health of farm workers.

Article 18 of the 2.6.1 Framework Convention on Tobacco Control (FCTC) indicates the need for alternatives crops to tobacco to protect the environment in respect of tobacco cultivation and manufacturing,

There is usually a confusion between industrial hemp and marijuana which is based on the visual similarities of widely differentiated varieties of plants.

Industrial hemp is high in fiber and low in active tetrahydrocannabinol (THC), the psychoactive ingredient in marijuana that makes some cannabis varieties a valued drug.

According to the Agricultural Marketing Authority (Industrial Hemp) Regulations, 2020, the THC should not exceed 0.3%.

Industrial hemp is from the plant species Cannabis sativa and has been used worldwide to produce a variety of industrial and consumer products.

Hemp is a source of fiber and oil seed.

In Zimbabwe production of Hemp is regulated, and to be a producer, the grower must obtain a permit from Agricultural market Authority (AMA).

Manufacturing Diversification

Fibers that are extracted from industrial hemp can produce textiles which can be used to manufacture clothes, shoes whilst Industrial textiles can be used to produce ropes, nets, carpet, and tarps.

Hemp fibers are gaining popularity as exceptionally strong and durable textile materials, serving as a viable alternative to cotton and synthetic fibers in the textile industry.

Industrial Hemp can also be used in industrial products such as automotive parts, paper and building materials.

The high demand from the textile industry is a key factor driving the industrial hemp market growth.

The leaves of industrial hemp can be used in farming and landscaping through mulching, composting, and animal bedding.

Another by-product is hemp oil which can be used as food and in cosmetics where the product is used to produce soaps and beauty products such as moisturizers.

The seeds can also be used as seed cake, protein flour and even animal feed.

Industrial hemp market potential

According to Trade Map, the global imports of hemp amounted to US$30.3 million in 2022 down from US$41.7 million in 2021.

However, Data Bridge Market Research analyses that the global industrial hemp market, which was US$6.7 billion in 2023, is expected to reach US$31 billion by 2031.

The global average import price amounted to US$1,071 per tonne in 2022, with Germany importing at US$735 per ton and United Kingdom importing at US$1,488 per ton.

However, other countries such as Japan, Turkey and Pakistan may import at an average price of over US$3,000 per ton.

In Africa, industrial hemp is a concept still gaining traction.

In 2018 the continent imported industrial hemp worth US$120,000 and the figure went up to US$471,000 in 2022.

During the same period, Africa's exports of industrial hemp have been increasing from US$406,000 in 2018 to US$3.7 million in 2022.

Major exporter of industrial hemp in Africa is South Africa, accounting for over 35 percent of Africa's exports.

Since the legalising of industrial hemp production in Zimbabwe in 2020, exports have also been growing from US$9,000 in 2021 to US$195,000 and the country mainly exports to South Africa.

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MARKET FOCUS: KINGDOM OF SAUDI ARABIA

By Velile Dube

Saudi Arabia is responsible for a quarter of all Arab GDP.

With a population of 32 million, Saudi Arabia is the dominant nation in the Gulf region.

It is home to a vast abundance of natural resources, a flourishing ex-pat community of six million workers, and one of the fastest growing per capita incomes anywhere on earth.

Such enormous wealth offers huge potential for Zimbabwean exporters.

Oil is still king, but this fast-growing market is taking bold steps to diversify its economy away from oil and gas dependency.

Saudi Arabia's bold 'Vision 2030' project aims not only to cut oil dependency by 2030, but to also liberalise its economy, create a larger private sector and undertake crucial economic reforms.

As Saudi Arabia continues this path of economic diversification, there are great opportunities for Zimbabwean businesses to export our world-leading experience and expertise.

Often quoted are headline trade opportunities in horticultural produce, essential oils, clothing and textiles, leather and leather products, services, healthcare, education, retail, energy, and construction.

As for services, tourism and hospitality are sectors of significant growth and an opportunity that can be exploited for success.

Exporting to any country can pose challenges, from navigating cultural issues and building business relationships, to ensuring legal compliance and securing trade finance.

That's why ZimTrade, is the first centre of call to exporters who want to explore new markets.

Trade opportunities in Saudi Arabia

With 16 percent of the world's oil resources, Saudi Arabia is the world's largest petroleum exporter.

Oil accounts for 87 percent of budget revenues, 42 percent of GDP and 90 percent of export earnings.

Education is a national priority, focused on the country's young people, who often lack the education and technical skills required by private business.

Zimbabwean educationalists can capitalise on the fact that in recent years, approximately a quarter of the country's budget has been earmarked for education and training.

Another key issue in Saudi Arabia is its shifting demographic profile in the wake of its recent population boom - around 60 percent of the Saudi's population are under 20 years old.

Zimbabwean exporters can capitalise on the fresh produce to supply their growing population.

Already Zimbabwe has increased its fresh produce exports to the UAE market, and existing networks to this market can be used to unlock further opportunities.

The UAE and Saudi Arabia are both part of the Gulf Cooperation Council (GCC), which is a regional economic and political bloc.

The GCC has established a common market, which allows for the free movement of goods, services, and capital among its member states.

This means that products traded in the UAE can often be easily transported to Saudi Arabia.

Local exporters can use this avenue to get their fresh produce to the growing population of Saudi Arabia through an already established UAE market.

Documentation requirements

The documents required for exports are Arab Certificate of Origin (authenticated at a local Chamber of Commerce and translated into Arabic), Saudi Arabian Customs Invoice, an authenticated invoice (in triplicate), clearly stating the country of origin, name of the carrier, brand and number of goods, and a clear description of the goods, including weight and value.

Also required are a Bill of Lading, insurance documents and Saudi Arabian Standards Organisation (SASO) Certificate of Conformity, issued by an approved certification body like Bureau Veritas.

Visas are required by all visitors to the country except nationals of Gulf Co-operation Council states.

Visitors should have a passport with at least 6 months validity after the date they plan to leave Saudi Arabia.

Travellers are sometimes caught out with visa expiry because these are issued in accordance with the Muslim Hijra calendar, not the Western Gregorian, and months are shorter.

Business visas are required for those taking part in trade missions.

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PRODUCT DIVERSIFICATION WILL ENHANCE EXPORTS.

By Kupakwashe Midzi

Zimbabwe has, over the past couple years, continued to put its eggs in one basket, with its dependence on mineral exports for foreign currency earnings.

In 1992, the country's export product composition was quite diversified, with the top ten including not only mineral and mineral related products but also exports of tobacco, textiles, agricultural products, clothing, processed foods and beverages, chemicals and leather and hides.

In 1992, the top 10 exports constituted 90 percent of Zimbabwe's total export bill.

However, this picture has since shifted towards an entire dependence on minerals.

In 2023, Zimbabwe's exports of minerals and alloys accounted for just under 76 percent of the country's total exports followed by unmanufactured tobacco at 16.5 percent.

This presents a worrying situation for the country in its dependence on primary products because it raises the instability of terms of trade with potential consequences on the country's trade and economic growth.

High dependence on a few export products puts a country at risk, as effects of any changes (economic, political, policies amongst others) that may take place in the markets for such commodities will filter through to the exporting country.

On the other hand, a lower product concentration reduces a country's vulnerability to such external economic shocks when there are negative developments in the global market.

If the mining sector sneezes, the entire country will catch a cold.

This is even more challenging because the commodities are exported in their raw form which speaks to lost potential for value addition and unlocking more value in export receipts for the country.

The prices of the commodities the country exports most are determined externally as such if the international prices fall, the country also risks losing export receipts through reduced foreign currency earnings despite increased production.

Countries that are commodity dependent or have a narrow export basket usually face export instability which arises from inelastic and unstable global demand.

As such, export diversification is one means to alleviate these challenges.

Diversification of exports and the country's economic dependence is important for Zimbabwe as it builds a resilience of countries to absorb external economic shocks.

Various studies have also shown that countries with more diversified exports generally experienced faster economic growth; therefore, variation in export diversification levels explains the observed growth differences across Africa.

Export diversification refers to the move from "traditional" to "non-traditional" exports and in the Zimbabwean case, this points both to product diversification which is increasing the basket of commodities the country exports as well as market diversification which is increasing the number of markets the country exports to.

Diversification can also enhance growth and the potential for structural change.

For example, a shift towards development and promotion of value-added products creates a huge potential for industrial revolution within the economy and a shift from being simply agriculture based to an industrial economy which might have agribusinesses as one of the cogs in the machine.

Export diversification in the direction of more sophisticated products will be beneficial for Zimbabwe's economic development.

By diversifying the export portfolios, the country can potentially access a more stable revenue stream than by concentrating on just a few products and markets.

For the country to meet the export growth targets, there is a need for rapid export growth, which will in turn require progressive improvements in competitiveness and a diversification of the country's export base.

Thus far, the country has managed to surpass the 2023 target, however in order to be guaranteed of meeting the 2030 target, developing manufactured and value-added products is the way to go.

In a bid to grow and diversify the country's exports, ZimTrade has been focusing on facilitating product diversification through several initiatives and development programs to assist local businesses to embrace non-traditional exports.

One of the key focus areas is identification of such products which, with some assistance and development, have the potential to make their mark on Zimbabwe's exports.

Through such activities, promotion of exports of products such rock melons, which haven't been traditionally grown commercially in Zimbabwe have since been taken up.

Promotion of other products such as blueberries continues as well, with local value addition of the fruit into products such as jams also taking shape locally.

7

ETHICAL SOURCING:
EMPOWERING AFRICAN BUSINESS IN INTERNATIONAL TRADE

By Sheron Chingonzo

In the global village we live in, things are getting more integrated, and consumers are becoming more sensitive to the products and services they purchase.

With the rising consumer base and dwindling resources – coupled with species under threat of extinction due to overharvesting, the concept of ethical sourcing is standing out to be one of the most increasingly important facets of international trade.

Due to an increased focus on the social and environmental value of consumer purchases, there is more pressure on businesses to interrogate and govern their supply chains responsibly.

For African countries, these new standards might pose challenges if not considered in production processes.

Companies that are quick to adapt, the new standards present immense opportunities in the world of international trade.

Ethical sourcing is based on several principles such as transparency and traceability in supply chains, respect for human rights and fair labour practices, and environmental sustainability and resource conservation.

Consumers are leaning more towards brands or companies which show transparency and accountability, especially in the Western markets.

As such, if they are to retain the consumer's trust and brand reputation, then the companies have no choice but to integrate ethical considerations practices into the supply chain and businesses.

The question of ethics is quite essential to African businesses in that it accords them with a competitive advantage and access to the market. It is therefore safe to say that African countries that successfully unlock their special resources and adopt sustainability can then position themselves as responsible and reliable partners in the global economy and stimulate inclusive development and economic growth.

The case of Africa

Opportunities do exist for African businesses since the emerging recognition of ethical sourcing practices in the region is going hand in hand with the growth of consumption.

African countries are endowed with abundant natural resources and diversified products and services that are very attractive in the international market.

In the case of Zimbabwe, our horticultural produce is one of the most preferred from Africa in the European market.

There is also huge potential for growth, particularly in the high value - added segments of processed foods, textiles, and renewable energy technologies.

However, more and more, buyers have been calling for increased traceability and ethical sourcing to ensure their consumers know what they are consuming and where it came from.

Buyers now require for packaging to have clear traceable details and will interrogate the way raw materials and ingredients were sourced as well as if good labour practices were followed.

These products, therefore, need to be exported through businesses that follow international ethical guidelines that suit the intended destination market.

One of the major ways in which African businesses can conform to these global demands is through certification schemes as well as standards conformity.

Certification schemes such as Fair Trade, Rainforest Alliance, as well as Organic, ensure ethical production as well as environmental sustainability.

These certifications will be very appropriate marks to distinguish products from Zimbabwean and African businesses as a whole and give them a competitive advantage.

Furthermore, companies investing in sustainability practices, give themselves a chance to strengthen their market access, as well as help them to build long – term resilience in their targeted markets.

All these sustainable practices are not just environmental risk mitigants but are sources for exporters to experience cost - saving and operational efficiency.

8

NAVIGATING NON-TARIFF BARRIERS TO TRADE IN SADC

By Gugulethu Mpofu

Yes, we know it is standard operation at this point.

You have been exporting so long that these systems have become intuitive, a part of standard procedure.

The intricacies have been worked into your existing system for so long you don't even remember why and how.

We also know that as a Zimbabwean business looking to expand your operations across the Southern African Development Community (SADC), you face hurdles beyond just tariffs.

No matter where you fall on this spectrum, the understanding on the mechanisms used to liberalise Trade in the SADC region and will assist businesses in utilising appropriate recourse where non-tariff barriers may disproportionately affect their operations within the region.

The SADC agreement establishes a free trade area within the SADC region.

Member states have committed to removing tariffs and non-tariff barriers to trade in goods and services.

The agreement provides for the gradual elimination of tariffs on goods and services traded within the region.

Once goods have entered any SADC country under the Free Trade Aare, they can move freely within the region without further duty payments.

These agreements are formed for remove trade barriers, which are imposed by governments to restrict the movement of commodities and services across national borders.

These barriers can be put in place for several reasons, such as safeguarding national security, addressing social or environmental issues, or protecting domestic enterprises.

To effectively manage the complexity of international commerce, firms and policymakers must have a thorough understanding of the many forms of trade obstacles.

Non-tariff barriers, though less apparent, can prove just as challenging to overcome.
Non-tariff barriers (NTBs) refer to restrictions that impede trade through mechanisms other than tariffs.

They include measures such as quotas, embargoes, sanctions, and levies.

By understanding what constitutes a non-tariff barrier, learning how to identify them, and leveraging on trade agreements like the SADC Trade Protocol and organizations like ZimTrade, you position your company for success in the regional market.

Sanitary and Phytosanitary Measures

Sanitary and phytosanitary (SPS) measures aim to protect human, animal and plant life but are sometimes misused as barriers to trade.

As an exporter, familiarize yourself with the SPS measures of your target market and ensure your goods meet the required standards.

Businesses must work closely with agencies like ZimTrade to identify and address SPS issues.

Sanitary and Phytosanitary Measures

To qualify for duty-free or reduced duty treatment under the SADC Free Trade Area, your goods must meet the rules of origin requirement, which determine the economic nationality of a product. Rules of origin consider factors such as where raw materials were sourced and the original value-added during production.

This means goods must be wholly produced in SADC or have undergone sufficient working or processing in the SADC region.

The rules of origin prevent goods from non-members entering SADC duty-free by routing them through member states.

Certificates of Origin must accompany goods to prove they meet the rules of origin.

Companies can access these Certificates of Origin at ZimTrade Offices in Harare, Bulawayo, and Mutare.

Customs documentation and licences

Complicated customs procedures and excessive documentation demands can pose barriers to trade.

Zimbabwean exporters should be well versed in the customs laws and documentation required by the destination market.

Further to this, some SADC countries require import licenses for certain goods.

As an exporter, you must determine if your product requires an import license and comply with the licensing procedures of the importing country.

Licensing processes can often be lengthy, complex, so engage with ZimTrade to address this potential barrier.

9

UNDERSTANDING INCOTERMS FOR SUCCESSFUL EXPORTS

By Kudakwashe Tirivavi

Exporting your products to the global market can be an exciting and rewarding venture, but it also comes with complexities.
One crucial aspect of any international trade deal is defining the responsibilities and obligations of both the buyer and seller regarding the delivery of goods.

This is where the International Commercial Terms (Incoterms) come in, a vital tool for successful and smooth exports.

Think of Incoterms as a "common language" for international trade.
Developed by the International Chamber of Commerce (ICC), these standardized terms clarify costs, risks, and responsibilities involved in delivering goods across borders.

By specifying the chosen Incoterm in your contract, both parties gain a clear understanding of who does what, when, and where.

The maze of Incoterms

Incoterms are currently in their 2020 edition, offering 11 clearly defined terms categorized into four groups: E terms, F terms, C terms and D terms. Each Incoterm has specific implications for:

- Delivery: Where does the responsibility for delivery transfer?
- Risks: Who bears the risk of damage or loss during transport?
- Obligations: What are the tasks and documents each party needs to handle?
- Costs: Who pays for freight, insurance, customs clearance, and other expenses?

While Incoterms are invaluable for clarifying responsibilities and risks in international trade, it's crucial to understand their limitations.

They don't create the contract itself, specify the goods being sold, dictate payment terms, offer solutions for contract breaches, cover penalties for delays, or address issues like tariffs, restrictions, or unforeseen events like force majeure.

Additionally, they don't touch intellectual property, dispute resolution methods, or the transfer of ownership.

Think of them as guidelines for the delivery journey, leaving other aspects to be addressed elsewhere in your contract or by applicable laws.

By being aware of what Incoterms do and don't cover, you can leverage them effectively while ensuring your overall contract addresses all necessary aspects for a smooth and successful export experience.

A closer look at each group

Understanding the subtleties of each Incoterm group and the various terms within it is critical for selecting the Incoterm that best suits your risk tolerance, logistical preferences, and transaction type.
The following outlines their respective unique characteristics and practical applications:

- **Group E - EXW (Ex Works):**

  This term signifies minimal seller involvement, placing the goods at their premises for the buyer to take over completely.
  Think of it as "picking up from the factory door." While convenient for sellers, EXW shifts all responsibility and risks to the buyer, who arranges export clearance, loading, transport, and import formalities.
  Remember, this term is generally not recommended for international trade due to its limited seller obligations.

- **Group F - FCA (Free Carrier) and FAS/FOB (Free Alongside Ship/Free On Board):**

  In this group, the seller delivers the goods to a carrier chosen by the buyer, but the level of involvement varies.
  Under FCA, the seller clears the goods for export before handing them over at their location or another named place.
  FAS/FOB are maritime-specific, with FAS placing the goods alongside the ship and FOB requiring loading them onto the vessel.
  Both transfer risk to the buyer upon handover, making them suitable for situations where the buyer has expertise in international logistics.

- **Group C - CPT/CIP (Carriage Paid To/Carriage & Insurance Paid To):**

  Here, the seller takes on more responsibility, arranging and paying for carriage to a named destination without assuming risk after delivery to the carrier (ocean freight, air freight, trucking, or railway freight).
  While CPT covers carriage, CIP adds insurance for the buyer's benefit.
  Choosing between these depends on risk tolerance and whether buyer prefers to arrange their own insurance. Compared to Group F, the seller handles more, potentially at a higher cost.

- **Group D - DAP/DPU/DDP (Delivered At Place/ Delivered At Place Unloaded/Delivered Duty Paid):**

  This group offers the highest level of seller involvement, delivering the goods to the destination with varying degrees of import and unloading responsibilities.
  DAP delivers to the destination (delivering goods to an agreed-upon location) not cleared for import, and not unloaded, DPU adds unloading, and DDP clears customs and pays duties, making the seller the "importer of record."
  While convenient for buyers, these terms increase seller costs and risks, especially DDP, where hidden import charges can pose challenges

A closer look at each group

Choosing the optimal Incoterm for your export deal requires careful consideration of several factors.
The mode of transport you choose impacts cost, risk, and delivery obligations.
For example, DAP (Delivered At Place) involves land transport within the destination country, while FOB (Free On Board) focuses on maritime shipments.
Understanding your risk profile is crucial.
Are you comfortable assuming responsibility for the goods until they reach the buyer's doorstep (DDP - Delivered Duty Paid), or do you prefer to minimize your involvement (EXW - Ex Works)?
Payment methods also influence your choice.
If pre-payment is common in your industry, opting for a term like CIP (Carriage and Insurance Paid To) might be less relevant.
Beyond these direct considerations, factor in the regulations of the buyer's country, including import restrictions and customs clearance procedures.
Consider normal practices in your industry and region.
For instance, FOB might be the default for maritime exports in your sector.
Documentary requirements also play a role.
If providing specific documents is crucial, ensure the chosen Incoterm clearly outlines those requirements.
Ultimately, the decision boils down to balancing control of the transaction with cost control.
Do you prioritize streamlined delivery (potentially at a higher cost) or lower expenses with less control?
Remember, country constraints matter too.
Can you efficiently handle import duties and other complexities in the buyer's country under certain Incoterms?
Finally, prioritize keeping the customer happy.
While cost-effectiveness is important, choose an Incoterm that aligns with your buyer's expectations and preferences.
Open communication and collaboration are key to a smooth transaction.

REGIONAL TENDERS

BELOW IS A LIST OF INTERNATIONAL COMPETITIVE TENDERS CURRENTLY BEING FLIGHTED IN THE REGION.

BOTSWANA

PURCHASER: CEDA FINANCE DEVELOP SUSTAIN

Bidding type: International Competitive Bidding
Tenders are Invited for supply and delivery of office furniture for New Gaborone Branch. Budget amount: P105,250.00.
Tender Notice ADM 003
Email: feedback@ceda.co.bw
Closing Date: March 31, 2024
More details on https://bit.ly/3szupbp

PURCHASER: BOTSWANA POWER CORPORATION
Bidding type: International Competitive Bidding
Provision of detailed engineering design, procurement, construction and commissioning for the proposed 290km, 400kv transmission line from Dukwi to Pandamatenga for the north-west transmission grid connection project.
Tender Notice 5775/22-02
Email: contactcentre@bpc.bw
Closing Date: April 24, 2024
More details on https://bit.ly/3szupbp

PURCHASER: CEDA FINANCE DEVELOP SUSTAIN

Bidding type: International Competitive Bidding
Tenders are Invited for provision of Employee Performance Management System. Budget Amount: P376,660.00
Tender Notice Con006
Email feedback@ceda.co.bw
Closing Date: November 23, 2024

PURCHASER: CEDA FINANCE DEVELOP SUSTAIN
Bidding type: International Competitive Bidding
Tenders are Invited for Architectural Services for New Ceda Tutume Branch: Amount P15,000,00.00
Tender Notice Con002
Email: feedback@ceda.co.bw
Closing Date: November 23, 2024

GHANA

PURCHASER: NATIONAL PENSIONS REGULATORY AUTHORITY (NPRA)
Bidding type: International Competitive Bidding
Procurement of consultancy Services for the Establishment of National Databank on Pensions.
Tender Notice GR/NPRA/QCBS/002/2024
Email: n/a
Closing Date: April 18, 2024
More details on https://bit.ly/3LWaxbt

KENYA

PURCHASER: KENYA OFF-GRIP SOLAR ACCESS

Bidding type International Competitive Bidding
Tenders are invited for Project Kenya: Off-grid Solar Access Project for Underserved Counties
Tender Notice TF 0B5548
Email: n/a
Closing Date: July 12, 2024
Phone number +254 718 130 909
More details on https://bit.ly/3L9MjJD

PURCHASER: THE KENYA NATIONAL HIGHWAYS AUTHORITY (KENHA)

Bidding type International Competitive Bidding
Tenders are invited for Provision of Auditing and Financial Software Solutions.
Tender Notice KeNHA/S/55
Email: dg@kenha.co.ke
Closing Date: September 30, 2024
More details on https://bit.ly/3L9MjJD

MALAWI

PURCHASER: NATIONAL OIL COMPANY OF MALAWI (NOCMA) LIMITED

Provision of Independent Fuel inspection Services.
Bidding type: International Competitive Bidding
Tender Notice n/a
Email: info@nocma.mw
Closing Date: April 30, 2024
Phone number n/a
More details on https://bit.ly/3svL0Nj

PURCHASER: NATIONAL OIL COMPANY OF MALAWI (NOCMA) LIMITED

Provision of Power Backup Maintenance Services
Bidding type: International Competitive Bidding
Tender Notice n/a
Email: info@nocma.mw
Closing Date: April 30, 2024
Phone number n/a
More details on https://bit.ly/3svL0Nj

ZAMBIA

PURCHASER: ZAMBIA REVENUE AUTHORITY

Bidding type: International Competitive Bidding
Tender details: Tender for the Supply, Installation, and Configuration of High-Resolution CCTV Cameras for Katima Mulilo, Chirundu, Nakonde, Kipushi and Mpulungu Border Stations for Zambia Revenue Authority.
Tender Notice 1010/13867/ZRA//ONB/2024
Email: mwiingaj@napsa.co.zm
Closing Date: March 05, 2024
More details on https://bit.ly/3ijRZ8x

PURCHASER: ZAMBIA NATIONAL BUILDING SOCIETY

Bidding type: International Competitive Bidding
Tender details: Tender invited for Tender for the Provision of Insurance Brokerage Services to ZNBS on three (3) years running contract.
Tender Notice 1009/29977/ZNBS/S/23/8
Email: procurement@znbs.co.zm
Closing Date: March 05, 2024
More details on https://bit.ly/3ijRZ8x

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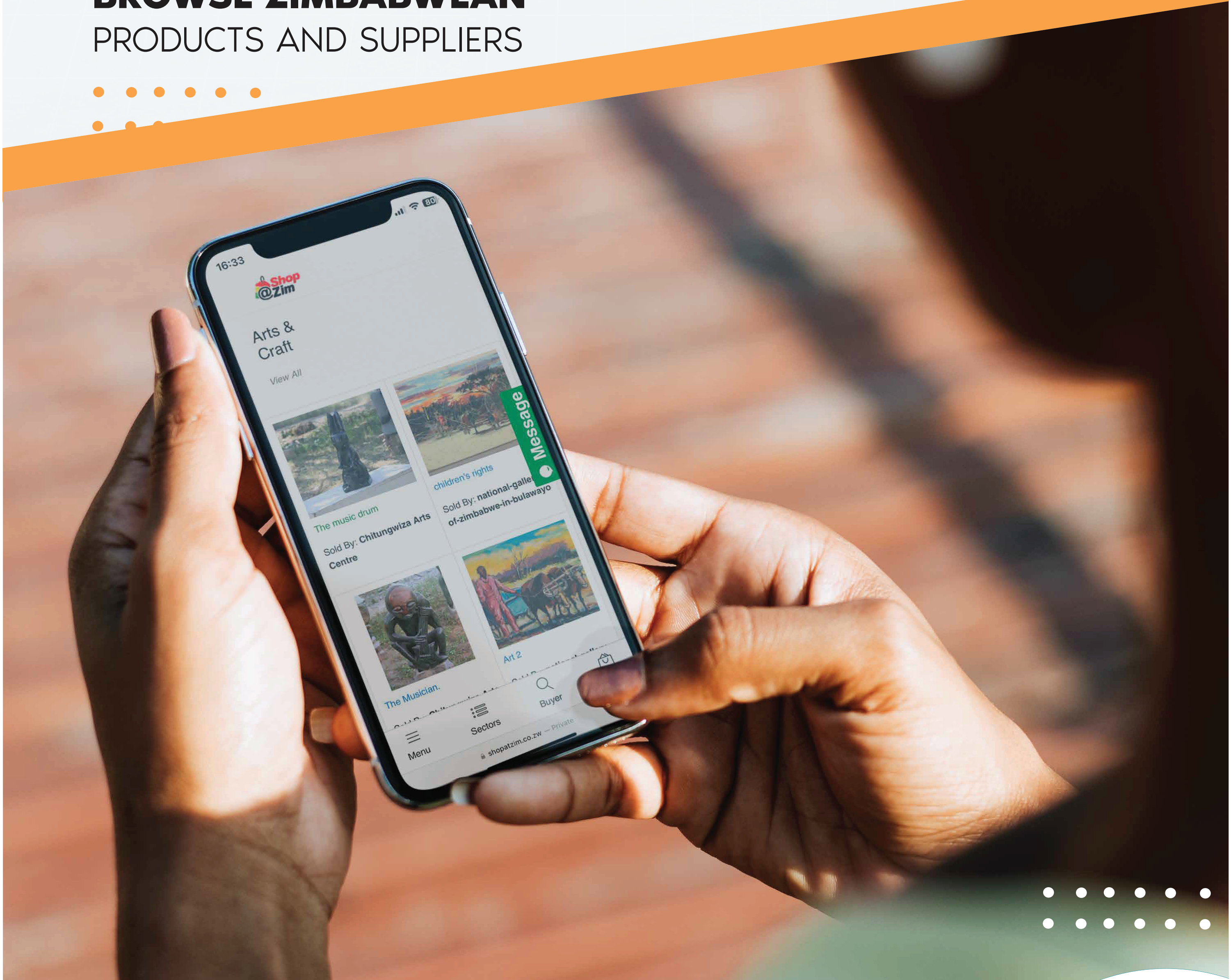

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