



# EAST AFRICAN COMMUNITY

## INVESTMENT PROFILE & OPPORTUNITIES:

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### 1. ABOUT EAST AFRICAN COMMUNITY:

The East African Community (EAC) is the regional intergovernmental organization of the Republics of Burundi, Kenya, Rwanda, Tanzania and Uganda, with its headquarters in Arusha, Tanzania. The Treaty for Establishment of the East African Community was signed on 30th November 1999 and entered into force on 7th July 2000. The EAC aims at widening and deepening co-operation among the Partner States in political, economic and social fields for their mutual benefit. To this extent, the EAC countries established a Customs Union in 2005, a Common Market by 2010, and are in the process of negotiating a Monetary Union by 2012 and ultimately a Political Federation of the East African States.

### 2. WHY INVEST IN THE EAC?

Across Africa, the EAC region has positioned itself as a location for investment with a dynamic and diversified economy. The following are general characteristics of the EAC that make it an ideal investment destination:

#### i. Market Size and Market Access:

Given its deepening and widening integration process, with its Customs Union now in its 7<sup>th</sup> successful year; a Common Market in its 2<sup>nd</sup> successful year and the drive to harmonise monetary and fiscal policies, the EAC offers potential investors the 2<sup>nd</sup> largest single market in Africa of around 130 million consumers.

- Total intra-EAC trade has continued to grow following the establishment of the EAC Customs Union on 1<sup>st</sup> January 2005. Total Intra EAC trade grew from US1,617.1M in 2006 to US3,800.7M in 2010, more than 100% increase in 5 years.
- The increase in total intra EAC trade has also seen the share of intra EAC trade in total trade rise from 7.8% in 2006 to around 11.38% in 2010. Though this still remains low, the trend is appreciable and will continue given the deepening integration.

The internal market is not all there is to the EAC: The region is well located for access to African markets, with Tanzania alone sharing its borders with 8 other countries and Nairobi having a large number of airlines flying to and from many overseas destinations. Through Burundi, Kenya, Rwanda & Uganda, investors have access to the COMESA market of 385M consumers and, through Tanzania, to the SADC market of 215M for export products. This will further be enhanced once the Tripartite Free Trade Area that will bring together the COMESA, EAC and

SADC Regional Economic Blocs is established, by 2014. Additionally, all the EAC Partner States also have preferential access to the EU market and qualify under AGOA for access to the US Market for a variety of products.

**ii. A Stable Environment Conducive to Investment:**

Politically as well as economically, the EAC offers a stable environment, marked by democratically elected governments, low inflation and steady growth. In addition, since the 1980s, the EAC countries have undertaken comprehensive economic reforms aimed at reducing direct government intervention in the economy and stimulating the growth of the private sector, recognized as the engine of economic growth. The EAC is the world's fastest reforming region in terms of business regulation. These reforms have generally enhanced private-sector involvement in the economy. Additionally, all Partner States offer insurance against non-commercial risk through the Multilateral Investment Guarantee Agency (MIGA) and Africa Trade Insurance Agency (ATIA); and sanctity of private property is guaranteed by national constitutions

Overall the GDP growth trends over the last five across the region has been consistently at an average rate of above 5% per year and has been higher and faster than the rest of the Sub-Saharan African countries. East Africa Community has a combined GDP of US\$ 78 billion.

All the Macro-economic indicators have all been stable in the last 5 years. The EAC region also offers educated, trained, mobile, skilled and enterprising workforce. English and Kiswahili are all spoken in the 5 Partner States.

**iii. Business Support Services:**

Each of the 5 EAC Partner States has an Investment Promotion Agency (IPA), which is responsible for promoting and facilitating both local and foreign direct investment. These are the Burundi Investment Promotion Agency, Kenya Investment Authority, Rwanda Development Board; Tanzania Investment Centre and Uganda Investment Authority. These agencies aim at offering a "one stop shop" that cuts through the hassle of having to deal with different offices for the various requirements before actually commencing business. All the IPAs offer a variety of incentives such as tax breaks to attract investment.

**iv. Reformed Financial Sector:**

All the EAC Partner States have over the years been undertaking financial sector reforms aimed at achieving macroeconomic stability and boosting overall economic growth. All the EAC Partner States have carried out deregulation of credit controls to ensure efficient allocation of credit among competing sectors. In addition, interest rates are no longer controlled by government

and most have removed bank entry barriers so as to increase the number of banks and therefore competition and efficiency. This has been coupled with partial privatisation of the state owned banks. The foreign exchange market has been liberalised and all Partner States (except Burundi) have a securities market. For investors, access to finance has improved over the years and big projects are now often funded through consortia of local banks. Stock Exchanges have become a vibrant source of funding for firms seeking expansion.

**v. Resources and Opportunities:**

EAC is endowed with both natural and business opportunities. Many parts of the EAC offer soil and climate conditions ideal for a variety of agricultural products, including tea, coffee and horticulture (fruits, flowers and vegetables). In tourism, all the Partner States have enviable natural resources, from the mountain gorillas in Rwanda, the wildebeests of Serengeti and Maasai Mara, a 2000km coastline and two major ports, to mention a few. In energy there is oil in Uganda and gas in Tanzania. Other opportunities are in mining, manufacturing and infrastructure and services.

**3. SPECIFIC INVESTMENT OPPORTUNITIES:**

Listed below are some of the areas that present massive investment opportunities across the 5 Partner States:

**i. Agriculture & Related Activities:**

Agriculture is one of the leading economic sectors in all the 5 EAC Partner States, providing a livelihood to about 80% of the combined population and contributing an average of just about 30% to the regional GDP. The climate, the soil and existing water supplies provide an excellent mix of resources needed for all kinds of agricultural farming.

For investors, opportunities exist in large scale farming for both food and cash crops (coffee, cotton, tea, sugar, pyrethrum, vanilla, cloves and other spices and horticultural and floricultural products, among others). There are also opportunities in value addition such as processing tea and coffee instead of exporting it in raw form, pre-packing of vegetables and ready to eat salads, mainly for the export markets. Additional opportunity to produce for specialty markets products like green tea, organic coffee, washed robusta coffee (which earns better than what the region currently exports) and pressed organic oils from sesame seeds, sunflower seeds, groundnuts and cottonseed.

In livestock related areas, opportunities exist in processing products-unusual like royal jelly from bee products, a product that has good market in Asian countries including Japan; in meat processing to meet international standards, and fish farming.

In terms of agricultural equipment, opportunities exist in supply / manufacture of irrigation equipment, cold storage facilities, greenhouse plastics, soil analysis equipment, propagation equipment and accreditation services to meet international market requirements on areas like traceability, organic products and post harvest technologies. Manufacturing of inputs like fertilizers, herbicides and pesticides, production of packaging materials and supply of agricultural machinery to the farms have huge business potentials for investment.

#### **ii. Tourism:**

Tourism is an important industry in the EAC countries and the sector continues to show vibrancy. The EAC is blessed with some of the finest natural assets in Africa, in particular beaches and wildlife. Established tourist activities are primarily safaris and beach holidays.. Opportunities exist in provision of more accommodation facilities of international standards in all the 5 countries; in ecotourism is yet to be exploited, in systematically developing cultural heritage sites and historical locations and in beach tourism, especially along the Dar es Salaam beach. Associated, activities such as deep-sea fishing, diving and sea and lake cruising and white-water rafting also present opportunities.

Opportunities also exist in supply of good quality hotel products such as furniture, beddings, toiletries especially for the high end market; rafts, fishing vessels and diving equipment. And of course tourists!

#### **iii. Infrastructure:**

For those who have done business in the EAC, they are aware that one of the main impediments to doing business in the EAC is the state and efficiency of infrastructure. The costs associated with telecommunication, ports inefficiencies, poor road and railway networks, costly power and prohibitive air travel often undermine the relative competitive advantage of the private sector in the region. Enhancing regional infrastructure presents major opportunities for investment.

- In the **Road Sector**, there are opportunities in the construction, maintenance and rehabilitation of roads and construction of bridges. Water transport in the region is underdeveloped and underexploited – there are opportunities for passenger and freight cargo on L. Tanganyika (Tanzania / Burundi); Lake Nyasa (Tanzania, Malawi, Mozambique). Population around these water sources is estimated at 30 million people, involved in fishing, agriculture and trading.
- In the **Air Transport Sector**, opportunities exist in modernising the air management systems under the Global Navigation Satellite System, construction of quality passenger terminals, strengthening parking aprons, extending taxiways and rehabilitating old runways. For potential exporters, opportunities exist for skilled manpower in the above areas and in supply of security control related equipment.

- In the **Port Sector**, opportunities exist in convention cargo operations such as stevedoring of non bulk containerised cargo; container transport, dockyard facilities, bunkering pipeline and development of other port terminals in Tanga and Mwanza. In terms of exports from OIC Member countries, opportunities exist in supply of cruise ships, port equipment like cranes and other gear. Under ports, another major opportunity exists in establishment of free ports, which I will discuss shortly as a separate item.
- **Energy** is the key import product for all the 5 EAC partner States. Yet the region has abundant untapped energy resources, which are far from being fully exploited. They include methane gas from L. Kivu in Rwanda, coal and gas reserves in Tanzania, Geothermal in Kenya, Oil in Uganda and in all countries, hydropower. Opportunities exist in generation, transmission and distribution from all these sources. Renewable energy, including solar, hydro and other innovative energy technologies present good investment opportunities especially given access to the grid is limited. Supply and manufacturer of equipment and accessories, such as prepaid metering and systems to reduce transmission loss, also exist.
- **Establishment of Free Ports** - the two available ports in the Community (at Dar es Salaam and Mombasa) are characterised by port delays and congestion. The Customs Union Protocol provides for the establishment of free ports within the community. The functions of these ports include the promotion and facilitation of trade, provision of facilities such as storage, warehouses and simplified customs procedures and provisions for the establishment of international supply-chain centres, which would enhance the Community's international competitiveness. Opportunity exists therefore to establish free ports at seaports, river ports and airports.

#### **iv. Mining:**

The EAC countries are richly endowed with a variety of mineral resources. Tanzania has diamonds, gold, base metals, gemstones and industrial minerals such as mica, limestone, graphite, among others; with many unexploited deposits. Kenya has gold, gemstones, soda ash, flouspar, diatomite and titanium. Uganda has copper, cobalt, tin, iron ore, limestone, phosphate, silica sand, sand gravel, granites and gneisses, among others. Rwanda has cassiterite, wolframite, gold, ambiligonite and semi precocious stones like topaz, corundurum, opal, agate, flint and rubies. Burundi on the other hand has gold, tin ore, tungsten ore, limestone, peat, cobalt, copper, feldspar, nickel, phosphate rock, platinum group metals (PMG), rare earth elements, uranium and vanadium. With an ever expanding international demand for minerals, mining therefore offers an opportunity for investment. Value addition of mined products offers good opportunities too. Mining equipment and related products offer a good opportunity for trade.

**v. Manufacturing:**

The EAC region is currently a net importer of manufactured products like machinery and transport equipment. All countries have incentives to attract investors in manufacturing such as manufacturing under bond, zero rating of most materials and duty and VAT remission schemes. Opportunities exist in manufacturing of automotive components (tyres, tubes, batteries, springs, filters etc), electronics (motors, circuit breakers, electrical fittings, cookers, dry cells, solar panels, capacitors etc), plastics and paper, pharmaceuticals, animal feed processing, chemicals (PVC resin from ethyl alcohol, carbon black, activated carbon, precipitated calcium carbonate, ink for ballpoints etc), cement, ceramics, among others, for both domestic and export markets. Supply of the necessary equipment and machinery to enable such manufacturing represents another opportunity.

**vi. Information and Communication Technologies Sector**

EAC region has prioritised usage and application of ICT related tools and applications, in both the public and private sector. Partner States have been investing in ICT infrastructure to promote connectivity and reduce related costs thereof and the necessary harmonisation of regulations governing the sector is taking place.

The growing use of internet in the EAC offers opportunity for investment in internet related hardware and software; in provision of value added services in imaging products, teleconferencing, data capture and processing, call centers for both inbound and outbound calls; wide range of Business Process Outsourcing activities; Education and Training; and ICT Habitat among others. E-business is still an area relatively young amongst the EAC Partner States, thereby underscoring its potential.

The above are just a few of the existing opportunities. Business to business match making and visits to the market will enable you investigate the opportunities further.