Support to the East African Community Integration Process

2016

HIGHLIGHTS • VOICES • REVIEW
2016 marked the transition from the 3rd to the 4th phase (2016-2019) of the development cooperation between the EAC and programmes funded by the German government and implemented by GIZ. German development cooperation has assisted the Community and the Partner States in their efforts to promote regional integration, to diversify their economies and exports and reduce poverty more effectively in the context of sustainable development. By creating a customs union, a common market and a common currency, the EAC is pursuing ambitious integration goals. Despite the fact that the biggest African economies exhibit little or no growth, GDP growth for the countries of the East African Community (EAC) averaged around 6% in 2016. With regard to the harmonisation of tax, a policy framework has been validated by Partner States which will now be integrated into the EAC domestic tax policy. The progress and remaining issues on these core areas are continuously reviewed in cooperation with the East African Business Council (EABC) and its members at conferences and within working groups supported by the programme.

The support to the implementation of the common market has been extended to assistance on the planned monetary union. ‘Macroeconomic Convergence’ supports the realisation of an East African Community Monetary Union through exchange at a high level on key lessons learned by the Euro Zone. The support also includes advice on the establishment and tasks of the planned institutions of the monetary union such as a Monetary Institute.

Effective ‘Integration Management’ through organisational strengthening of the EAC Secretariat remains the backbone for the success of the integration process. The certification of the EAC Secretariat to ISO 9001/2008 Quality Management System standards has been a major step in this direction. The effective use of communication and media tools and strategies complements the support of the management of the EAC integration.

The support to the implementation of the WTO agreement on trade facilitation had a positive effect on East Africa, and many measures have been agreed and started implementation. The member states have also agreed to accelerate liberalisation of services, including the movement of service suppliers. Several professions, e.g. lawyers and land surveyors, have agreed to mutually recognise professional degrees in 2016. Effective ‘Integration Management’ through organisational strengthening of the EAC Secretariat remains the backbone for the success of the integration process. The certification of the EAC Secretariat to ISO 9001/2008 Quality Management System standards has been a major step in this direction. The effective use of communication and media tools and strategies complements the support of the management of the EAC integration.

The programme continues its support to enabling framework for manufacturing of high quality and safe medicines in the EAC and to create an enabling environment for the cross-border portability of health care benefits in the EAC (‘Socio-Economic Integration’). The removal of barriers to market access and improvements of the legal framework for pharmaceutical manufacturers is at the forefront of cooperation. The EAC Social Health Protection Portability Strategy and Roadmap is expected to be in place by August 2017.

We look forward to continued cooperation and success in 2017.

Bernd Multhaup
Programme Manager ‘Support to the EAC Integration Process’

Dr. Kirsten Focken
Deputy Programme Manager and Cluster Coordinator for EAC Programmes

IIDEA incubates small-scale regional integration projects, proposed and implemented by civil society and private sector across East Africa and showcasing the achievements of integration to citizens. Through this fund 15 projects have been initiated in 2016.

The EAC-GIZ programme has started its new phase with new objectives and team members. Among the new members, Dr Kirsten Focken has joined the programme as senior adviser for the support to trade and the EA monetary union. She will be taking over as programme manager and cluster coordinator for all EAC-related technical cooperation programmes.

On behalf of the whole EAC GIZ programme team, we warmly thank the EAC Secretariat for the steady and open cooperation.

We look forward to continued cooperation and success in 2017.

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Regional Integration and German Development Cooperation

The East African Community (EAC) is home to some 160 million people. Her Partner States achieved remarkable levels of economic growth in recent years. This has raised the region’s global profile and prospects for all its citizens. EAC was established in 1999. The meanwhile six Partner States, comprising Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda, share a common history and culture. They pursue ambitious goals of deepening and broadening economic, political, social and cultural cooperation between the partner countries. The EAC Treaty provides for the gradual establishment of a customs union, a free trade area, a monetary union and ultimately a political federation. The community’s goal is to work together on economic, social, cultural and political matters in order to become more competitive in the global market, improve the conditions for domestic industries and increase trade and investment in the region, which in turn will improve the quality of life for all East Africans. EAC confirms the crucial role of the Private Sector and Civil Society: the principles that govern the objectives of the community shall be “people-centred and market-driven”.

What is the task?

Key challenges in establishing greater commitment to integration have been overcome by focusing on members’ institutional capacities and procedures. Efforts have also been made to effectively and efficiently steer the integration process and advance the implementation of core areas of the Common Market by involving the Private Sector and Civil Society. Since the beginning of the (new) EAC, German Development Cooperation has supported the EAC Secretariat with this task and each year joint planning sessions are convened with experts from GIZ and the EAC to outline operational activities and milestones for the year ahead. Further biannual meetings are also held to monitor progress.

New assignments

Highlights
New Faces at the Executive Level

Amb. Liberat Mfumukeko

Liberat Mfumukeko is a Burundian diplomat and civil servant. He was appointed to the position of Secretary General of EAC by the East African Community Heads of State for a five-year term. At the time of his appointment, he was the Deputy Secretary General responsible for finance and administration at the EAC. Prior to that, he served as an adviser to the President of Burundi. He served as the Director General of REGIDESO, Burundi’s energy and water utility, and was also the Chairman of the Steering Committee of the East African Power Pool. Amb. Mfumukeko is fluent in English, French, Kirundi, Kiswahili and Russian. In his career, he has gained international experience in a great number of countries, such as Cameroon, DR Congo, France, Ivory Coast, Russia, Rwanda and USA.

Hon. Christophe Bazivamo / DSG Productive and Social Sector

Hon. Christophe Bazivamo is a Rwandan parliamentarian and former minister. He was appointed to the position of Deputy Secretary General of EAC for Social and Productive Sectors by the East African Community Heads of State for a maximum of two three-year terms. He is an agriculturist by profession, educated in Rwanda and Germany. After the 1994 Genocide against the Tutsi, he served as the Prefect and became the first Executive Secretary of NEC until 2002, when he was appointed Local Government Minister. Afterwards, he held several ministerial posts in the ministries of Internal Security, Agriculture, Land, Environment, Forestry, Water and Mines. He has been the vice-chairman of the ruling party Rwanda Patriotic Front since 2002. In 2011 Hon. Christophe Bazivamo joined EALA where he is member of the committees for Agriculture and Tourism and chairs the Natural Resources committee.
ISO 9001: 2008 Certification

The Secretariat of the EAC strives to provide services that meet and even exceed the expectations of their partners and stakeholders. As a route to assuring these high standards, the opportunity to develop systems to manage and ensure quality in the Secretariat was identified. ISO certification (International Standards Organisation) is at once an accreditation and branding tool. ISO certified companies have achieved standards that are internationally recognised and internationally measurable in terms of their implementation and management of standards measures.

In the case of the EAC, the Quality Management System has been developed and managed with the guidance required to gain ISO accreditation for the system. This will ultimately define and improve the quality standards across the management sectors of the EAC, including administration and finance, customer service and communications.

The introduction of ISO 9001 certification for quality management in the Secretariat of the EAC began in 2012. In 2015 the Directorate of Planning and Directorate of Finance and Administration received ISO certification. This was followed in 2016 by certification of the entire EAC. On the 15th of September the Quality Management System was officially handed over to the Secretariat. This is marking the point at which the Secretariat can proceed with the implementation and roll out of its own QMS.

The Secretariat is now equipped with:

- A QMS gap analysis report, identifying strategic areas for improved management
- A structure and framework, incorporating routines and tools, including internal auditing to sustain the accreditation
- A change management strategy to enable the structure to both identify and effectively manage areas that require significant change
- QMS action plan, audit schedule and corrective action database, all of which enable the implementation of QMS to be correctly monitored
- A gap assessment for the roll out and maintenance of certification of other regional institutions and ministries (MEACAs).

The above, together with the recruitment of the new QMS focal point (Christine Atim), sets the pace for the Secretariat to take ownership of this process and continue to benefit from the impact of assuring quality in its operations for the future.

QMS has improved and certified 124 management processes in the EAC
Making the Most of the Common Market on the Road to a Monetary Union

Regional policy makers, private sector leaders and experts met in Arusha to take stock of the current state and achievements of regional integration in East Africa. Since the revival of the EAC, regional economic integration is fostering trade and improving the lives of East Africans. Following the creation of a customs union and common market, the introduction of a common currency is the next step towards an integrated region. The conference entitled ‘Making the Most of the Common Market on the Road to a Monetary Union’ was attended by high level delegates from the Partner States, central banks and development partners. The first day was dedicated to the assessment of the common market, while the second day focused on the monetary union.

The integration pillars of the EAC

The conference was opened by Jesca Eriyo, DSG Productive and Social Sector, Abebe Selassie, IMF African Department Director, and Roeland van de Geer, Head of the European Delegation to the EAC. The IMF regards the EAC region as a success story in Sub-Saharan Africa. With a robust growth rate above 6%, it is one of the fastest growing regions in the world. Hon. Jesca Eriyo noted in her opening remarks that “the integration process is benefiting the East African people through increased trade, efficiency and productivity and enhanced financial integration. The recently established Single Customs Territory continues to deliver significant benefits to East Africans, including reduced transit times from port to destinations and fewer documentary requirements.”

While there is a lot of progress, the panelists also pointed out that faster implementation of the common market, more accountability and private sector focus is needed. The keynote speech of the IMF chief economist Maurice Obstfeld was one of the highlights of the conference. Maurice Obstfeld is well known for his work and publications in the field of international economics and was part of the Council of Economic Advisers under the Obama administration. He highlighted that the financial and debt crisis in Europe had shown the importance of reducing risks and asymmetric shocks by forming a strong fiscal and banking union, even in the case of the Eurozone, which was much more integrated before forming a monetary union than the EAC is now. Nevertheless, Prof. Obstfeld pointed out that, provided there is political will and strife for convergence, a monetary union can be successfully formed.

Debates on the second day concentrated on the path towards a common currency for the countries in East Africa. Good institutions and procedures are crucial to successfully form this currency union and to improve the welfare of the region. The participants underlined the importance of the implementation of the common market to deepen integration and therefore benefit the most of a common currency. The progress in attaining macroeconomic convergence is especially commendable in terms of the inflation and public debt criteria. However, only Uganda meets the foreign exchange criteria and only Rwanda and Uganda the fiscal deficit criteria. A lot of progress was made in the field of statistics. The importance of statistics was explained by LouisMarc Ducharme, the Director of the IMF statistics department. He compared statistics to the headlights of a car: the earlier you see an obstacle, the better you are able to react. Therefore, further efforts should be taken to improve statistics in the region. Through-out the conference it became clear that the aim of forming a monetary union in 2024 can only be reached with strong commitment.

Asymmetric shocks and convergence

When countries form a monetary union, national central banks are replaced by a new common central bank. A central bank manages the price level and helps the countries’ economies when economic shocks occur (e.g. through a drought or slumped commodity prices). For example, a new regional central bank cannot react in a way that their policy fits all countries if the price of a commodity that is just exported by one country of the new common currency area falls. The affected country could possibly benefit from a more ‘loose’ monetary policy which ‘pushes’ the economy, but this policy would not fit to the other countries which are not affected by the economic shock. Therefore economies should have a process of converging towards each other before forming a monetary union to reduce this effect as much as possible.

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EAC convergence criteria

<table>
<thead>
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<th>Fiscal Deficit</th>
<th>Public Debt</th>
<th>Inflation</th>
<th>Foreign Exchange Reserves1</th>
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<td>Burundi 6.9</td>
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<td>Uganda 2.9</td>
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Access to affordable and quality medicines is a priority to the East African Community Partner States. Building capacities for the regulatory agencies, supporting local manufacturers to comply with Good Manufacturing Practices (GMP) and putting in place policies/strategies that promote local production are measures in that direction.

Currently the region still relies on imported medicines for its public health needs, with local production meeting less than 30% of the demand. The reasons for this are varied and include scale, expensive asset base coupled with older technology, higher financing cost coupled with lack of integration with active pharmaceutical ingredients suppliers. Overdependence on imports predisposes the region to unreliable supply of life saving commodities particularly during public health emergencies.

A regional multi-stakeholder investment conference on promoting pharmaceutical manufacturing was convened in order to develop a shared vision for promoting investment in the regional pharmaceutical manufacturing sector.

The conference provided a platform for dialogue and exchange between local pharmaceutical manufacturers, investors, EAC Partner States’ National Ministries and EAC Institutions. Strategies for fostering growth and investment in the sector were discussed. The Federation of East African Pharmaceutical Manufacturers (FEAPM) proposed key policy measures such as the abolition or reduction of taxes for pharmaceutical ingredients, machinery and equipment and preferential pricing in public tenders and development of a positive list restricting the import of pharmaceutical products that are produced in the region.

UNCTAD presented examples from Bangladesh and India, where policy measures to promote the pharmaceutical sector, put in place over the last few decades, have resulted in tremendous growth of their pharmaceutical industry. Bangladesh meets up to 90% of her medicines demand through local production and exports to markets such as the US and the European Union. India has emerged as a globally leading exporter of generic medicines, and multinational companies have set up base in that country.

A key obstacle for the development of local pharmaceutical manufacturing in East Africa is the lack of adequate financing in the region. Commercial banks offer their loans at high interest rates and short term repayment periods. Development finance institutions such as the International Finance Corporation (IFC) can only invest in companies that are already compliant with Good Manufacturing Practice (GMP) standards. Finance institutions generally do not appreciate the dynamics of local pharmaceutical production and put a risk premium to this sector. The conference brought together participants from commercial banks, venture capital firms, manufacturers, policy makers, universities, procurement agencies and finance experts to explore practical ways of raising capital at the various stages of growth of a pharmaceutical manufacturing company.

Finally, the conference featured international development partners and existing as well as potential investors promoting the local pharmaceutical manufacturing industry to showcase existing collaborations and partnerships.

The key resolutions of the conference mainly focus on three points:

1. Implement the EAC Harmonised Good Manufacturing Practice (GMP) Standards in order to ensure the international competitiveness of the domestic pharmaceutical industry.
2. Government procurement to give preferential treatment to pharmaceutical products manufactured in the EAC countries.
3. Develop innovative financing mechanisms for the development of the domestic pharmaceutical manufacturing.
The East African Business Council (EABC) hosted the 1st East African Business and Entrepreneurship Conference and Exhibition from the 10th to 13th October, 2016 in Nairobi, Kenya. More than 300 participants from 14 countries took the opportunity to discuss entrepreneurial trends, investment opportunities and existing constraints for businesses in East Africa.

The conference attracted a diverse audience of high level political decision makers from the East African Community, executive and representatives of the private sector as well as entrepreneurs at different stages of business development.

Throughout the thematic sessions of the conference, the various impacts and opportunities arising from the EAC Common Market Protocol were highlighted. Manufacturing, infrastructure, textile & leather, energy, and information and communication technology (ICT) were identified as high potential development sectors.

Sectoral panels gave room for discussion between representatives from the public and the private sector. Dennis Awori, Chairman Toyota East Africa, summarised the spirit of the conference:

“The private sector [...] needs to come together to advocate for a legislation that will continue to improve the business environment, but more important, to take us to the full actualisation of the common market.”

Hon. Maganda Julius Wandera, Minister for EAC Affairs, Uganda, acknowledged: “The private sector [...] is the driver to the development and industrialisation across most developing countries. And this is entirely something that Africa is supposed to tap into to see that when we are supposed to develop as a group we must bring private sector as the leading player in industrialisation [...] They are giving us the perspectives on hand, the experiences they have.”

The participation of a delegation of representatives of the BDI and large German companies looking for investment opportunities in the EAC was an excellent occasion to discuss ways for East African entrepreneurs to access the EU market. GIZ supported EABC in summarising the main issues for integration, which served as a basis for the numerous discussions during the conference.

The panel on manufacturing underscored the importance of internationalising Small and Medium Sized Enterprises (SMEs) and utilising regional markets as a first step to integrating companies into global value chains. The EAC Partner States were mainly exporting commodities. Upgrading their value chains to export more processed goods offers great potential for economic development. The EAC Partner States were encouraged to embrace local sourcing through government procurement with a special consideration for women entrepreneurship.

Women own between 35-55% of businesses in East Africa and account for more than 70% of cross border trade. Many female entrepreneurs participated in the conference and were outspoken about their challenges. Wandia Gi-churu, Founder and CEO at Vivo Active Wear, highlighted the potential of cooperating beyond borders:

“As a Kenyan entrepreneur I speak a lot with other people within this country and this city. So being able to hear from Ugandans, from Rwandans, from Tanzanians about similar challenges [...] I think for me that is really exciting.”

The sector of internet and communication technology (ICT) is a major trade enabler, most notably in the sectors of tourism, education and agriculture. Dr. Sezibera, former EAC Secretary General, presented the world’s first national drone delivery system, which will be used to deliver blood to patients in remote areas of Rwanda. Ms. Faraja Nyalandu, founder of “ShuleDirect”, advocated for the great opportunities of ICT in education, for example up-to-date digital learning materials where modern books are unavailable.

The conference adopted a matrix of recommendations, to be followed up at the next East African Business and Entrepreneurship Conference scheduled for October 2017 in Dar es Salaam, Tanzania.

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Enhancing Mobility in the EAC: The Mutual Recognition Agreement for Advocates

Free movement for advocates and lawyers

The drive towards a mutual recognition agreement (MRA) for advocates is part of the provisions of the East African Community Common Market Protocol, in which goods, services, capital and workers can move freely.

Legal services are important enablers of economic activity and also important guarantors of civil and political rights. By signing an MRA, the Partner States and Law Societies of East Africa are fulfilling their obligations under the Common Market Protocol and following in the footsteps of other professions such as accountancy, architecture and engineering, which have already put in place their mutual recognition arrangements.

The EAC has 13,603 practising advocates

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The EAC economic growth means new demand. In 2015 the region posted the fastest economic growth rates on the continent. New investments worth billions of US dollars have been pledged to the region for rail, road, energy, telecoms, rapid urban transport and port projects. In turn this means expanded demand for finance, retail and personal services. The MRA will give advocates access to larger markets. The East African Community Facts and Figures Report 2015 shows a GDP of $147.5 billion and a population (2010) of 145 million. As the Partner States integrate further, EAC law firms have the opportunity to grow with the region and to develop specialisms by repeating sectoral work undertaken for national clients across all the EAC economies. This will be made possible because the MRA will provide easy access for East African advocates to obtaining multiple qualifications to practise law.

The MRA will also promote more consistent standards amongst advocates and protect clients through the exchange of disciplinary information that the MRA foresees. The EAC Advocates, who work for international businesses or local clients expanding across the region, will find the MRA extremely helpful.

The signing of a Mutual Recognition Agreement for EAC advocates will also increase the interest of international law firms in their East African counterparts. It will raise the visibility of East African advocates.

Larger markets: the growing demand and multiple qualifications

One-stop solution

Due to the MRA, East African advocates will be better positioned to benefit from these projects and develop home-grown expertise when working alongside international law firms. By offering a ‘one-stop’ solution for legal advice in East Africa, EAC law firms can compete for a larger share of regional project work that currently goes mostly to international firms. Armed with greater special-

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Ousmane Sembene Award 2016

Ousmane Sembene has often been called the Father of African Cinema. His guiding idea is to use cinema to sensitise people, make them aware of their rights, of injustice done and educate them towards change. He called it *l’école du soir* – the Evening School.

GIZ Tanzania has sponsored the Ousmane Sembene Award for many years. The jury usually consists of two renowned film experts, preferably from the African region, and a representative of GIZ. The Sembene Award is endowed with a total of USD 6,000. The prize money is equally divided among the three best films and must be used by the award winners to produce new short films to be presented in the following Sembene competition. In addition, the Sembene Jury can make special mention of films of outstanding quality. In 2016 the Jury was presented with 17 short films entered in the Sembene competition, all of them fulfilling the criteria set by Ousmane Sembene, and all of them of excellent quality, making the decision very hard for the Jury.

The 2016 award-winning films came from Rwanda, Kenya and Brazil

*A Place for Myself* by Clementine Dusabejambo from Rwanda, is a very moving film about a little girl with albinism and her mother. It tells a seemingly simple story, using great imagery to point out how discrimination and exclusion work in everyday life. However, the film doesn’t stop here, but offers an unexpected, yet very effective solution.

*Ugali – The Family Dinner* by Tony Koros from Kenya depicts a parent’s struggle to keep the family together despite her over-excited and aggressive son’s behaviour. It uses very intense and rather dark imagery to reflect the upset youngster’s mood. The dramatic tension displayed in the film could be easily felt by the viewer.

*Maccarao* by Iyabo Kwayana, Brazil shows how an adolescent boy asserts himself with the help of an unobtrusive mentor and a famous role model (Muhammad Ali). Beautiful imagery, elaborated script and dialogue together with superb acting by the young performers are strong points in this film.

The Suit, a literary short film by Jarrryd Coetsee from South Africa, and *Zawadi*, a film by Richard Card and David Kinyanjui from Kenya, received special mention by the jury for their outstanding quality.

“One of the most exciting developments in this year’s selection is the substantial increase in the quantity and quality of local films, which is the greatest number of entries ever received from here. … All of East Africa features strongly in this year’s selection with five films from Kenya, three from Uganda and two from Rwanda,” said the Assistant Festival Director and Festival Manager, Daniel Nyalusi.

The great quality of these entries is clearly shown by the fact that two of the award-winning films in the Sembene competition and one of the specially mentioned films come from East Africa.

The Festival also featured three World Premieres. These were the new short films by the Ousmane Sembene Award winners of 2015, which were screened for the very first time at ZIFF 2016.

Award-winning film director of *A Place for Myself*, Clementine Dusabojambo from Rwanda, with Ousmane Sembene Jury member Gervais Hien from FESPACO in Burkina Faso.
The East African Community (EAC) is a unique achievement in Africa. With six Partner States, an ambitious integration agenda and delivering ground-breaking policies, it is a unifying force in East Africa. One of its biggest achievements to date is the development and operationalisation of the Custom Union and the Common Market Protocols.

However, despite being one of the fastest growing regional economic blocs in the world and shaping the economic, political, societal and cultural development of East Africa, many citizens are unaware of how the EAC affects their daily lives. To address this problem, the EAC Secretariat, the Regional Dialogue Committee and German Development Cooperation through GIZ developed a joint initiative called the Incubator for Integration and Development in East Africa – IIDEA.

IIDEA incubates innovative grassroots projects that are implemented by civil society and private sector organisations across East Africa. It provides technical and financial support with the aim of communicating the realities of integration to both citizens and the EAC.

Our mission is to show the achievements of integration to citizens and provide a platform for their voices to be heard. We offer opportunities for dialogue and exchange on a multi-level basis to enable integration to be both responsive and needs-focused. The goal of IIDEA is to ensure that ‘East African integration is lived because the East African citizens understand the benefits of people-centred and market-driven regional integration’.

To date, IIDEA provided support to fifteen pioneering projects from across East Africa. They receive a package of financial and technical support and projects are monitored in terms of their ability to showcase real-life experiences of regional integration. All projects conduct activities in two or more Partner States and focus on issues that range from trade facilitation, technological innovation, cultural exchange, gender equality, youth empowerment, cross-border mobility and many more. Ultimately, IIDEA works together with partners that not only highlight the diversity of East African integration, but also those that push towards holistic and cooperative development.
One of the projects to work in partnership with IIDEA is the Campfire Logs Guild’s Tour d’EAC 2016. In an action packed thirty-one day cycling expedition, fifteen East African cyclists undertook a journey across the EAC with a mission: to raise awareness about integration to the citizens of East Africa.

I spoke to three of the members of the team. John Bahlono, the director of the Campfire Logs Guild, and Ahimbisibwe Conrads and Kwagala Maureen Nakajja.

What motivated you to participate in the Tour d’EAC 2016?

Conrad: Although we live in Uganda, very few people know what East Africa is like. I wanted to know more about East Africa and how the other people in the Community live.

What was an inspiring moment on the tour?

Conrad: What inspired me was the reception we received when we would arrive in cities, like at the EAC Headquarters in Arusha. They really encouraged us and told us they would support us.

Maureen: When we arrived in the Masaai Mara, I was really inspired by how well we were received by the people in the villages.

John: The moment when I said to myself ‘wow’ was when we reached our final destination at the Ugandan equator. We had a big welcome by the Ugandan Defense Force and they gave us a trophy. And I hugged every one for the first time.

Was there a moment when you felt like quitting?

Maureen: In Burundi we were arrested by the army and put in a warehouse because we were on the road when the president was passing. After some time they released us. When we met up with the others, John asked us ‘why are you late?’ I started crying and at that moment I wanted to go home. What stopped me from quitting was thinking about how far we had come.

Conrad: Actually I wanted to quit in the beginning when we reached Kisumu. When we arrived, I asked John where we would sleep and he had no answer. But then a church gave us shelter, food, a hot shower. We became Christian for that night (laughs).

The slogan of the EAC is ‘One People, One Destiny’, after your experiences, what do you think about it?

John: It is achievable. However, unless they involve all stakeholders – the citizens, political leaders and bodies at all levels, accompanied with a lot of sensitisation on integration – it will take ages.

Conrad: What inspired me was the reception we received when we would arrive in cities, like at the EAC Headquarters in Arusha. They really encouraged us and told us they would support us.

Maureen: I agree with Conrad, we should introduce Kiswahili to all East African schools so we can all communicate in one language.

Most people know very little about the EAC. Even people who do say it is only a geographical location on a map. So we need to work towards making it real. It cannot just be dreams. It needs to be made real in pen and paper and it needs to be made real by involving the citizens.

If you could make one improvement to the EAC, what would it be?

Conrad: We need to improve communication. If we could communicate in a common language, it would help business, trade and our sense of community.

Maureen: I agree with Conrad, we should introduce Kiswahili to all East African schools so we can all communicate in one language.

John: I am passionate about community. Community involvement and community ownership. I am Ugandan because I own Uganda – I cannot say I own the East African Community. So if I were the head of the EAC for one day, I would let East Africans own the integration process.
Free Trade and Regional Integration on the Ropes?

2016 was a remarkable year. Major unanticipated political developments in the UK and US were reflecting and influencing the way people think about trade and open borders. In a referendum in June, the citizens of the United Kingdom voted to leave the European Union. At the heart of the Vote Leave campaign was scepticism about regional integration and freedom of movement in particular.

These developments are expected to have an impact on regional integration in East Africa. The main stakeholders in the EAC Secretariat and in the Partner States are discussing with their partners about the potential impacts. Studies of GIZ and other organisations such as the Commonwealth Secretariat and UNECA are informing these discussions. We have asked two key partners and experts to give their views and insights into the debate.

Andrew Mold: One of the potentially positive impacts of Brexit is the opening of new trade opportunities with the UK. I have carried out some model simulations of the trade impact of Brexit. Those simulations confirm that Brexit could lead to a degree of ‘trade diversion’ towards other regions, including Africa. For Africa as a whole, I estimate that there might be an increase of some 600 million USD of exports, of which around 10 percent would be increased EAC exports. These are not big numbers in macroeconomic terms, but at least it implies that the idea that Brexit will be an unmitigated disaster for Africa is not true. For Kenya, my analysis shows that the sectors that would benefit would be principally the agricultural exporting sectors. The UK is also promising a more outward policy towards the rest of the world, subsequent to Brexit. So generally there is the possibility of more engagement in the region through UK trade and investment. We should wait and see however – much depends on the state of the British economy and the rest of Europe, my post-Brexit. If the divorce is a messy one, and it impacts negatively both on the UK economy and the rest of Europe, all these potential positives could easily disappear.

Kirk Haywood: At the moment the Commonwealth Secretariat is working with Kenya and several other member states across Africa and Asia to think through some of these very issues. For Kenya we have examined different options for their post-Brexit trading relationship and its impact on Kenya’s exports and new products it could possibly export. For the EAC as a whole, the picture is quite unclear. LDCs already have access to the UK and therefore any uptick in exports from the LDC EAC countries would not necessarily take place unless there are new ‘aid for trade’ initiatives from the UK directly aimed at supporting those exports.

In summary there are many questions and uncertainties. The concrete effects on the EAC depend on the actual conditions and implementation of the Brexit. The EU and the UK are important trading partners of the EAC. However, the following data show that trade with the whole EU constitutes less than a quarter of global EAC exports (1st column) and only 11.3% of global EAC imports (4th column). In comparison, the respective figures for the UK are 3.7% for EAC exports (2nd column) and 2.1% for EAC imports (5th column). This implies that currently UK trade only represents 16% of EAC exports to the UK (1st column) 18.5% of EAC exports from the EU (6th column). For exports, only Kenya shows a strong dependence on the UK while for all other Partner States the UK only contributes less than 8% to the imports into the EU market.

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One of the most pressing challenges facing the EAC today is enabling young people with the skills and capacity to reap the tangible benefits of regional integration. Three experts shared with us their thoughts on the way forward to empower the youth of today to lead East Africa into tomorrow: Mr. Stephen Niyonzima, Principal Labour, Employment, Immigration and Refugee Officer at E.A.C., Mr. Saddam Khalfan Ahmed, Executive Secretary, Tanzania Youth Vision Association and Ms. Atim Catherine, Founder and Managing Director of Catwing Hammocks.

What is your opinion on youth employment services promotion in East Africa, especially on linking labour demand with supply?

Stephen Niyonzima: There is imbalance between supply and demand in the labour market. This state of affairs occurs when the number of job seekers outweighs the number of jobs available in the labour market, which leads to unemployment. Therefore, the role of employment services promotion would be to develop an information desk, a data bank on employment opportunities available and inform the youth to take advantage of the same. It should be noted that the existence of employment services promotion centres is not the only intervention in addressing unemployment.

Saddam Khalfan Ahmed: Despite the fact that several projects and programmes have been put in place like youth unemployment schemes, the number of job seekers versus the number of job opportunities is still a problem. The strategic areas of intervention are the curriculum offered by training institutions, massive investments in infrastructure, industrialisation, fast tracking integration programmes across the world. This example.

Mr. Stephen Niyonzima: The crisis of unemployment in the region is not due to lack of employment services or bureaus or centres. That is just one of the measures to address the problem. The strategic areas of intervention are the curriculum offered by training institutions, massive investments in infrastructure, industrialisation, fast tracking integration programmes and programmes etc.

What areas do you think the EAC Partner States should focus on to promote youth employment services in East Africa?

Atim Catherine: Personally, I think the career development programmes implemented in the respective EAC Partner States are quite helpful as they improve the knowledge and skills of students in their professions thus making them more relevant for labour market. However, there is need for the East African Community Partner States to promote an integrated and multifaceted initiative to address youth employment services in the region, if we are to meet the forces of employment demand and supply.

Mr. Saddam Khalfan Ahmed: The EAC Partner States should focus on training, mentorship to the young graduates in East Africa with the view of enhancing their skill level to match the available jobs.

Atim Catherine: The main focus area for the EAC Partner States should be on the review of the current education system which is more theoretical than practical. The Partner States should promote strong partnership with the private sector in order to establish opportunities for training and mentorship to the young graduates in East Africa with the view of enhancing their skill level to match the available jobs.

Can you name best practices or success stories on employment services promotion in East Africa?

Mr. Saddam Khalfan Ahmed: The Youth Employment Initiative (in Dar-Es-Salaam, Nairobi, Kisumu and Mombasa) is a multi-country partnership project implemented by Africa Youth Trust (AYT, Kenya), Tanzania Youth Vision Association, Open Mind Tanzania and Youth for Africa-Tanzania. It creates awareness and advocates for job opportunities. This has contributed to better conditions for youth to establish sustainable businesses and an increased success in their job seeking, strengthened employability through business skills trainings, career guidance, business mentorship, networking activities and advocacy for better policies and practices. This initiative can be scaled up to the regional level since the countries have similar skills mismatch or youth unemployment challenges.

Atim Catherine: An initiative I think the EAC should emulate is Activating The Leadership Potential Of Young People (AIESEC) - a global youth empowerment company that was established after the Second World War to promote peace and understanding globally. AIESEC trains young people in leadership and working skills that fit the labour market. Over 1000 youth have been employed from this program. They also offer exchange programmes across the world, this example.
Review
Introduction

In November 2016 the East African Community, supported by the EAC-German Cooperation Programme implemented by GIZ, organised a three-day training for over 50 senior editors and journalists, EAC communication officers, and government information officers from the five Partner States.

The Challenge

With a mandate to disseminate EAC’s regional information to over 160 million people, and a citizenry increasingly sceptic on EAC integration, the EAC Corporate Communications and Public Relations Department has a momentous challenge to improve stakeholder relations and keep news coverage from mainstream media houses for its projects and programmes across the five EAC Partner States alive and buzzing.

Journalists and experts attending the training made it clear that EAC needed to be more proactive and strategic interventions were required in order to sustain coverage and reportage of integration issues. They decried how bureaucracy and slow reactions by EAC officials delayed crucial information to be disseminated. Journalists therefore missed critical stories and failed to meet the deadlines set by editors despite many opportunities for reporting on successful EAC projects and programmes.

These debates sparked discussions on how the EAC Secretariat will have to align itself with realities of the modern media terrain, as information needs and audience consumption habits have changed.

Objective

The training aimed to create an active engagement between news reporters and editors on the one hand and EAC communication officers on the other, with a view towards enhancing their appreciation and commitment to the EAC integration process.

The event was also an opportunity to gain the support of media houses and journalists for the EAC integration agenda. Topical information on policies and programmes for media professionals was intended to increase the accuracy of reporting and coverage.

The meeting was officially opened by the Principal Secretary of the Ministry of East African Community, Labour and Social Protection, Hon. Betty Maina, in Nairobi. She commended the journalists for being the goodwill ambassadors of EAC integration.

Two renowned regional media editors, David Ohito and Churchill Otemo, drew from decades of experience in conventional and digital media, and applied insight from media consumption trends in the region to lead and provoke discussions on various media topics.

As part of the workshop, a special training on digital journalism was conducted that targeted communication officers from the five Ministries and EAC communication team. This focussed on modern approaches to writing, response processes in social media and some of the dos and don’ts of social and digital media.

New skills and techniques were discussed on how to position EAC to take advantage of the realities and opportunities of storytelling in the digital era and how to increase interactivity with audiences.

Opportunities for improvement

Three newspaper articles were published, various TV interviews were conducted and aired, and an active social media communication discussion was generated as a result of the workshop.

A revamp of the EAC website, capacity development and recruitment of younger writers and content producers were identified as key short term EAC intervention areas.

The need for a methodical and deliberate approach measured through social media engagement (retweets, mentions, likes, views and response time), and web analytics (page views, unique visitors, time spent, bounce rate) were agreed as the future of measuring progress in digital communication output.

A new strategic content development plan and social media plan were developed from different themes contributed by the participants.

The workshop established a solid foundation for creating stronger and mutually beneficial relationships between the communication officers and media fraternity from the five EAC Partner States.
Regional Coordination to Unleash the Potential of Cross Border Trade in the EAC

Tariffs have been successfully reduced to an average of 4% worldwide. Other trade barriers, such as delays at borders due to inefficient customs clearance processes, duplicated requirements for submission of paper documents as well as divergent and intransparent transport regulations and varying quality and safety standards in neighbouring countries, still remain and inflict considerable costs on traders, thus hampering integration into global value chains.

The OECD estimates that a reduction of global trade costs by 1% would increase worldwide income by more than USD 40 billion, 65% of which would be in developing countries.

Trade facilitation aims at the improvement of procedures regulating the movement of goods across borders. Building to a large extent on the revised Kyoto Convention spearheaded by the World Customs Organization (WCO) in 2006, Trade Facilitation initiatives gained momentum following the World Trade Organisation’s (WTO) trade in 2006, Trade Facilitation initiatives gained momentum spearheaded by the World Customs Organization (WCO) building on the revised Kyoto Convention regulating the movement of goods across borders. Trade facilitation aims at the improvement of procedures regulating the movement of goods across borders. Building to a large extent on the revised Kyoto Convention spearheaded by the World Customs Organization (WCO) in 2006, Trade Facilitation initiatives gained momentum following the World Trade Organisation’s (WTO) trade in 2006, Trade Facilitation initiatives gained momentum following the World Trade Organisation’s (WTO) trade facilitation agreement (TFA) adopted in 2014. With the ratification of the agreement by two thirds of the WTO membership in 2017, it has become binding for its signatories and developing countries can fully benefit from its support for its implementation.

Why is trade facilitation important to regional integration in East Africa?

Trade facilitation is a key driver of competitiveness and economic growth in developing countries and least-developed countries (LDCs). While it holds potentials for improving and streamlining public customs operations, particularly the private sector is poised to benefit. If the EAC wants to compete with producers in high-value markets such as Asia and South America, it needs fast, predictable and reliable border crossings. Trade facilitation initiatives have already gained significant momentum prior to the TFA ratification over the last few years in East Africa. The EAC has focussed its trade facilitation efforts on establishing electronic single windows and other paperless goods clearance systems that have led to a reduction in costs and time for goods in transit by more than half.

To realise gains from trade facilitation and to implement additional measures, GIZ supported the establishment of the EAC Regional Trade Facilitation Sub-Committee and the establishment and training of the national trade facilitation committees in five Partner States. The objective of the Sub-Committee is to coordinate implementation of trade facilitation at the regional level based on EAC instruments and the WTO TFA. It ensures that there is convergence of the national implementation plans and coordinates capacity building as well as the mobilisation of funds.

The average customs transaction involves 20 to 30 different parties and 40 documents. It is red tape rather than tariffs that locks out small and medium enterprises from regional and international trade.

Achievements of EAC-GIZ trade facilitation initiatives

• The EAC Partner States agreed on a Regional Trade Facilitation Implementation Action Plan in June 2016 to ensure harmonisation and improved flow of goods. The Plan coordinates capacity building as well as instrument implementation.
• The EAC has focused its efforts on establishing electronic single windows and other paperless goods clearance systems that have led to a reduction in costs and time for goods in transit by more than half. The Plan coordinates capacity building as well as the mobilisation of funds.
• The EAC/GIZ programme is working closely with the private sector to develop a joint position for the negotiation of the TFA.
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EAC and German Development Cooperation through GIZ have cooperated for several years on regulatory reforms and market access in the area of trade in services. In 2016, Trade in Services negotiations resumed and the organs of the EAC agreed on important resolutions. This includes revising faulty commitments laid down in the Common Market Protocol. In addition, a minimum level of liberalisation has been proposed to bring the commitments of the Partner States to the same level. There is still some disagreement on the treatment of certain categories of service providers, but a general agreement was reached on the need to open up service supply through the presence of natural persons. This means that in future individual and corporate service providers should be able to cross borders to perform a service without establishing a commercial presence in the target market. To this end, immigration, labour and tax authorities will have to be brought on board to draft regulations that actually facilitate such movements. Another commendable decision has been to request Partner States to specifically indicate in the commitments which national legislations are possible barriers to cross-border service supply. Combined with a formal monitoring and evaluation system, this will put Partner States and EAC Secretariat in a position to scrutinise sectoral regulations that are impediments to trade and eventually dissolve them.

Despite such positive signs, progress is still not certain as some Partner States show reluctance to agree on substantial service integration. The Private Sector has expressed strong disillusionment and impatience with the trade in services negotiation process, as the promise of a truly integrated Common Market still appears to be a distant prospect. This became apparent during a conference of associations and business owners from all service sectors that was co-organised by the East African Business Council (EABC), the International Trade Center (ITC), the Commonwealth Secretariat and GIZ in November 2016 in Dar es Salaam. Based on two days of presentations and discussions, a joint communiqué highlighted the urgent need for reforms to translate political commitments into actual business opportunities.

Particular emphasis was placed on the need for reforms on immigration for mode 4 and 3 (see graph ‘How services are traded’) movements, harmonisation and reductions of capital requirements for mode 3 supply, clarification of taxation and implementation of the Double Taxation Agreement. The participants urged Partner States to also pick up pace in opening up the remaining sectors with the goal of achieving full market access across all sectors by 2018.

Challenges to services across borders: an example from the field

A particularly vivid account of the prevailing problems with service trade inside the EAC market was presented by Engineer Michael Daka, the Managing Director of Process Limited, a Ugandan Consulting Engineering firm. The company was hired for a project to conduct feasibility studies for a hydro power plant on the Kagera river. Being a border river between Uganda and Tanzania, this was a designated transboundary project as both countries share this resource. This work required drilling on both sides of the river. The team experienced multiple hurdles that almost brought the project to a halt. The crew had to cross into Tanzania at a border point 15 km away while villagers crossed freely in front of their eyes. Tanzania requested single entry working visas at a cost of USD 200 each, including for drivers, operators and rig helps. Appeals to immigration and ministries remained without response for a long time and only later was a concession granted for multiple entry. Later, additional issues were encountered by the engineer as the Ugandan side had waived value added tax (VAT) while the Tanzanian authorities charged VAT, leading to a very tricky tax situation as a result of unharmonised rates and exemption systems as well as difficulties in ascertaining the respective shares of work being conducted on Tanzanian and Ugandan sides.
Since the rebirth of the EAC in 1999, there has been a commitment to harmonise Partner States’ domestic tax regimes, namely income tax, value added tax (VAT) and excise duties. The variations that exist in Partner State tax regimes hamper intra-EAC commerce, as issues such as double taxation inflict a heavy cost on business. With the signing of the Common Market Protocol in 2010 and the Monetary Union Protocol in 2013, it has become even more essential to address the issue of tax harmonisation. Agreements such as these have cemented the EAC as a domestic market. Consequently, taxation should also be domestic. Failure to do so will fetter the enjoyment of the economic freedoms granted by these landmark achievements.

To address this issue, the EAC has developed a policy framework with the objective of creating a clear regional approach to income tax, value added tax and excise duties, tax procedure, tax incentives, harmful tax competition, exchange of information and mutual assistance. The aim is that Partner States are clear on their roles and responsibilities so that the process of harmonisation is implemented in an efficient, cost effective and consistent manner. While these developments are promising, the development of an overarching policy has yet to be finalised. The issue’s complexity and political sensitivity has protracted the process towards a comprehensive East African tax regime.

Progress is being made in sub-fields of taxation. For example, the harmful practice of double taxation, whereby income taxes are paid twice on the same source of earned income, is being tackled. Three Partner States have already ratified the Double Taxation Agreement (DTA), while Tanzania and Burundi are anticipated to do so in the near future. In the meantime, Partner States have developed the draft DTA policy frameworks, which are designed to lay the groundwork for the implementation of the DTA.

The issue of tax harmonisation is of great importance to the private sector. Intra-regional trade in the EAC has more than doubled in the last ten years. Yet investors, businesses and entrepreneurs are inhibited from pursuing cross-border trade due to the lack of a harmonised tax regime. As such, private sector interest groups have taken a central role in researching and advocating for tax harmonisation. The East African Business Council (EABC) has established a Technical Working Group to make policy recommendations to EAC bodies. They have recommend ed that the EAC develop regional definitions, criteria and rates for income tax, VAT and excise duty. The input of the private sector has a beneficial impact on driving tax harmonisation towards completion. Moreover, the inclusion of private interest groups on this issue has helped make the EAC integration process more inclusive and responsive to the needs on the ground.

While the long and sometimes bumpy road to tax harmonisation in the EAC has yet to reach its final destination, the road signs are pointing in the right direction. To reach the goal of an overarching EAC tax regime, a stronger commitment by EAC Partner States is essential. Moreover, the inclusion of private sector inputs on an issue that primarily concerns them will help to generate a tax policy that works for East Africans.
### The EAC in Numbers and Figures

#### EAC trade flows

- **North America**: $760m
- **Europe**: $4,2bn
- **Asia**: $4,1bn
- **Africa**: $4,8bn
- **South America**: $130m
- **Australia**: $40m
- **EAC**: $2bn

#### EAC Imports

<table>
<thead>
<tr>
<th>Destination</th>
<th>in billion $</th>
<th>% total of exports</th>
<th>% of total trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>4,38</td>
<td>33%</td>
<td>8%</td>
</tr>
<tr>
<td>Asia</td>
<td>4,12</td>
<td>31%</td>
<td>7%</td>
</tr>
<tr>
<td>Australia</td>
<td>0,04</td>
<td>0,3%</td>
<td>0,1%</td>
</tr>
<tr>
<td>Europe</td>
<td>2,96</td>
<td>23%</td>
<td>5%</td>
</tr>
<tr>
<td>North America</td>
<td>0,76</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>South America</td>
<td>0,02</td>
<td>0,2%</td>
<td>0,04%</td>
</tr>
<tr>
<td>World</td>
<td>13,11</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Data: IMF Directions of Trade Statistics, 2015

#### EAC Exports

<table>
<thead>
<tr>
<th>Origin</th>
<th>in billion $</th>
<th>% total of imports</th>
<th>% of total trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>4,8%</td>
<td>32%</td>
<td>9%</td>
</tr>
<tr>
<td>Asia</td>
<td>29,2</td>
<td>69%</td>
<td>53%</td>
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<tr>
<td>Australia</td>
<td>0,17</td>
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<td>0,3%</td>
</tr>
<tr>
<td>Europe</td>
<td>3,43</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>North America</td>
<td>3,13</td>
<td>64%</td>
<td>3%</td>
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<tr>
<td>South America</td>
<td>0,13</td>
<td>0,1%</td>
<td>0,2%</td>
</tr>
<tr>
<td>World</td>
<td>41,94</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Data: IMF Directions of Trade Statistics, 2015

#### GDP per capita (constant 2010 US$)

- **Kenya**: $1,5bn
- **Tanzania**: $1,5bn
- **Rwanda**: $1,5bn
- **Uganda**: $1,5bn
- **Burundi**: $1,5bn

Data: World Bank, World Development Indicators

#### Population

152,5 million people live in the 5 EAC Partner States in 2015. The population grew by 2.6% compared to the previous year.  
[Data: IMF Regional Economic Outlook, 2015]

#### Growth

The real GDP of the EAC grew by 5.9% per year on average from 2011-2015. This is an increase of 2.9% per capita.  
[Data: World Bank, World Development Indicators]

#### Inflation

Since 2013 all countries have met the inflation convergence criteria of 8%.  
[Data: IMF Regional Economic Outlook, 2015]

#### Education

The enrollment rate for primary schools in the EAC is 90.2% on average. Pupils remain in school for an average of 4.6 years.  
[Data: UNDP, 2013]

#### Life expectancy

In the last 10 years life expectancy in the EAC region grew by 9 years.  
[Data: UNDP, 2015]
People Meeting & Greeting