

# EABC e-news flash



The voice of private sector in East Africa

## East African business directory goes on sale



East African Business Council has begun the sale of the inaugural issue of the East African Business Directory 2009/10. Adafic Communications, EABC's strategic business partner, will spearhead the directory sales across five capital cities in East Africa.

**President of the United Republic of Tanzania Mr Jakaya Kikwete admires copies of the East African Business Directory**

The East African Business Directory which was launched in November 2009 in Nairobi, Kenya is the most authoritative and informative business tool in the region.

The directory comes at a time when EAC integration process has gained much impetus with a fully fledged Customs Union and the Community moving towards the implementation of a Common Market Protocol by 2010 and a Monetary Union by 2012. The directory therefore presents immense

opportunities to those seeking to extend their fortunes beyond the confines of national boundaries and also serves as a tool for business to business match making.

The East African Business Council continues to place strong emphasis on improving business environment in the region as well facilitating business linkages both locally and internationally through various platforms.

By putting together a directory of businesses in the region, East African Business Council has taken the first step to solve the current information gap on business opportunities in the region.

The directory will improve access to information on trade and business opportunities in the region as well as enhancing interaction among businesses the business community in East Africa. It allows investors, businessmen and the public to easily identify companies operating within the region.

It will also help in the development of direct relationships between key enterprises at both local and regional level.

### In this Issue:

**EU to tax EAC Exports due to Delay in EPA signing EPA .....P2**

**EAC to fast track Monetary Union .....P3**

**World Bank raises red flag on Africa Infrastructure.....P4**

**Key EAC Economic Facts and figures.....P4**

# EU to tax EAC Exports due to Delay in EPA signing

The European Union has informed the East African Community (EAC) that the failure or delay in signing the Economic Partnership Agreement (EPA) would lead to taxes on the exports of the EAC-member states.

A recent press statement by EU Delegation in Nairobi said that failure to finalise the EPA process could lead to putting non-Least Developed Countries on the Generalised System of Preferences list.

All East African Countries except Kenya are classified as least developed countries and can still export to the EU under the Everything But Arms (EBA) arrangement, which provides Duty-Free, Quota-Free access for all products for the 49 Least Developed Countries (LDCs).

On the other hand the EU's Generalised System of Preferences under which Kenya would trade provides preferential access to the EU market to 176 developing countries and territories, in the form of reduced tariffs for their goods when entering the EU market. There is no expectation or requirement that this access be reciprocated.

According to the statement, some of the key export products particularly from Kenya would attract re-introduction or increase in tariffs. The EPA was supposed to be concluded by July 31, 2009 - but missed the deadline due to lack of consensus on rules of origin - most favoured a clause on agriculture, trade in services and sustainable development.

Kenyan horticulture and floriculture exports currently enjoy no taxes to enter the EU markets. The Kenyan exports of fruits and vegetables to the European bloc are pegged at around 450,000 tonnes per annum.

As of December 31, 2008, Horticulture remained Kenya's leading foreign exchange earner, by recording an impressive performance of close to \$1 billion of the overall exports. Nonetheless, a report by the EU-ACP Impact Assessment on EPAs stated the absence of



**A worker carries flowers at a flower farm. Kenyan Flower firms are expected to be affected by EU taxes**

the duty-free and quota-free access to the EU market, the sector would collapse.

The EU has been negotiating an EPA with African, Caribbean and Pacific (ACP) countries since September 2002 with the aim of replacing non-reciprocal trade preferences granted under the Cotonou Agreement.

However, the EAC, which comprises Kenya, Uganda, Tanzania, Burundi and Rwanda has been negotiating since then as a separate entity, and went on to sign an interim framework on the EPA with the EU in November 2007.

# East African Community to fast track Monetary Union



Uganda's Minister of Finance, Planning and Economic Development, Hon. Syda Bbumba has proposed the restructuring of the East African Community Secretariat to create the necessary capacity to facilitate fast tracking the Monetary Union.

**Taders at a market in Mwanza. EAC has been asked to fast track Monetary Union**

Partner States. Based on the preliminary findings, the EAC Secretariat launched a series of consultations in the Partner States in September 2009. Consultations targeting a broad spectrum of stakeholders were held in all the five Partner States and the Consultants incorporated stakeholders' views and have now prepared a draft Final Report of the EAC Monetary Union Study, which the Kampala workshop discussed.

According to a press Statement from East African Community Secretariat, Hon. Syda Bbumba, who was today closing a three-day validation workshop on the establishment of the EAC Monetary Union in Kampala, Uganda, urged the EAC Secretariat to urgently take the necessary steps and develop a programme for negotiations.

The workshop agreed that Market integration and economic convergence will guide the establishment of EAMU. Delegates at the workshop identified two options for driving the process for the establishment of the EAMI.

The Minister proposed that the Ministers of Finance and Governors of the Central Banks would meet to consider and approve the road map.

One option was that all instruments for the establishment of the EAC Monetary Union (inclusive of East African Monetary Institute) be negotiated at once in the course of negotiating the Monetary Union Protocol.

On 2 June 2009, the East African Community and the European Central Bank (ECB) entered into a consultancy agreement in regard to the preparation of the Study on the establishment of East African Monetary Union (EAMU) among the Partner States of the East African Community (EAC).

The argument was that it was important to negotiate all aspects of the Monetary Union, as opposed to the establishment of the EAMI through a separate protocol. There was no guarantee that negotiation of a separate protocol would save time.

In that context, the ECB did preliminary research on the study and so far submitted an interim report which was considered and agreed upon by the EAC Secretariat and the

The second option was that EAMI be formed expeditiously using a Bill that would be presented by the Council to the East African

# World Bank raises red flag on Africa Infrastructure

Africa's basic infrastructure lags far behind that of other developing regions, according to a recent World Bank report.

Several decades ago, Africa's infrastructure was comparable to that of other developing nations, but it has since fallen behind and the gap is widening over time. Infrastructure services are twice as expensive in Africa as elsewhere.

To raise Africa's infrastructure endowment to a reasonable level within the next decade, will cost \$93 billion a year, split two to one between investment and maintenance. Africa already spends \$45 billion, half the required amount.

The report says efficiency gains could raise an additional \$17 billion from within the existing envelope. Even then, an annual funding gap of \$31 billion would remain.

Africa has benefitted from a decade of institutional reforms for the maintenance of its road networks, primarily the inter-urban network. Despite solid improvements,

much remains to be done. For example, the building and improvement of urban roads lags urbanization. Urban transport systems are disorganized and unsafe.

The rural road network leaves millions disconnected from markets and services, hampering agricultural productivity. Urban-rural links are poor.

Freight tariffs are high, less because of poor roads but more due to cartelization of the trucking industry and inadequate competition.

Inadequate infrastructure suppresses Africa's per capita growth rate by as much as two percentage points each year.

The price tag: \$93 billion a year over 10 years (or 15% of the region's GDP). Two-thirds of the total is needed for capital investment and rehabilitation of assets; the remainder, for maintenance.

The power sector accounts for 40% of the required spending, while transport and water account for an additional 20% each.

## Key EAC Economic Facts and figures:

*Findings indicate that EAC midyear population was estimated at 126.6 million by June 2008 with average annual growth rate of 2.9 percent.*

**Per Capita.** Overall, the EAC recorded an average per capita of US\$ 502 with Kenya US\$ 794, Uganda US\$556, Tanzania US\$525, Rwanda US\$494 and Burundi US\$164.

**GDP.** In aggregate, total GDP for the region amounted to US\$ 73,338 million in 2008, compared to US\$ 60,258 in 2007.

**Inflation.** The average annual underlying inflation rate increased to 13.3 percent in 2008 from 7.6 percent in 2007.

**Fiscal deficit.** On average, the EAC fiscal deficit, excluding grants, as a ratio of GDP reduced from 10.5 percent in 2007 to 9.5 percent in 2008.

**Tourism.** Further analysis reveals that the number of foreign tourists to the EAC region reduced by about 9 percent in 2008, compared to an increase of 12 percent in 2007.

**Agriculture.** Coffee production which has been fluctuating in the region since 2004 recorded an increase of 24.1 per cent between 2007 and 2008.

Tea production recorded a major decline shrinking from a total of 625 thousand tonnes in 2007 to 476 thousand tonnes in 2008.

**Power.** Hydro power generation declined slightly while that of thermal power rose by 29.1 per cent in 2008.

Editor: Godwin Muhwezi Bonge

*The EABC News-flash is produced and published by the Communications and Marketing Department of the East African Business Council. Olorien House, Kijenge Perfect Printers Street. P.O. Box 2617, Arusha—Tanzania*