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AN INVESTMENT GUIDE TO THE EAST AFRICAN COMMUNITY

Opportunities and conditions
July 2005

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UNCTAD

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Notes

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Three good reasons to invest in the EAC

• Market size and market access

When the process of regional integration is completed (expected by 2013), the East African Community (EAC) will offer investors the second largest single market in Africa, of around 100 million consumers, second only to Nigeria with its 137 million. A customs union protocol has already been implemented, as of 1 January 2005, and other steps in the integration process are to follow soon. Nor is the internal EAC market all there is to it. Through Kenya or Uganda, investors have access to the COMESA market of 385 million consumers and, through Tanzania, to the SADC market of 215 million. (COMESA is the Common Market for Eastern and Southern Africa and SADC the Southern African Development Community.) All three EAC partners also have preferential access to the EU market and qualify under the African Growth and Opportunity Act (AGOA) for access to the US market for a variety of products (see chapter I).

• Resources and opportunities

Many parts of the EAC offer soil and climate conditions ideal for a variety of agricultural products, including tea, coffee, fruits, flowers and vegetables. Kenya's recent track record in this area testifies to the potential for agricultural exports (see chapter III). In tourism, the EAC has enviable natural assets, above all in Tanzania, which has allocated 25% of its land to game reserves and national parks. The migration of enormous herds of wildebeest from the Serengeti plains to the Maasai Mara and back, between June and November every year, is one of the best-known features of East African tourism. Somewhat less known, and certainly less exploited, is the 2,000-kilometre coastline of the EAC. Other opportunities can be found in mining, manufacturing, infrastructure and services (see chapter III).

• An 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. The region is well located for access to African markets, with Tanzania alone sharing its borders with eight other countries, as well as overseas markets, with a large number of airlines flying into Nairobi. The economy has been and is being liberalized in each of the three countries, with Uganda having moved the fastest and furthest. The Community shares a common culture, with English widely used in business, government and the judiciary. Kenya in particular also offers a skilled and enterprising workforce.

Acknowledgements

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The cooperation of the Investment Promotion Centre (IPC) in Kenya, the Tanzania Investment Centre (TIC) in Tanzania and the Uganda Investment Authority (UIA) in Uganda was essential to the success of this project. Our thanks are owed to their heads: Luka Obbanda (IPC), Samuel J. Sitta (TIC) and Maggie Kigozi (UIA). Our thanks are also owed to the East African Community Secretariat, which hosted a small meeting to discuss the guide.

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Note to the reader

This document is published as part of the UNCTAD–ICC series of investment guides. The publications in this series are intended for the use of foreign investors who are largely unfamiliar with the countries (or, in this case, the region) covered. They are thus designed to offer overviews of potential locations for investment, rather than constitute exhaustive works of reference or provide detailed practical instruction. They do, however, offer pointers to sources of further information in the private as well as the public sector. (In the case of this particular guide, readers are also urged to consult the country guides to Kenya, Tanzania and Uganda, in the list of sources consulted at the end of this guide.)

There are two other features of these publications that the reader will find worth noting. One is that they are third-party documents, intended to offer a balanced and objective account of investment conditions. Their principal advantage in drawing the attention of investors to the countries they cover is *credibility*. The other feature is that both their general structure and some of their specific content are the result of consultations with the private sector.

The executive summary is followed by a brief introductory chapter. Then come the three chapters that account for the bulk of the contents. Chapter II describes the general conditions in which investors must operate: macroeconomic conditions, infrastructure, human resources, and so forth. Chapter III describes areas of potential interest to foreign investors. Chapter IV discusses the legal and institutional framework as it affects investors. The fifth and final chapter provides a summary of the perceptions of the private sector in the region, both foreign and domestic.

The primary sources of further information on investing in the East African Community are the investment agencies of the three EAC partner States: the Kenya Investment Promotion Centre (shortly to become the Kenya Investment Authority), the Tanzania Investment Centre and the Uganda Investment Authority. Contact details of these agencies are provided in appendix 3, along with those of other sources of further information, including websites. Appendix 2 provides a list, including contact details, of 83 foreign investors in the EAC.

Preface

The Millennium Development Agenda of the international community emphasizes the potential role of the private sector in helping countries achieve their development goals and targets. Foreign direct investment is recognized as an important factor in this context, since it brings to host countries capital, technology, innovation and management know-how, as well as access to supply chains and new markets. Under the right policy conditions and institutional frameworks, it can thus contribute to economic development and growth.

The United Nations Conference on Trade and Development (UNCTAD) and the International Chamber of Commerce (ICC) launched this series of investment guides in 1998. The idea was to help bring together two parties with complementary interests: *companies* seeking new locations and *countries* seeking new investors. This is not necessarily a straightforward exercise, for firms are driven by their global strategies as much as by the search for specific commercial opportunities, while countries pursue broad economic and social objectives in which foreign investment is only one element among many in the complex process of upgrading competitiveness and enhancing livelihoods.

These investment guides are the products of dialogue, including that among and between the representatives of business and government during the workshops that accompany the preparation of the guides. The guides in their turn are intended to contribute to the dialogue, helping to strengthen and sustain it. In the long run, such dialogue can make a real difference to investment conditions.

An Investment Guide to the East African Community is the fifteenth publication in this series and our first regional guide. We hope that it will be useful in the efforts of the Governments and the business community in the EAC to attract greater flows of investment and that the flows in turn will benefit the Community.

Carlos Fortin
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The UNCTAD–ICC series of investment guides

- *An Investment Guide to Ethiopia,* 1999; revised edition in new format, 2004
- *Guide de l'investissement au Mali,* 2000; revised edition in new format, 2004
- *An Investment Guide to Bangladesh,* 2000
- *An Investment Guide to Uganda,* 2001; revised edition, 2004
- *An Investment Guide to Mozambique,* 2002
- *An Investment Guide to Nepal,* 2003
- *An Investment Guide to Cambodia,* 2003
- *Guide de l'investissement en Mauritanie,* 2004
- *An Investment Guide to Mauritania,* 2004
- *An Investment Guide to Kenya,* 2005
- *An Investment Guide to Tanzania,* 2005
- *An Investment Guide to the East African Community,* 2005

(The first editions of the guides to Ethiopia and Mali were published in cooperation with PricewaterhouseCoopers.)

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Kenya and the East African region offer excellent investment opportunities in a wide range of sectors. GM has operated effectively in the region for over 27 years in an industry that has been totally transformed through liberalization and changes in consumer behaviour. The basis for our sustained success is a combination of factors: an educated work force, a moderate climate, and recent improvements in banking and telecommunication. The formation of the East African Community in January 2005 provides even greater opportunities for those considering Kenya to invest in. Come to Kenya and invest in the future of Africa!

William Lay, Chief Executive Officer, General Motors East Africa

Tanzania has no shortage of opportunities – in tourism, in agriculture, in energy. The political maturity of the country and its economic stability are major strengths that investors can rely on. With some serious attention to infrastructure, the Government could ensure that the country's potential becomes reality. Aluminium Africa looks forward to its role in the new Tanzania.

Manu Chandaria, Chairman of the Board, Aluminium Africa

Executive summary

The East African Community (EAC) that came into existence in July 2000 (see box in chapter IV) is actually the second to bear that name. The same three countries – Kenya, Tanzania and Uganda – had established its predecessor in 1967, only to see it dissolve 10 years later. In the 80-year-long history of East African cooperation, the present EAC is only the latest milestone, but it is a particularly notable one. For the first time, the three countries have committed themselves to a short, step-by-step process that is to end in *political federation* – by 2013, according to the recommendation of the Committee on Fast Tracking East African Federation (hereafter "Fast-tracking Committee"). The first critical step, the initiation of a *customs union*, has already been taken. The Fast-tracking Committee has proposed that the next major institutional step be the establishment of a regional currency for the EAC by September 2009.

There are good reasons to be optimistic about the prospects for progressive regional integration in the EAC. One reason is the history of regional cooperation. Kenya, Tanzania and Uganda have been dealing with one another under the umbrella of one regional entity or another for a very long time. There was a customs union between Kenya and Uganda in 1917, an East African High Commission from 1948 to 1961 and an East African Common Services Organisation from 1961 to 1967. Even the experience of the ill-fated predecessor EAC (1967–1977) can be turned to good account. One of the factors that created difficulties for the last EAC was the economic dominance of Kenya, especially in manufacturing. This dominance is not quite so overwhelming today but, in addition, the customs union that came into effect on 1 January 2005 explicitly provides for a five-year period in which imports from Kenya into Tanzania and Uganda will have a declining tariff levied on them.

The three countries also share a common culture and history, with some variations. Kiswahili is widely spoken in the region and English is common to educational, judicial and commercial life in all three countries. Although there is considerable ethnic diversity – there are 130 different tribes in Tanzania alone – intertribal relations have mostly been peaceable. Finally, the leadership in all three countries is quite aware of the considerable advantages of creating a common market with a common set of institutions and policies in an increasingly interlinked and competitive global economy.

Why the EAC?

The first reason for investors to consider locating in the EAC is the size of its market. With some 100 million consumers, a fully integrated EAC will be the second largest market in Africa, after Nigeria. The only internal constraint on the flow of goods within the EAC – the tariffs on the import of goods from Kenya into Tanzania and Uganda – is set to disappear in five years (as noted above). To be sure, this is a market composed mostly of poor consumers, but it is a growing one. Growth rates in Tanzania and Uganda have averaged 6% or more for a number of years. Kenya, the strongest economy in the region, has been a laggard in growth, but there are signs that this may be set to change. Nor is the internal market the only one to which investors in the EAC have access. Kenya and Uganda are members of the Common Market for Eastern and Southern Africa (COMESA), which has 385 million consumers, while Tanzania belongs to the Southern African Development Community (SADC), which groups 13 countries with 215 million people. As least developed countries (LDCs), Tanzania and Uganda also qualify for preferential access to the European Union's market under the EU's Everything But Arms (EBA) initiative, as does Kenya under the Cotonou Agreement between the EU and the African, Caribbean and Pacific States (ACP). All three countries qualify for access to the US market for a large variety of products under the African Growth and Opportunity Act (AGOA).

Other advantages that the EAC offers include political and economic stability, which is well established in all three countries. There is also the location of the EAC, which offers access to a number of the landlocked countries bordering it. Its coastline of nearly 2,000 km (1,424 km in Tanzania and 536 km in Kenya) and its two major ports – Dar es Salaam and Mombasa – are yet further advantages. A large number of international airlines fly into Nairobi and the highly regarded Kenya Airways has built a substantial international and regional network. Other attractive features include a skilled and enterprising workforce in Kenya; some of the world's richest natural resources for tourism in Tanzania; and one of the most liberal African economies in Uganda.

Opportunities

Opportunities are many and varied in the EAC. The soil and climate (the latter varying from tropical along the coast to temperate in the highlands) are ideal in many parts of the EAC for a variety of agricultural crops. Kenya's success in the exporting of tea and flowers is an indication of what foreign investment can help achieve in this area. Kenya is the world's second largest exporter of tea, and horticulture is the country's top export earner. Huge opportunities still remain in this field as, for all its success, Kenya accounts for only 1% of the EU-15 market share in vegetables and a tenth of that in fruit. And although Kenya has taken the lead here, soil and climatic conditions make agricultural opportunities available in *all three* EAC countries.

Tourism offers the second great opportunity in the EAC. The region's natural assets for tourism are among the finest in Africa. Many of these are well known: the Serengeti plains in Tanzania, with their spectacular annual migration of wildebeest herds; the Ngorongoro crater in northern Tanzania, which has a tremendous concentration of wildlife in an area of around 8,000 sq. km; the Bwindi Impenetrable National Park in Uganda, which harbours the famous mountain gorilla; and the coast around Mombasa and Zanzibar. In addition to these well-known attractions, there are others less known but with great potential. The Selous game reserve, the Rift Valley and Lake Victoria are only three of these. Specific opportunities include the development of international-standard accommodation, the development of sea and lake cruising, the development of eco-tourism, and the development of training institutions to cater to the tourism sector.

Yet other opportunities range over a number of sectors, including infrastructure, mining and manufacturing. In infrastructure, the needs of the region are great, and the Governments, recognizing this, are eager to invite private participation in meeting them. Privatization has been a major preoccupation of all three Governments over the past decade. In railways, the process is already well under way (see box II.1). In roads, Tanzania in particular is keen on attracting investors into build-operate-transfer (BOT) schemes. Port facilities offer opportunities as well, particularly in Kenya, where the Government plans to relinquish most cargo handling and related services to the private sector. There are also substantial opportunities in information and telecommunication infrastructure and services. Telecommunication privatization is a priority in Kenya and Tanzania; in Uganda, the process has already been completed. Other opportunities in infrastructure include those in energy as well as those in water and sanitation services.

In mining, Tanzania has for some years been the main magnet for foreign investment, but there are opportunities in mining in all three countries. Kenya has four mineral belts, including the gold greenstone belt in western Kenya. Tanzania is the third largest gold producer in Africa and has deposits also of cobalt, copper, diamonds, iron ore and coal, among other minerals. Uganda's resources include copper, tin, tungsten, beryllium, limestone and feldspar. A specific opportunity in Uganda is offered by the Government's forthcoming divestiture of Kilembe Mines, which produces copper and is 90% owned by the State. There has also been growing investor interest in the oil and gas field in the EAC and the three countries have responded by agreeing to harmonize their legal and fiscal regimes applying to petroleum exploration.

Opportunities in manufacturing, both for the EAC market and for the wider region, can be found in the assembly of electronics and automotive components; in plastics, paper, chemicals and pharmaceuticals; in canning, bottling and glassware; and in a variety of processed foods. The African Growth and Opportunity Act (AGOA) has also generated export opportunities in textiles and apparel. These have thus far been seized mainly by Kenya, which has attracted some 30 companies, mainly from Asia, into its export-processing zones.

Difficulties facing investors

The difficulties confronting foreign investors in the EAC are those to be expected in most of sub-Saharan Africa. They lie in infrastructure and governance above all, with human resources following.

The transport infrastructure is quite inadequate in the EAC. Investors complain that it costs more to move cargo overland from Dar es Salaam in Tanzania to Mombasa in Kenya than to get it from

Antwerp to Dar es Salaam. Roads are a problem everywhere in East Africa once one gets beyond the perimeter of the main urban centres, but they are particularly a problem in Kenya. Railways are not in much better shape, with the Kenya Railways Corporation running at only one third of its cargo capacity; Uganda doing much better, with two thirds of its capacity in use; and Tanzania somewhat worse, with only a quarter of the capacity of TAZARA in use. Privatization is the recognized solution here and the three Governments are all in the process of privatizing through concessioning. The Mombasa port, which serves not only the three countries in the EAC but also Burundi, the Democratic Republic of the Congo and Rwanda, is less than efficient and delays in cargo clearing are common. Electricity supply is erratic and fixed-line telecommunication inadequate and costly, although the latter has now been compensated for to some extent by the remarkable growth of mobile telephone subscriptions. When it comes to workforce skills, there is significant variation, with Kenya offering the best resources. Uganda still has a shortage of technical and managerial skills and Tanzania an even greater shortage. Hiring expatriates can be very expensive for companies and can substantially increase their costs of doing business.

Bureaucracy is another major investor concern. There is too much red tape and things move far too slowly in too many organs of Governments. (The investment agencies are generally well regarded.) Corruption is a problem in all three countries, although its character varies. In Kenya, it is grand rather than petty corruption which is the main issue, while in Tanzania the reverse seems to be the case. Non-tariff barriers, involving the administration of such matters as certificates of origin and the valuation of goods, are an area of concern as well, although this may change with the full implementation of the customs union.

Security is also an issue, though mainly in Kenya. Despite the bombings in 1998 and 2002 (see box I.2), it is not mainly the insecurity arising from possible terrorist threats that worries investors. It is the insecurity created by domestic, and especially urban, crime. (One should note, however, that crime is by no means directed specifically at foreigners.) The Government of Kenya has taken a variety of measures to control crime, including the drafting of a new licensing policy for firearms and changes in the police force, including the appointment of a new chief drawn from the army, but the effect has not so far been obvious.

Investment trends

The EAC presents a mixed picture when it comes to foreign direct investment. Its strongest and most diversified economy (Kenya) has been its poorest performer over the past decade and a half, while the other two partners have done very much better, Uganda in particular. In the late 1990s, both Tanzania and Uganda attracted about as much FDI (proportionately to their GDP) as did the developing world as a whole – and over 50% more than did sub-Saharan Africa. Since 2000, Uganda has outstripped both the developing-country average and (except in 2001) the sub-Saharan Africa average very substantially, while Tanzania has largely matched it. In Tanzania, FDI has gone mainly into mining, while in Uganda the flows have been more diversified, with a large part going into manufacturing. All indications are that investment will continue to flow into the EAC and even Kenya may be beginning to catch up.

Prospects and challenges

The prospects are very bright for the EAC. The advantages of the region are huge – it has a 2,000-km coastline, some of the best soil and climate for agriculture, exceptional resources for tourism, a mostly English-speaking workforce with a concentration of talent in Kenya, political and economic stability, and a substantial domestic market combined with privileged access to several large and rich markets abroad. All that is needed to make it a real magnet for FDI is steady and rapid progress towards integration, which looks likely, and major improvements in infrastructure and training, which are somewhat less certain. With strong and dedicated leadership, there are few limits to what the EAC could achieve. Investors would be well advised to heed the promise of this remarkable region.

The East African Community at a glance

Official name	East African Community (EAC)
Member States	Republic of Kenya United Republic of Tanzania Republic of Uganda
Heads of partner States and Governments	Kenya: President Mwai Kibaki Tanzania: President Benjamin Mkapa Uganda: President Yoweri Museveni
Secretary General of the EAC	Hon. Amanya Mushega
Main institutions of the EAC	Summit; Council of Ministers; East African Court of Justice; East African Legislative Assembly; Secretariat.
Features and objectives of the EAC	Treaty on the establishment of the EAC: 30 November 1999 Customs union: since 1 January 2005 Proposed dates for further integration: Common market: December 2007 Single currency: September 2009 Political federation: March 2013
Surface area	1.8 million sq. km
Population	93 million
Population density	73 per sq. km
GDP per capita (2003)	$270 (at purchasing power parity, $1,039)
Currency	Kenya: Kenya Shilling (KSh) Tanzania: Tanzania Shilling (TSh) Uganda: Uganda Shilling (USh)
Exchange rates (July 2005)	$1 = 76.80 KShs € 1 = 92.64 KShs $1= 1,126 TShs € 1 = 1,358 TShs $1= 1,753 Ushs € 1 = 2,114 UShs
Official language	The official language of the EAC is English. English is also the official language of Kenya and Uganda. Kiswahili is widely spoken in the region. It is also the official language of Tanzania and the national language of Kenya.
Principal religions	Christian: 60% (78% in Kenya, 35% in Tanzania, 85% in Uganda) Muslim: 19 % (10% in Kenya, 30% in Tanzania, 12% in Uganda) Other: 21% (12% in Kenya, 35% in Tanzania, 3% in Uganda)
Time zone	GMT + 3
Climatic conditions	Vary from tropical to temperate, depending on elevation. Two rainfall seasons: the long rains, from late March to early May, and the short rains, from late October to early December.
Main cities/towns and their populations	Kenya: Nairobi (capital), 2.1 million Mombasa, 655,000 Tanzania: Dar es Salaam (capital),[1] 2.5 million Mwanza, 475,717 Uganda: Kampala (capital), 1.2 million Jinja, 80,520

[1] The capital of Tanzania is eventually to move to Dodoma. Thus far, only legislative offices have been transferred to Dodoma, where the National Assembly now meets on a regular basis.

Source: UNCTAD, drawing on various sources.

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Department of Peacekeeping Operations
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Introducing the East African Community

For more detailed and country-specific information, the reader should consult UNCTAD's recently published investment guides to Kenya, Tanzania and Uganda (see list of sources consulted at the end of the guide).

Region and people

The East African Community (EAC), constituted by the three countries of Kenya, Tanzania and Uganda, covers a total area of 1,768,812 sq. km and lies between latitudes 4.5° north and 12° south of the equator and longitudes 29° and 41° east of the Greenwich Meridian, with the equator crossing right through Kenya and Uganda. The region borders the Indian Ocean and Somalia on the east, and Ethiopia and Sudan on the north. On its western side, it borders Burundi, the Democratic Republic of the Congo (DRC) and Rwanda, while on the south it borders Malawi, Mozambique and Zambia. The climate of the region ranges from tropical to temperate, depending on the elevation.

The region has some magnificent physical features. The two highest mountains in Africa, Mt. Kilimanjaro (5,895 m or 19,340 ft) and Mt. Kenya (5,199 m or 17,058 ft), are located in East Africa. Together with the Rwenzori range (5,000 m or 16,000 ft), along the Uganda–DRC border, these mountains rise above the snowline. Mt Kenya lies in central Kenya, while Mt Kilimanjaro lies on the border between Kenya and Tanzania. The longest river in Africa, the Nile, has its source in the region's largest lake, Lake Victoria, which is also the largest lake in Africa and the second largest freshwater lake in the world. Connecting the three EAC countries, a symbol as it were of their "natural and lasting unity", Lake Victoria covers an area of 69,000 sq. km and is an important natural resource shared by the three countries.

The Great Rift Valley is another spectacular feature of the region, extending for some 4,830 km from Syria in the Middle East to Mozambique in southern Africa and marked by a chain of lakes and a series of volcanoes. In Africa, it continues from the Red Sea south-west across Ethiopia and south across Kenya, Tanzania and Malawi to the lower Zambezi River valley in Mozambique. The Valley ranges in elevation from some 395 m below sea level (at the Dead Sea) to some 1,830 m above sea level in southern Kenya. The Rift Valley itself together with some of its special features such as the Ngorongoro and Menengai craters are major tourist attraction points. According to the findings of anthropologists Louis and Mary Leakey, humanity may have originated in Tanzania's Olduvai Gorge at the edge of the Great Rift Valley over a million years ago.

The region has an extraordinary natural resource in its wildlife. Governments in the region have designated large areas as national parks or game reserves, which are great tourist attractions. Twenty-five per cent of Tanzania's land is designated as game reserve or national park and includes the largest game reserve in the world: the Selous in southern Tanzania.

The region is also endowed with a variety of minerals, including fluorspar, titanium and zirconium, gold, oil, cobalt and nickel, diamonds, coal and iron ore. This presents an opportunity for development of the mining industry, which is currently underdeveloped. The region has several water masses in the form of freshwater lakes, rivers and marine waters. The freshwater masses (lakes and rivers) harbour much biodiversity and provide food and employment to the nearby communities. Other lakes are special because they have hot springs or because they harbour rare species of birds such as the flamingo, which makes them tourist attractions. The marine waters at the coast provide food, employment and a source of foreign exchange. The coastal beaches are a major tourist attraction in both Kenya and Tanzania. Ports at Mombasa and Dar es Salaam, among others, serve both the region and the landlocked countries bordering the region.

The people of East Africa comprise many ethnic groups, including the Bantus, Nilotes, Hamites and Cushites. The dominant religion in the EAC is Christianity. Christians are in the majority in Kenya and Uganda, which have small Muslim minorities. In Tanzania, Christianity and Islam account for roughly a third of the population each, with the remaining third accounted for by traditional African religions and very small numbers of Hindus and others. Kiswahili, a Bantu language with significant word borrowings from Arabic, Persian and European languages, is the most widely spoken language in the region and has official or quasi-official status in two of the three partner states. English is the language of commerce, higher education and the judiciary. Many local languages are of course spoken by the many tribes (Tanzania alone has 130) of East Africa.

History and objectives

A brief history of EAC cooperation

Since the beginning of the 20th century, the three EAC partner States — Kenya, Tanzania and Uganda — have engaged in some form of cooperation under successive regional integration arrangements. These arrangements have included:

- The Customs Union between Kenya and Uganda in 1917, with Tanzania (then Tanganyika) joining in 1927;
- The East African High Commission (1948–1961);
- The East African Common Services Organisation (1961–1967);
- The first East African Community (1967–1977);
- The East African Cooperation Commission (1993–2000); and
- The East African Community again (from July 2000).

The first EAC (1967–1977) contributed to the creation of such major institutions as the East African Development Bank, the East African Legislative Assembly, the East African Harbours Corporation, the East African Posts and Telecommunications Corporation, East African Railways and East African Airways. The former EAC collapsed in 1977 because of various tensions among the three countries, including economic ones.

Following the collapse of the first EAC in 1977, the partner States negotiated and signed a Mediation Agreement for the Division of Assets and Liabilities in 1984. As one part of the provisions of the Mediation Agreement, the three States agreed to explore areas of future cooperation and the Agreement for the Establishment of the Permanent Tripartite Commission for East African Cooperation was signed on 30 November 1993.

In 1997, the East African Heads of State directed the Permanent Tripartite Commission to start the process of upgrading the Agreement establishing the Commission into a Treaty. The treaty-making process was successfully concluded within three years, with the Treaty for the Establishment of the East African Community being signed in Arusha on 30 November 1999. It entered into force on 7 July 2000 and the East African Community (EAC) was reborn. Arusha was chosen as the headquarters of the organization. (On the Treaty, see box IV.1.)

Objectives of the EAC

The objectives of the community are to develop policies and programmes aimed at widening and deepening integration among the partner States in the political, economic, social and cultural fields; in research and technology; in defence and security; and in legal and judicial affairs for the benefit of the citizens of the EAC member countries (EAC Secretariat, 2002b).

To achieve these objectives, the Treaty provides for the establishment of a Customs Union, followed by a Common Market, a Monetary Union and a Political Federation. In the six years since the treaty establishing the East African Community was signed in 1999, the three partner States have signed ten major protocols or other tripartite agreements (see appendix 5) covering a variety of matters, including a protocol on the Customs Union. The Customs Union was launched simultaneously on 31 December 2004 in the three capitals of the EAC Partner States: Dar es Salaam, Kampala and Nairobi. It went into effect on 1 January 2005.

The integration process was given an impetus with the establishment of the Fast-tracking Committee in 2004, with the mandate to propose ways and means of accelerating and compressing the process of integration. After consultations throughout the Community, the Committee has recommended a road map which, if followed, will lead to federation much sooner than expected. Key steps and their dates of realization as proposed by the Committee are summarized in figure I.1.

At their Extraordinary Summit on 29 and 30 May 2005, the EAC Heads of State reiterated their support for the principle of fast-tracking the integration process and asked the Council of Ministers to begin generating consensus among the various stakeholders (EAC Secretariat, 2005b).

Burundi and Rwanda applied for membership in the Community in 2002. The matter was put on hold until the Customs Union was established. At their recent Summit on 29 and 30 May 2005, the Heads of State directed the Council to expedite the process of Rwanda's admission, so as to conclude the matter by November 2005. With regard to Burundi, they welcomed the positive developments in that country and called on all parties to ensure that the forthcoming elections are conducted and concluded successfully (EAC Secretariat, 2005b).

FIGURE I.1. SOME MAJOR STEPS IN THE EAC INTEGRATION PROCESS, AS RECOMMENDED BY THE FAST-TRACKING COMMITTEE

Implementation of the Customs Union Protocol: January 2005

Creation of a single regional air space: August 2005

Setting up of a regional Capital Markets Authority: December 2005

Setting up of a Common Market: December 2007

Adoption of a single regional currency: September 2009

Swearing-in of the President of a transitional Federation of East Africa: January 2010

Drawing up of regional constituencies and swearing-in of a transitional Federal Parliament: 2010–2012

Elections for an East African President and Government: March 2013

Source: East African Community Secretariat (2004b).

Market size and access

The internal EAC market is currently one of about 93 million consumers. The combined GDP of the region is about $30 billion (at purchasing power parity, about $92 billion) and the average GDP per capita is about $270 (at purchasing power parity, $1,039). Table I.1. provides a picture of the broader East African market.

For the implementation of the Customs Union protocol, the EAC has adopted asymmetrical transitional provisions on internal tariff elimination, which is to be progressive and achieved within a five-year period, that is by January 2010. These provisions apply a declining tariff on the exports of Kenya to the other two partners. (Most internal trade in the EAC flows from Kenya to its partners.)

In addition to the EAC market, investors in the partner States have access to other African markets (e.g. COMESA and SADC) as well as to international markets through preferential trade arrangements.

The Common Market for Eastern and Southern Africa (COMESA) comprises 20 member States with a population of over 385 million and a total GDP of $180 billion (at purchasing power parity, $637 billion). This is one of the largest trading arrangements in Africa. Kenya and Uganda are members of COMESA, whereas Tanzania withdrew from the organization in 2000. COMESA launched a free trade area (FTA) in October 2000. Eleven of its member countries — Burundi, Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Zambia and Zimbabwe — have joined the FTA and reduced their import tariffs to zero on a reciprocal basis. The other countries (including Uganda) continue to trade on preferential terms, with tariff reductions of between 60% and 80%. Member countries are in the process of removing non-tariff barriers to trade as well, although licensing is required for trading in some products for health, security and environmental reasons. COMESA members have agreed to implement a Common External Tariff (CET) with a four-band tariff structure: 0% on capital goods, 5% on raw materials, 15% on intermediate goods and 30% on finished goods. This has not yet been realized, as there are still unresolved issues regarding CET levels, compliance, identifying alternative sources of revenue, defining the modalities of administering the CET and the categorization of goods into the proposed CET structure. The COMESA secretariat is working towards resolving these issues.

OADER EAST RKET

COUNTRY	POPULATION	GDP [a]	GDP PPP [b]	GDP PER CAPITA [c]	GDP PER CAPITA PPP [d]
	millions 2003	$ billions 2003	$ billions 2003	$ 2003	$ 2003
Burundi	7	0.7	4.5	139	627
Ethiopia	69	6.6	49.1	115	716
	32		*33.0*		*1 035*
Rwanda	8	1.6	10.4	301	1 268
Sudan	34	17.8	68.7	347	2 046
	36		*21.9*		*611*
	25		*37.2*		*1 471*
Zambia	10	4.3	9.2	437	883

Source: Adapted from the World Bank (2004e).
[a] At current $. [b] At current international $. [c] At constant 1995 $. [d] At current international $.
Note: PPP = Purchasing power parity.

The Southern African Development Community (SADC) was established in 1992 and is now composed of 13 member States with a population of 215 million and total GDP of $182 billion. Tanzania is a member of SADC, whereas Kenya and Uganda are not. SADC started implementing its FTA on September 2000. It is expected that, by 2008, 85% of intra-SADC trade, involving less sensitive products, will be liberalized. By 2010, it is expected that the region will be a Customs Union and by 2012 a full-fledged free-trade area. The following 11 countries have thus far joined the FTA: Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. Angola and the Democratic Republic of the Congo are yet to join.

In the developed world, the European Union (EU) is the largest trading partner of the EAC countries. Exports from EAC countries have had preferential access to the EU market under the Cotonou agreement between the EU and the African, Caribbean and Pacific States (ACP). Under the Cotonou agreement, valid until 2007, the EU offers duty-free access to a wide range of agricultural products as well as some industrial products. Other products can access the EU market under the "commodity protocols", which offer duty-free access on a quota basis to a number of products, including bananas, sugar, beef and veal, and rum. The EU and the ACP are currently negotiating new trading arrangements,[2] which will be reciprocal and thus WTO-compliant. They are expected to come into force in 2008. As least developed countries (LDCs), Tanzania and Uganda are also covered by the EU's Everything But Arms (EBA) initiative, under which all products from LDCs except arms and ammunitions have preferential access to the EU market.

Together with other sub-Saharan African countries, the EAC States also qualify for duty-free access to the US market under the African Growth and Opportunity Act (AGOA), which has been extended until 2015 (see box III.5). They may also access the US market under the GSP scheme (see below). Together, AGOA and the GSP offer US market access to nearly 60% of EAC product lines. Most African countries are currently taking advantage mainly of the textile and apparels provisions, but various agricultural products and manufactured goods are also eligible under these schemes.

Products from EAC countries can access various markets in the developed world through the Generalized System of Preferences (GSP), which offers preferential treatment to a wide range of products originating in developing countries. No quantitative restrictions accompany these GSP schemes, although other non-tariff barriers to trade have in the past acted as a constraint on intended beneficiaries' taking full advantage of these schemes. Markets accessible through GSP schemes include those of Australia, Canada, Japan, New Zealand, Switzerland and (as noted above) the United States.

Priorities of EAC Governments

At the national level, the common government focus in the three partner States is on poverty reduction and economic growth.

In Kenya, the Poverty Reduction Strategy Paper for Wealth and Employment Creation identifies four core priority areas: macroeconomic stability, strengthening institutions of governance (by adopting, *inter alia*, a new constitution and special anti-corruption legislation), rehabilitation and expansion of physical infrastructure, and investment in human capital.

Tanzania, under its Development Vision 2025, has identified the key objectives as achieving macroeconomic stability, attaining high levels of domestic saving and investment, broad-based human-resource development, and sustainable economic growth. It is also implementing its Poverty Reduction Strategy, which is aligned with the Millennium Development Goals (MDG) of the United Nations.

According to the Uganda Poverty Eradication Action Plan (PEAP) of 2000, the highest priorities for medium-term expenditure are security, roads, agricultural research and extension, primary education, primary health, and water and sanitation.

At the Community level, the EAC Development Strategy has set out the priority programmes for the region for the period 2001–2005. These focus on macroeconomic cooperation; trade liberalization and development; cooperation in infrastructure; the development of human resources, sciences and technology; and cooperation in legal and judicial as well as political affairs.

[2] These arrangements are based on Economic Partnership Agreements (EPAs). Each ACP group is negotiating an EPA with the EU within a regional setting. Kenya and Uganda are negotiating within an Eastern and Southern Africa (ESA) group, while Tanzania is negotiating within the Southern African Development Community (SADC) group. The ESA group is made up of 16 Eastern and Southern African countries, all of which are members of COMESA.

Privatization

All three EAC member States are engaged in the privatization of major government corporations. The privatization process has moved unevenly in the three countries. In all, however, the smaller enterprises were the first to be divested, while the larger ones have taken longer (see appendix 6).

In Kenya, a parastatal reform committee was established in 1991 to implement the privatization process. At first, the process moved very slowly but gathered some speed in 2003, after the current Government came to power. (A prominent and successful instance of privatization had, however, already occurred in the mid-1990s – see box I.1.) Privatization should be facilitated by the passing of the Privatization Bill. Under the draft bill, barring special circumstances or legislation, privatization is to be open to foreign as well as domestic investors. Areas in which privatization is yet to be undertaken include post and telecommunications, energy development, ports, railways, roads, housing, energy, sugar, tourism, and banking and insurance.

Tanzania embarked on the privatization of its estimated 400 enterprises through the adoption of the Public Corporations Act 1992, which created the Presidential Parastatal Sector Reform Commission. Thus far, over 300 enterprises have been privatized, and this has had a significant impact on the economy. The production of several enterprises has increased substantially. Sixteen of the privatized companies are among the 100 largest taxpayers in Tanzania, and four others are listed on the Dar es Salaam Stock Exchange. Among the public enterprises still to be privatized are the Tanzania Electric Supply Company (TANESCO), the National Insurance Company, the Tanzania Railways Corporation and the Tanzania Zambia Railway (see box II.1), and business units under the Tanzania Harbours Authority, including the Mtwara and Tanga ports, a passenger terminal and an oil jetty.

In Uganda, the Public Enterprise Reform and Divestiture Statute was enacted in 1993 to give effect to the Government's policy launched in 1991, which aimed at promoting the role of the private sector and improving the performance of the remaining public enterprises. To date, 117 enterprises have been divested, including 39 liquidations/strike-offs. At first, the privatization process focused on small enterprises, already operating in a liberalized environment, and is now focusing on the utility sector and large-scale enterprises. Privatization has had a major impact on the economy: annual tax remittance by privatized enterprises has increased in a range of 40% to 5,000% since privatization, and productive capacity in privatized enterprises grew from an average of 11% in 1993 to 51% in 1998. To date, 36 public enterprises remain to be privatized (see appendix 6). Privatization opportunities are to be found in agriculture (Uganda Seed Ltd), banking (Post Bank Uganda Ltd), mining (Kilembe Mines Ltd), publishing (New Vision) and infrastructure (the joint concession of Kenya and Uganda Railways Corporations – see box II.1).

Box I.1. A first for Africa: The privatization of Kenya Airways

The sale of a major State-owned organization is usually a highly charged political event. The sale by the Government of Kenya of 77% of the shares in Kenya Airways to private investors in 1996 was no exception. There was much speculation that the process would fail. It did not.

The operation had already been commercialized in 1991. The privatization process itself worked well, and the outcome was a multifaceted success. The Kenyan Treasury received $76 million from the sale of 77% of the shares. Over 113,000 Kenyans bought a total of 22% of the shares. Kenyan financial institutions bought a further 12%, while international financial investors subscribed for 14%. KLM Royal Dutch Airlines bought 26% of the shares.

The alliance agreements between Kenya Airways and KLM, signed on 15 December 1995, produced immediate benefits for both partners: shared codes, shared reservation systems, joint marketing, and the joint purchasing of aircraft, fuel, spares and insurance. Kenya Airways' service standards and reliability began improving and, in 1999, an industry journal named Kenya Airways the "African Airline of the Year". By 2003, the company had made a profit of $16 million on revenues of $322 million. There are now some 60 Nairobi–Mombasa flights a week and a much-expanded regional network.

Source: UNCTAD, based on Tiller (1997), the Kenya Airways website (www.kenya-airways.com), et al.

Box I.2. Security in East Africa

Security, of both persons and property, is critical to investors and there are several different ways in which it might be threatened – or *seem* to be threatened. (This is an area in which perception is nearly as influential as reality.) Broadly speaking, one might see *in*security as arising in three different ways in the EAC: international terrorism, problematic borders and urban crime.

On 7 August 1998, there were bomb blasts at the US embassies in Dar es Salaam and Nairobi. There were many casualties — over 200 dead and some 5,000 injured — and they left no doubt that these were terrorist attacks, particularly when combined with the fact that they were simultaneous attacks in different cities with identical targets. Since then, there has been only one major incident of this kind: a suicide bomber killed 15 people in an Israeli-owned Mombasa hotel in Kenya in November 2002. (There were also rockets fired at an Israeli jet as it took off from Mombasa airport at about the same time, but these did no harm.) Although some Western countries (e.g. Canada, France, the United Kingdom and the United States) still regard the region as highly threatened by international terrorism, the reality on the ground seems to be more reassuring. This is indeed reflected even in the changing actions and advice of such countries as the United Kingdom. In May 2003, the United Kingdom advised all its citizens to avoid Kenya and directed British Airways to suspend flights to the country. The following month, these warnings and restrictions were lifted, although travellers continue to be advised to be on their guard.

A number of measures have been taken by EAC Governments to increase security in the region. In 2002, Tanzania enacted the *Prevention of Terrorism Act*, which criminalizes support for terrorist groups operating in Tanzania. Similar legislation in Kenya, the *Suppression of Terrorism Bill 2003*, is still under consideration, being alleged to violate the Kenyan Constitution and international human rights treaties to which Kenya is party. The Government of Kenya has also formed an Anti-terrorist Police Unit and stationed two army battalions on the Kenya–Somalia border. Other countries are contributing to these efforts as well. In 2003, the United States created a $100 million *East Africa Counterterrorism Initiative*, which includes military training, coastal security and measures to strengthen control of the movement of people and goods across borders. A separate programme aims at combating money laundering. The United States is also funding a police development programme in Ethiopia, Tanzania and Uganda and a training programme for Kenya's law enforcement agencies. Finally, it has set up a computer system at selected airports in Ethiopia, Kenya and Tanzania (to be extended in 2005 to Djibouti and Uganda) which enhances control of the movement of people and goods.

Unstable, porous or conflict-marked borders are a second source of insecurity in the region. One problematic border is that between Kenya and Somalia. The 2002 attacks in Mombasa are thought to have been planned in Somalia and much crime in Kenya is thought by Kenyans to have its origins in arms-smuggling from Somalia. Another difficult border is that between Uganda and Sudan, where a conflict has raged between Ugandan troops and the "Lord's Resistance Army" since the late 1980s and led to some appalling violations of human rights. The Government of Uganda has now referred the matter to the new International Criminal Court. In western and north-western Tanzania, there are tensions between local communities and refugees from Rwanda and Burundi. These have been linked to the proliferation of small arms and UNDP Tanzania has launched a programme to control proliferation. Arms-trafficking is a major concern in East Africa: there are thought to be some 3.2 million illegal weapons in the region. Given this, the decision taken in 2004 by 11 East African countries to create an Eastern African Standby Brigade (EASBRIG) is a very welcome step. The EASBRIG is to be one of the five formations of the African Standby Force, established by the African Union in 2002 to carry out peacekeeping operations. The headquarters of the EASBRIG will be in Addis Ababa and its secretariat in Nairobi.

Urban crime is a third source of insecurity in East Africa. (Not that there is no rural crime, but its nature tends to be different and generally to impinge less on foreign investors.) The level of urban crime in Kenya is one of the highest in Africa. According to the World Bank, almost 70% of investors reported "major" or "very severe" concerns about crime, theft and disorder in Kenya, as opposed to 25% in Tanzania and 27% in Uganda. Many countries (e.g. France and the United Kingdom) warn visitors to Kenya against crime, particularly in Nairobi. (It is important to note here that urban crime is by no means directed specifically at foreigners.) To counter this, the Government has launched two major initiatives. One is a project called "Safer city and home for all", initiated by the City Council of Nairobi with funding from UNDP Kenya and consisting of a three-year city-wide crime prevention strategy and action plan. Another step the Government has taken is the drafting of a new firearms licensing policy, which would lead to the withdrawal of a majority of gun licences issued to individuals. Urban insecurity is far less of a problem in Tanzania and Uganda, although rural and urban crime is increasing in both countries.

Source: UNCTAD, based on a variety of sources, including the Institute for Security Studies (undated), Alusala (2004) and Shinn (2004).

Uganda's mild climate, regular rainfall and stable political environment make it an ideal location to invest in agriculture, on both a large and a small scale. In addition, the logistics of doing business in Uganda have never been better, with more efficient and cost-effective export corridors by air, rail and road. Investors opting for the agricultural sector and thinking of export markets will not be disappointed, whether their interest is in established export items like tea, coffee, cocoa, pulses, flowers, tobacco and vanilla – or in new ones with potential, like palm oil.

David Barry, Managing Director, Kyagalanyi Coffee Ltd (Volcafe Group)

Barrick was very proud to open its second gold mine in Tanzania recently. The company first came to Tanzania in 1999 because it had confidence in the Government of Tanzania's commitment to policy reform and the establishment of an environment in which foreign companies could make productive investments. As a result of sound policies, Tanzania is now the third largest gold producer in Africa, after South Africa and Ghana. We are pleased too that we are contributing to job creation, technology transfer and skills development in a workforce eager to succeed.

Grant Pierce, OAM, Executive General Manager (Tanzania),
Barrick Gold Corporation Limited

The operating environment

II

For more detailed and country-specific information, the reader should consult UNCTAD's recently published investment guides to Kenya, Tanzania and Uganda (see the list of sources consulted at the end of this guide).

Economic environment

In the mid-1980s, Governments in EAC countries, like those in many other developing countries, embarked on comprehensive economic reforms that sought to reduce government intervention in the economy. The reforms, which were often implemented in the form of structural adjustment programmes, contributed to the liberalization of productive sectors such as agriculture, the opening up of financial markets to foreign competition, and foreign-exchange liberalization and consumer-price deregulation, and generally enhanced private-sector involvement in the economy.

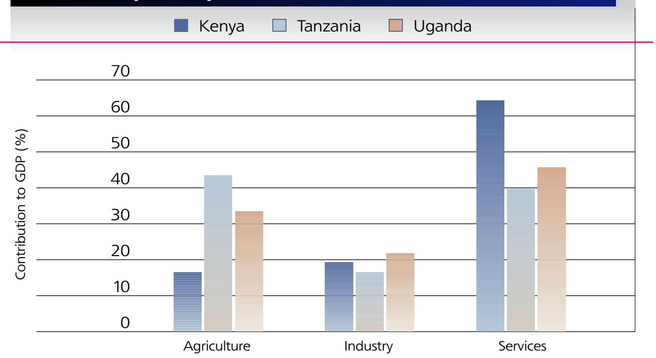
As table II.1 indicates, although Kenya is the strongest economy among the EAC countries, its GDP growth rate has been very low, whereas Tanzania (the poorest of the three countries) has shown relatively strong growth. Uganda has combined strong growth with low inflation. It also has the most open economy in the region.

The EAC member States are predominantly agricultural economies, with agriculture providing significant employment opportunities in each of them. About 80% of the population depends directly or indirectly on agriculture. Growth in the sector has, however, been low, owing to dependence on rain-fed agriculture. The services sector has been growing strongly, on the other hand, particularly because of the increase in the tourism, construction, and ICT sectors (particularly mobile telephony and Internet access provision).

A significant proportion of the economies of the EAC countries is informal. In 2003, the proportion of the informal economy was about 34%, 58% and 43% of the total in Kenya, Tanzania and Uganda respectively (see table IV.1). The share of the informal economy is higher in both Tanzania and Uganda than the average for sub-Saharan Africa: 42%. Informality has risen with the implementation of liberal policies and is manifested in increased goods-hawking in the region, among other things.

As figure II.1 indicates, the services sector is the largest contributor to GDP in both Kenya and Uganda, whereas in Tanzania, it is agriculture. In all three countries, industry contributes the least.

FIGURE II.1. SECTORAL CONTRIBUTIONS TO GDP (2003)



Source: Adapted from the World Bank (2004e).

ROWTH RATES, PITA AND INFL (1999–2003)

	1999	2000	2001	2002	2003
GDP GROWTH RATES (%)					
Kenya	1.29	-0.16	1.13	1.03	1.26
Tanzania	3.65	5.69	6.08	6.32	5.56
Uganda	8	6	5	7	5
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)					
Kenya	1 009	1 002	1 016	1 020	1 037
Tanzania	491	517	547	581	621
Uganda	1 183	1 265	1 336	1 403	1 457
INFLATION (%)					
Kenya	5.75	7.28	9.61	8.7	5.89
Tanzania	11.4	6.89	6.19	4.12	7.16
Uganda	0	4	6	-4	9

Source: Adapted from the World Bank (2004e).

Trade and investment

Trade

Trade is an important component of the EAC economies. In 2002, trade in goods amounted to about 44%, 27% and 37% of the GDP in Kenya, Tanzania and Uganda respectively (World Bank, 2004e). Intra-EAC trade is substantial, with Kenya being the largest exporter to the region and Uganda its largest importer. Intra-EAC trade has shown a steady increase since 1990.

Other African countries are major trading partners of EAC partners. Almost half of all Kenyan exports go to African countries. Imports from the region are also relatively high, at 11.2%, 18.4% and 39.4% in Kenya, Tanzania and Uganda respectively.

The European Union is the largest developed-country trading partner of the three EAC States in terms of both exports and imports. Asia is an increasingly important destination of EAC regional exports (see table II.2).

As table II.3 indicates, in Kenya and Uganda, exports are concentrated in agricultural products (Kenya being the second larger exporter of tea in the world), while Tanzania's exports are dominated by minerals. Imports into the region consist mainly of machinery, transport equipment and petroleum products.

One should note that, within the EAC, much informal trade goes on that is not captured in the official statistics and is thus not reflected in tables II.2 and II.3.

TABLE II.2. EXPORT DESTINATIONS OF EAC PARTNER STATES (2002)

Exports (in $ million)

	SOURCE OF EXPORTS		
DESTINATION OF EXPORTS	Kenya	Tanzania	Uganda
Kenya	-	34.0	61.5
Tanzania	180.1	-	5.8
Uganda	397.3	5.3	-
	577.4		*67.3*
Other COMESA	353.5	-	40.2
Rest of Africa	120.3	30.7	55.1
	1 051.2		*162.6*
USA	42.9	13.1	9.2
	592.3		*156.4*
Asia and the Far East	329.2	193.9	42.3
Rest of the World	134.9	223.5	97.1
Total	2 151.0	958.1	467.6

Source: UNCTAD, based on the East African Community Secretariat (2002c).

TABLE II.3. TOP 5 MERCHANDISE EXPORTS AND IMPORTS OF EAC PARTNER STATES (2002)

COUNTRY	EXPORTS		IMPORTS	
	Commodity	% of total	Commodity	% of total
Kenya				
	Tea	26.2	Industrial machinery	9.9
	Horticulture	21.6	Crude petroleum	9.3
	Coffee	5.0	Petroleum products	8.6
	Fish and fish preparations	3.2	Road motor vehicles	5.6
	Iron and steel	3.1	Animal/vegetable fats and oils	4.3
	Total (top five)	56		37.7
Tanzania				
	Minerals	42.4	Machinery	22.2
	Manufactured products	7.8	Transport equipment	13.2
	Tobacco	5.6	Industrial raw materials	12.5
	Cashew nuts	5.3	Petroleum products	11.8
	Coffee	4.0	Food and foodstuffs	8.1
	Total (top five)	63.1		67.6
Uganda				
	Coffee	20.7	Machinery and transport equipment	26.5
	Fish and fish products	18.8	Mineral fuels and related products	16.3
	Gold and gold products	12.9	Manufactures classified by material	14.2
	Tobacco	9.7	Cereals and cereal preparation	6.8
	Tea	6.7	Iron and steel	5.1
	Total (top five)	68.8	Total (top five)	68.9

Source: UNCTAD, based on the East African Community Secretariat (2002c).

Foreign direct investment

Each of the three EAC member States has an investment agency, which is responsible for promoting and facilitating both local and foreign direct investment (FDI). These are the Investment Promotion Centre (IPC) in Kenya,[3] the Tanzania Investment Centre (TIC) and the Uganda Investment Authority (UIA); see appendix 3 for contact details.

As table II.4 indicates, Kenya has performed poorly in attracting FDI over the last decade and a half. FDI flows during this period were volatile and fell to their lowest level of $5.3 million in 2001. This is generally associated with misgovernance and the neglect of basic production assets such as infrastructure for a period of over two decades, which greatly affected investors' confidence. The new Government that came to power in late December 2002 intends to change this undesirable trend and restore investor confidence. It has, in particular, stepped up efforts to attract FDI through both national and international investor conferences and the creation of a better investment environment. One part of this effort by the Government to create an enabling environment was the passing of the Investment Promotion Act 2004. Lately, Kenya has been doing better: FDI flows into the country increased from $27.6 million in 2002 to $81.7 million in 2003. Key sources of FDI in Kenya include Germany, the United Kingdom and the United States; leading sectors include banking, agriculture and food-processing.

Since the beginning of the 1990s, Tanzania and Uganda have done remarkably well in attracting FDI (table II.4). In Uganda, FDI flows have been increasing steadily since 1990, while in Tanzania they have fluctuated a little but more or less kept pace with those of Uganda. Distribution of FDI in Tanzania is skewed in favour of mining, followed by manufacturing and tourism, with agriculture receiving relatively small amounts. The manufacturing sector has attracted the largest share of planned investment in Uganda, with investment being concentrated in beverages, sugar, textiles, cement, footwear, packaging, plastics and food-processing for the local market. Investment in agriculture is mainly in coffee, tea and cotton plantations.

[3] The IPC is expected to be transformed into the Kenya Investment Authority (KIA) some time in 2005.

FDI FLOWS TO EAST AFRICA: 1986–2003

COUNTRY	1986–1990		1991–1995		1996–2000		2001		2002		2003	
	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP	in $ millions
	Annual average											
Burundi	1.0	1.2	0.7	0.7	3.8	2.8	0.0	0.0	0.0	0.0	0.0	0.0
Ethiopia	0.3	2.0	1.5	8.2	24.2	155.1	3.0	19.6	12.4	75.0	9.0	60.0
	4.7	*38.4*	*1.5*	*12.8*	*3.8*	*39.8*			*2.2*	*27.6*		
Rwanda	7.1	15.9	1.9	3.6	2.4	4.3	2.2	3.8	4.3	7.4	2.8	4.7
Sudan	- 0.4	- 4.4	2.7	22.1	21.5	246.4	42.6	574.0	46.9	713.2	77.1	1 349.2
	0.1	*0.3*	*9.0*	*46.4*	*31.6*	*260.4*			*25.5*	*240.4*		
	- 0.3	*- 0.6*	*12.5*	*54.2*	*33.0*	*200.9*			*43.0*	*249.3*		
Zambia	35.5	112.5	16.0	53.7	47.9	161.4	19.7	71.7	21.7	82.0	23.6	100.0
MEMORANDUM												
Developing countries	9.0	27 870.2	16.5	80 793.7	32.7	205 856.8	33.6	219 720.7	24.0	157 611.9	23.8	172 032.5
Sub-Saharan Africa (47 countries)	6.0	1 560.5	9.6	2 849.5	20.5	6 783.0	45.2	14 696.2	26.3	8 858.5	25.2	10 587.4
LDCs in Africa (34 countries)	6.4	561.3	10.9	828.1	33.6	3 014.3	60.5	5 827.7	50.1	5 187.2	59.0	7 012.8
COMESA (20 countries)	12.4	1 401.4	13.6	1 542.6	21.0	3 393.3	23.8	4 277.3	21.4	3 935.4	23.1	4 071.7

Source: UNCTAD, FDI/TNC database.

Infrastructure and utilities

Reliable physical infrastructure is essential for improving the region's competitiveness. Currently, infrastructure is inadequately developed and poorly maintained. At the national level, there are efforts by the partner States to rehabilitate and upgrade the road networks, ports and airports. Privatization plans are also being made particularly for rail transport and telecommunications. The main concerns with respect to infrastructure are reliability and costs, particularly of power, telecommunication, transport and water services. The cost of power is significantly higher in all the EAC countries than in Egypt and South Africa, two of its major competitors as locations for investment. Transport costs are also high, among other things because of bad roads, which result in delays and damage to carriers.

The East African transport infrastructure includes road and rail networks, airports, oil pipelines, and inland lake and maritime transport. The two ports of Dar es Salaam and Mombasa serve not only the EAC but also landlocked neighbouring countries such as Burundi, the Democratic Republic of the Congo and Rwanda.

Power supply and energy

Power generation in the region is largely hydro-based, with Kenya, Tanzania and Uganda having a total installed electricity capacity of 1,094 MW, 620 MW and 300 MW respectively.

As table II.5 indicates, consumption per capita is much lower in Tanzania and Uganda than in Kenya, while transmission and distribution losses are quite high. Only 15% of the population in Kenya has access to electricity, while for Tanzania and Uganda these figures are 10% and 5% respectively.

In Kenya, electricity generation, transmission and distribution are handled by two State companies — KenGEN and the Kenya Power and Lighting company (KPLC). KenGEN deals with power generation, while KPLC deals with transmission and distribution. There are now a few independent power producers as well.

In Tanzania, the electricity sub-sector is largely dominated by the State-owned Tanzania Electric Supply Company Limited (TANESCO), which has a vertically integrated monopoly in the generation, transmission and distribution of electricity in the country that is now being unbundled. Two independent power producers have now been licensed: Independent Power Tanzania Limited and Songas Limited.

Power generation, transmission and distribution in Uganda were unbundled in 2001, ending the monopoly of the Uganda Electricity Board (UEB) with respect to these services. Generation and distribution were concessioned in 2003–2004, while transmission is still the responsibility of the State-owned Uganda Electricity Transmission Company (UETC). An Electricity Regulatory Authority has also been created.

The cost of power is relatively high in the EAC. In 2003, the average tariffs in US cents per KWh were 10, 9.7 and 6.7 for Kenya, Tanzania and Uganda respectively (East African Business Council, 2005). Power supply suffers from unreliability, forcing investors to maintain back-up generators and increasing their costs of doing business.

ECTRIC POWER PRODU … AND CONSUMPTION

COUNTRY	CONSUMPTION PER CAPITA (in kwh)		TRANSMISSION AND DISTRIBUTION LOSSES (as percentage of output)		ELECTRICITY PRODUCTION (in thousands of kwh)	
	1991	2001	1991	2001	1991	2001
Burundi	..	73	..	..	..	..
Ethiopia	18	22	10	10	1 209	1 814
	117	*117*			*3 227*	*4 391*
Rwanda	..	23	..	..	..	..
Sudan	49	67	24	15	1 661	2 560
	54	*58*			*1 822*	*2 806*
	..	*66*			..	..
Zambia	731	598	4	3	9 047	8 178

Source: Adapted from the World Bank (2004e) and UNDP (2004).

Telecommunications

In the early 1990s, the EAC countries began to liberalize their telecommunication sectors, opening the market to both local and foreign investors. This dramatically improved communication infrastructure to meet business needs in the region, mainly through the advent of mobile telephony. In Kenya, the sector is regulated by the Communications Commission of Kenya (CCK); in Tanzania, by the Tanzania Communications Regulatory Authority (TACRA); and in Uganda, by the Uganda Communications Commission. The telecommunications sub-sector is one of the fastest-growing in the region.

Coverage by fixed telephone lines has remained low in the three countries. Fixed lines are facing stiff competition from mobile telephony, which has greatly improved teledensity in the region. Mobile telephony subscription accounts for 82.9%, 85.7% and 92.7% of all telephone subscribers in Kenya, Tanzania and Uganda respectively (table II.6). The cost of calls, however, remains relatively high. Internet use in the region is growing rapidly. Kenya, for instance, has one of the largest Internet sectors in Africa, with over 30 licensed ISPs. The number of computers per capita has also been increasing.

Water, sewerage and health services

One basic goal of the EAC Governments is to ensure access to safe drinking water within a reasonable distance for their citizens. Public water supply is available to the majority of the population in urban areas throughout the EAC region: 75% and 70% of the urban population in Kenya and Tanzania respectively has access to potable water. (The numbers drop to 50% and 30% for the rural areas.) However, the supply is not reliable. Transmission and distribution infrastructure is inadequate and wasteful, leading to losses of up to 52% in Tanzania. In the city of Nairobi (Kenya), water and sewerage services were privatized in 2004 and a private company, the Nairobi Water and Sewerage Company, is currently providing these services. Planning is under way for the company to expand its operations to other cities in the country. In Tanzania, these services are provided by the National Water and Sewerage Corporation (NWSC) and plans are under way to privatize them.

TELECOMMUNICAT

COUNTRY	FIXED TELEPHONE LINES per 100 inhabitants		AVERAGE COST OF TELEPHONE CALL TO UNITED STATES ($ per 3 minutes)	CELLULAR MOBILE SUBSCRIBERS		INTERNET	
				Per 100 inhabitants	As % of total telephone subscribers	Users per 10,000 inhab.	Estimated PCs per 100 inhab.
	1993	2003	2002	2003	2003	2003	2003
Burundi	0.3	0.3	4	0.90	72.8	19.7	0.2
Ethiopia	0.3	0.6	7	0.14	18.4	10.8	0.2
	0.9	*1.0*		*5.02*	*82.9*		
Rwanda	0.2	0.3	11[b]	1.60	85.2	30.6	..
Sudan	0.3	2.7	4[c]	1.95	41.9	90.1	0.6
	0.3	*0.4*		*2.52*	*85.7*		
	0.1	*0.2*		*3.03*	*92.7*		
Zambia	0.9	0.8	6	2.15	73.2	60.9	0.9

Source: Adapted from the ITU (2004) and the World Bank (2004e).
[a] In early 2005, the cost was $4.98.
[b] Figure for 1999.
[c] Figure for 2001.

Domestic and industrial waste management has remained a serious environmental challenge in most urban areas in the EAC member States. In Nairobi, for instance, only 45% of the garbage generated is collected by the City Council, private companies collecting another 7%, while the remaining 48% continues to pile up in various locations. Refuse disposal in the EAC region is inadequate, with the City Councils not having sufficient disposal vehicles and participation in solid waste management by both individuals and companies being relatively low.

The general health of the nationals of EAC member States improved remarkably over the 30 years after independence, but this changed in the 1990s. The region has been hard hit by HIV/AIDs, which has drastically reduced life expectancy in the EAC and indeed in the surrounding region (table II.7). Public expenditure on health, although within the regional range, is very low by international standards. Access to medical care as indicated by the number of physicians per 100,000 people is also low, especially in Tanzania and Uganda. Privatization programmes implemented in the 1990s in the EAC did not spare the health sector. The programmes, which introduced cost-sharing in hospitals, greatly reduced the affordability of health care. Cost-sharing has recently been abolished in Uganda.

EAC Governments have taken measures to control and prevent the spread of HIV/AIDS. In Kenya, the National AIDS Council is mandated to spearhead the fight. Tanzania has developed a national policy on HIV/AIDS and the Tanzania Commission for AIDS (TACAIDS) has been established to lead the process. In Uganda, the National AIDS Control Programme (NACP) in the Ministry of Health is taking the lead. The HIV prevalence rate in Uganda has fallen significantly since 1999, confirming the country's leading position in the fight against HIV/AIDS (see box II.3 of UNCTAD's *An Investment Guide to Uganda*, 2004b). In addition to the public hospitals and health centres in the member countries, there are also well-equipped private hospitals in the major cities.

COUNTRY	LIFE EXPECTANCY AT BIRTH	HIV PREVALENCE, PERCENTAGE OF PEOPLE AGED 15-49	PHYSICIANS [a] PER 100,000 PEOPLE	PUBLIC EXPENDITURE ON HEALTH AS % OF GDP
	2002	2002	1990-2002	2001
Burundi	42	6	1	2
Ethiopia	42	..	3	1
		7		*2*
Rwanda	40	5	..	3
Sudan	58	2	16	1
		9		*2*
		4		*3*
Zambia	37	16	7	3

Source: Adapted from UNDP (2004) and the World Bank (2004e).
[a] Data are for the most recent year available during the period specified.

Transport

The road network

The EAC road network consists of rural feeder roads, trunk roads joining major cities and towns, and urban and suburban roads and highways serving mainly the urban areas and their environs. The road network in the EAC, though relatively better developed than those in the Community's neighbours, is neither adequately developed nor well maintained, leading to high transport costs, delays and damage, which all increase the cost of doing business. The poor road network is especially a concern in Kenya, where most investors describe the quality of roads and public works as bad or very bad. In Tanzania, a 10-year Integrated Roads Programme has been undertaken to upgrade 70% of the country's main roads. The Road Fund Board (RFB) and the Tanzania Roads Agency (TANROADS) were created in 1999 and 2000 respectively to enhance road management and financing capacity in the sector. In Uganda, the Government has launched a Ten-Year Road Sector Development to rehabilitate the main trunk roads and to build and maintain feeder roads to open up rural areas.

For plans under the East African Road Network Project (EARNP), see chapter IV.

Air transport

The EAC has seven international airports — Jomo Kenyatta International Airport (JKIA), Mombasa International Airport (MIA) and Eldoret International Airport in Kenya; Dar es Salaam International Airport (DIA), Kilimanjaro International Airport (KIA) and Zanzibar International Airport (ZIA) in Tanzania; and Entebbe International Airport in Uganda. JKIA is currently undergoing major renovations to bring it up to international standards. Each country also has other smaller regional airports and several airstrips handling domestic charters.

Kenya Airways has already been privatized (see box I.1) and airport operations are now managed by the Kenya Airports Authority (KAA). Forty-nine per cent of the shares in the Tanzanian national airline, Air Tanzania Corporation (ATC), have been sold to South African Airways. The Government intends to dispose of a further 10%, thus ending its majority control. In Uganda, the State-owned Uganda Airlines was liquidated in 2001. Cargo and passenger freight have increased in Kenya, whereas they have decreased in Tanzania and Uganda (see table II.8). Passenger travel has also decreased in Tanzania. A number of factors are thought to account for these decreases, including higher fuel costs, better roads and reduction of the need for business travel owing to simplification of bureaucratic procedures. A key concern in air transport in the region is the high freight costs.

R TRANSPORT AND RO

COUNTRY	AIR TRANSPORT: FREIGHT Million tons per km		AIR TRANSPORT: PASSENGERS CARRIED Thousands		ROADS: TOTAL NETWORK Thousands of km	
	1990	2002	1990	2002	1990	2000
Burundi	..	..	8	12[a]	..	14
Ethiopia	67	84	620	1 103	28	32
	52	*118*			*61*	*64*
Rwanda	..	..	8	..	13	12
Sudan	13	33	454	409	10	12
	1	*2*			*56*	*88*
	22	*21*			*..*	*27*
Zambia	30	1[b]	407	47	35	91

Source: Adapted from the World Bank (2004e).
[a] Figure for 1998. [b] Figure for 2001.

Railways

The railway system in each of the EAC member States was built over 100 years ago. Before the collapse of the old East African Community in 1977, the three EAC member States operated East African Railways together. Since then, the railway system in each has been owned and operated by government parastatals: the Kenya Railways Corporation (KRC), the Tanzania Railways Corporation (TRC) and the Uganda Railways Corporation (URC). Privatization of the sector is under way in the three countries (see box II.1). The Mombasa–Malaba–Kampala railway provides the linkage between Kenya, Uganda and several other landlocked Central African countries.

Box II.1. Privatizing railways in East Africa

The EAC Customs Union, launched on 1 January 2005 with the simultaneous implementation of the Customs Union Protocol by the three partner States, is meant to create a single market of some 93 million people with a combined GDP (at purchasing power parity) of around $92 billion.

However, the benefits of regional integration depend critically on a functioning regional transport infrastructure, which badly needs to improve its performance. Excessive costs and frequent delays are among the main factors limiting regional trade. Railways in particular, in Kenya, Tanzania and to some extent Uganda, are in a dilapidated state. The three Governments have recognized that privatizing the railways is about the only way to improve their performance and the entire regional network is therefore in the process of privatization through concession.

In Tanzania, two railway networks provide more than 3,500 km of track. The Tanzania Railways Corporation (TRC) has a 2,600 km network of two main lines: the central line which goes from Dar es Salaam to Tabora (850 km), from Tabora to Kigoma (453 km) and on to Mwanza (386 km); and the Tanga line (430 km), which runs from Tanga to Moshi and Arusha. The Tanzania–Zambia Railway (TAZARA), jointly owned by the Governments of Tanzania and Zambia, operates the 1,860 km (900 km of it in Tanzania) line linking Dar es Salaam with Kapiri Mposhi in Zambia.[1] In addition to the exports and imports of Tanzania and Zambia, TAZARA also handles those of the Democratic Republic of the Congo, Malawi, South Africa and Zimbabwe. What with inadequate resources and poor management, its designed capacity of 5 million tons of freight a year has never been anywhere near fully utilized.

In Kenya, the Kenya Railways Corporation operates the 2,700 km network that connects Mombasa to Tororo (on the border with Uganda) through Nairobi. It has the capacity to handle up to 7 million tons of cargo a year but currently handles only a third of this. The Uganda Railways Corporation operates a network of 1,300 km, linking Kampala to Malaba in the east (providing connections to the port of Mombasa) and Kasese in the west, and linking Tororo with Pakwach in the north. The Corporation has a capacity of 1.5 million tons a year but actually handles only 0.9 million tons.

The privatization of these four railway networks is now in progress in various ways. The idea of creating a unified East African Railways network through the joint concessioning of the KRC, the TRC and the URC was under consideration until 2003, when the Government of Tanzania decided to opt out. In July 2004, the Governments of Kenya and Uganda signed a Memorandum of Understanding approving the joint concessioning of KRC and URC for a period of 25 years. It has been agreed that the lead investor would ensure that at least 40% of the shareholding of the holding company would be in the hands of local investors, in the proportion of at least 20% Kenyan and 20% Ugandan. In September 2004, the two Governments invited applications through public advertisement. Five companies have been fully pre-qualified (CANAC Inc of Canada, the China Railways First Group Company, RITES Ltd of India, Maersk Kenya Ltd and NLPI Private Ltd of Mauritius) and two conditionally pre-qualified (the Sheltam Trade Close Corporation of South Africa and the Magadi Soda Company of the United Kingdom). Pre-qualified lead investors are being requested to submit bids by April 2005.

The Government of Tanzania decided on the privatization of TRC in 1997, which would consist in a 25-year lease. The investment requirement of the concession is projected to be around $180–200 million. The concession process is well advanced: three bidders are fully pre-qualified (the RITES Consortium of India, the Great Lakes Railway Company Consortium of South Africa and the NLPI/Spoornet Consortium of South Africa) and four are conditionally pre-qualified (Canac of Canada and Dynamic Rail, the East Africa Rail Consortium and the Sheltam/Mvela Consortium of South Africa). Privatization is expected to occur by mid-2005. At the same time, the Governments of Tanzania and Zambia have agreed to privatize TAZARA jointly through concession.

[1] The construction of TAZARA, which was completed in 1975, was perhaps the largest Chinese development project in Africa, financed with a $400 million, 30-year, interest-free loan from the Government of China.

Source: UNCTAD, based on the World Bank (2004c and 2004d), the Government of Kenya & the Government of Uganda (2004) and other sources.

Waterways and ports

Despite the existence of large water masses, especially the freshwater lakes, in the region, waterways remain underutilized. Kenya Railways operates an inland waterway service in Lake Victoria for the movement of freight and passengers within the Kenya section of the lake. The Tanzanian Marine Services Company Limited (MSC), a government parastatal, manages 15 marine vessels on lakes Victoria (9), Tanganyika (4) and Nyasa (2). The system offers cargo freight and passenger transport services on Lake Victoria (linking Tanzania, Kenya and Uganda), Lake Tanganyika (linking Tanzania, Burundi, the Democratic Republic of the Congo and Zambia), and Lake Nyasa (linking Tanzania, Malawi and Mozambique). The Government has earmarked MSC for privatization by 2005.

Seaports in the region consist of the ports of Mombasa in Kenya and Dar es Salaam, Mtwara, and Tanga in Tanzania. (Uganda is landlocked.) The ports are managed by government parastals: the Tanzania Harbours Authority (THA) and the Kenya Ports Authority (KPA). The KPA reform programme envisages the trasformation of KPA into a landlord port authority, with most cargo handling and complementary services being ceded to the private sector.

The Port of Mombasa has a rated capacity of 22 million tons annually, while the cargo handled has for several years been at an average of 8 million tons a year. (The port has also long attracted complaints over delays.) The Container Terminal has a capacity of 255,000 tonne equivalent units (TEUs). Between 2002 and 2003, the growth of containerized traffic represented one of the highest growth rates in the world (24.5%). The Dar es Salaam port has a capacity of 3.1 million tons of dry break-bulk cargo and 6 million tons of bulk liquid.

All the ports have experienced increased cargo handling. Current efforts are directed towards modernizing the ports, including dredging to handle world-class freighters. The two major ports of Dar es Salaam and Mombasa serve not only the EAC but also other landlocked countries, including Burundi, the Democratic Republic of the Congo and Rwanda.

Human resources

Each EAC member State has well-developed public education institutions at the primary, secondary and tertiary levels. There are also an increasing number of private institutions. Uganda has one of the best education systems in Africa, with primary education being free since 1997. The language of instruction in Kenya and Uganda is English at all levels, while in Tanzania it is Kiswahili at the primary level and English at the secondary and tertiary levels.

Public spending on education remains low, but all three Governments are taking measures to increase support to the sector. In Kenya, the Government implemented a policy of free primary education in 2003. In Tanzania, a Primary Education Development Programme (PEDP) funded by the World Bank has been implemented to promote higher enrolment and completion rates in primary schools.

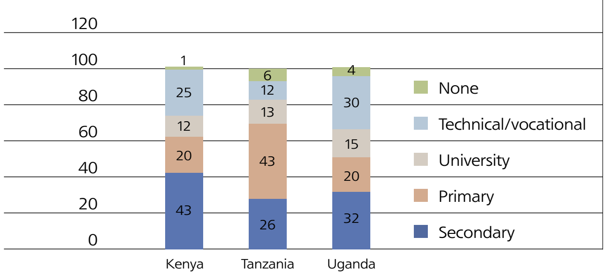
In 2000, the partner States approved a structure for the revitalization of the Inter-university Council for East Africa (IUCEA). Centres of excellence have been established and exchange programmes for students are being facilitated.

As table II.9 indicates, enrolment in primary schools for both females and males is much higher in Kenya and Uganda than in Tanzania. Workers have less formal education in Tanzania than in Kenya and Uganda: some 43% of workers in Tanzania have only a primary education, compared with 20% in Kenya and Uganda (World Bank, 2004b). The literacy rate is highest in Kenya, where the quality of the workforce is seen by investors as the country's best asset: workers are well trained with high educational levels and strong motivation. In Tanzania, the low level of education and skills represents one of the major constraints on productivity. However, Tanzania has more managers with university degrees (68%) than either Kenya (60%) or Uganda (40%) (World Bank, 2004b).

Wages are generally low in the region by international standards and lower in Tanzania than in Kenya and Uganda. Workers and their employers must contribute to provident funds managed by the Governments on behalf of the workers in all three EAC countries.

Each country has its own labour laws and regulations, which stipulate the terms of employment such as compensation, maximum working hours, vacation, leave, the employee complaint process, night and holiday work, and medical care. Wages are paid in the manner specified in the written contract of employment, which could be on a daily, weekly or monthly basis.

FIGURE II.2. HIGHEST EDUCATIONAL ACHIEVEMENT OF EMPLOYEES



Source: World Bank (2004b).
Note: Totals may not equal 100% owing to rounding.

UCATION

COUNTRY	NET ENROLMENT RATIO [a]				ADULT LITERACY RATE
	Primary		Secondary		
	Total % of relevant age group	Female % of relevant age group	Total % of relevant age group	Female % of relevant age group	% of people aged 15 and above
	2001–2002	2001–2002	2001–2002	2001–2002	2002
Burundi	53	48	8	7	50
Ethiopia	46	41	15	11	42
	70	*71*	*24*	*24*	
Rwanda	84	85	..	..	69
Sudan	46[b]	42[b]	..	..	60
	54	*54*	*17[c]*	*5*	
	109[c]	*106[c]*	*14[c]*	*13[c]*	
Zambia	66	66	20	18	80

Source: Adapted from UNDP (2004).
[a] The net enrolment ratio is the ratio of enrolled children of the official age for the education level indicated to the total population of that age. Net enrolment ratios exceeding 100% reflect discrepancies between these two data sets.
[b] Figure for 1999–2000 school year.
[c] Figure for 2000–2001 school year.

The financial sector

Each EAC partner State currently has its own financial sector, consisting of a central bank, commercial banks, non-bank financial institutions, mortgage companies, insurance companies, development finance institutions, building societies and foreign exchange bureaux. Kenya has a total of 43 commercial banks, two mortgage finance companies, four building societies and 52 foreign-exchange bureaux (Republic of Kenya, 2004). In Tanzania there are a total of 31 banking institutions (24 private commercial banks and 7 non-bank financial institutions), 10 insurance companies, 32 insurance brokers, 267 insurance agents and 23 loss adjusters. Uganda has 15 commercial banks, 7 credit institutions, 19 insurance companies, three development finance institutions, one building society, one social security fund (the National Social Security Fund (NSSF), and several foreign exchange bureaux and micro-finance institutions. (See appendix 2 for a selection of foreign investors in the financial sector.) The central banks — the Central Bank of Kenya, the Bank of Tanzania and the Bank of Uganda — regulate and supervise the financial sector. The partner States have also started on various restructuring programmes, which will lead to government divestment from the sector. Uganda's restructuring is quite advanced.

With respect to product coverage, the financial sectors in the EAC remain limited. Domestic credit provided by the banking sector is only about 10% of GDP in Tanzania and Uganda, while it is 46% for Kenya (EAC Secretariat, 2003a). Problems with this sector include high incidences of non-performing loans (particularly in Kenya and Tanzania), low levels of monetization, weak corporate governance and the absence of credit reference bureaux. Micro-finance institutions are on the increase in the region.

Sources of investment finance other than domestic banks include the East African Development Bank (EADB) – owned jointly by the three partner States – the Preferential Trade Africa (PTA) Bank, the African Development Bank (AfDB), the European Investment Bank (EIB) and the individual country development banks.

Box II.2. African Trade Insurance Agency

The African Trade Insurance Agency (ATI) is an inward investment guarantee agency, as well as an import and export credit agency, of which Kenya, Tanzania and Uganda are among the seven founding members. ATI is a unique multilateral institution engaged in providing financial instruments and insurance and reinsurance for trade, project and investment transactions. Its products secure policyholders against political and financial risks. ATI's mandate is to increase trade and investment flows into and among its member States so as to facilitate sustainable private-sector-led economic growth. It was established by a sovereign treaty to which only African States (and eligible international corporate members) may accede. Unlike other national and multilateral agencies, ATI uses its member States' own capital (provided to it under sovereign agreements between ATI, the World Bank (IDA) and individual States), held in its trust funds offshore, as underwriting capital from which to pay insured losses. The agency enjoys diplomatic immunities and privileges in its member States and is supported by the World Bank and by major public- and private-sector players in the export credit and investment insurance market.

Source: UNCTAD, based on information provided by ATI.

Capital markets

Each of the three EAC member countries has an operational securities market. In Kenya, the market consists of the Nairobi Stock Exchange, the Central Depository and Settlement Corporation, 6 investment banks, 13 stockbrokers, 18 investment advisors, 8 fund managers, 1 credit rating agency, 1 capital venture fund, 2 collective investment schemes, 3 authorized securities dealers, and 4 authorized depositories or custodians. The Nairobi Stock Exchange (NSE) has a total of 51 listed companies.

Capital markets in Tanzania and Uganda are relatively less developed compared with Kenya and were established in 1994 and 1996 respectively. The Dar es Salaam Stock Exchange (DSE) began trading operations in April 1998 and has nine companies listed. The Uganda Securities Exchange (USE) was launched in January 1998 and has to date five companies listed. Kenya Airways premiered as the first foreign company to be listed on the DSE on October 2004 and is listed on all three bourses (NSE, DSE and USE). East African Breweries has dual listing on the Kenyan and Ugandan exchanges.

In each of the three countries, the capital market is regulated and supervised by a State agency. In Kenya, it is the Capital Markets Authority (CMA), in Tanzania the Capital Markets and Securities Authority (CMSA) and in Uganda the Capital Markets Authority (CMA). In addition to performing regulatory and supervisory functions, the authorities license brokers and investment advisers.

Interest rates and foreign exchange

Since the liberalization of their financial sectors, the EAC countries have had floating exchange-rate regimes, which have served the economies relatively well. The function of the central bank in Kenya is limited to interventions to curb short-term volatility, offset variability in donor flows affecting external debt payments and meet the net foreign reserve targets. In Tanzania, the Bank of Tanzania monitors the interest rate structure that the banks effectively apply by compiling and reporting weighted-average lending rates. In Uganda, the Bank of Uganda carries out general regulatory and supervisory functions. Restrictions on foreign-exchange transactions have also been mostly eliminated and are now determined by the market forces. The aim is to create an environment conducive to attracting investors and simplifying international transactions. Liberalization has led to a reduction in interest-rate spreads and an increase in the number of foreign exchange bureaux in the three countries.

Taxation

Taxes applicable to business entities in Kenya, Tanzania and Uganda are presented in table II.10. They include corporate, withholding and value-added taxes. (See the three country guides for personal income tax rates.)

Corporate taxes

In Kenya, corporate tax is levied on the profits of corporations such as limited companies, trusts, clubs, societies, associations and cooperatives based on the Income Tax Act, Chapter 470 of the Laws of Kenya. The rate of taxation differs between resident and non-resident companies. Companies listed on the Nairobi Stock Exchange (NSE) are also taxed at slightly lower rates than other companies to encourage listing. The current rate is 30% (harmonized at the EAC level), but it is only 25% for newly listed companies for the first three years. Investors in export zones enjoy a 10-year tax holiday followed by a 25% corporate tax rate for the following 10 years.

TABLE II.10. TAX RATES IN THE EAST AFRICAN COMMUNITY (2005)

	KENYA		TANZANIA		UGANDA	
CORPORATE TAX RATES (IN %)						
Resident companies	30[a]		30		30	
Non-resident companies/branches	37.5		30		30	
WITHHOLDING TAXES (IN %)[b]	RESIDENT	NON-RESIDENT	RESIDENT	NON-RESIDENT	RESIDENT	NON-RESIDENT
Dividends	5	10	10[c]	10[c]	15	15
Management, technical or professional fees	-	20	-	20	6[d]	15
Royalties	5	20	15	15	-	15
Interest:						
- *Housing bonds*	10	10	10	10	-	-
- *Bearer instrument*	25	25	10	10	15	15
- *Others*	15	15	-	15	15	15
Mining companies:						
- *Management or technical fees*	-	20	5	15	-	-
- *Dividends*	-	10	10	10	-	-
VALUE-ADDED TAX						
Registration thresholds (annual)	KShs 3 000 000		TShs 40 000 000		UShs 50 000 000	
Rates (in %)						
- *Standard*	16		20		17	
- *Hotel and restaurant services*	14		N/A		N/A	
Penalties (monthly)	2[e]		See note[f]		2[g]	
CAPITAL DEDUCTIONS (IN %)						
Investment deduction:						
- *Plant/machinery*	100		50[h]		50[h]	
- *Buildings*	100		-		-	
First year allowance	-		50		-	
Industrial building allowance:						
- *Manufacturing*	2.5		-		5	
- *Hotels*	4		-		5[i]	
- *Commercial*	-		5		5[i]	
Farmworks allowance [j]	33⅓		20[k]		20[k]	

Source: Adapted from KPMG (2004).
[a] 25% for the first five years upon listing with at least 30%, and 27% for the first three years upon listing with at least 20%, listed in a security exchange approved under the Capital Markets Act (CMA).
[b] This table shows only the most common withholding taxes. For a full list, see KPMG (2004).
[c] 5% for listed companies.
[d] Applies only to taxpayers not up to date with the filing of tax returns.
[e] 2% per month for late payment and KShs 10,000 or 5% of tax due, whichever is higher, for late returns.
[f] For late payment of VAT, the Central Bank lending rate plus 5%; for late submission of the VAT return, for the first month, the greater of TShs 50,000 or 1% of the VAT payable and, for subsequent months, the greater of TShs 100,000 or 2% of the VAT payable.
[g] Greater of 2% or UShs 200,000 in cases of late returns; otherwise 2% compounded.
[h] 50% for urban areas and 75% for rural areas.
[i] Granted upon approval by the Finance Minister.
[j] Structures necessary for the proper operation of the farm.
[k] Allowance granted on reducing balance.

In Tanzania, under the amended Laws on Investment and on Taxation adopted in July 2004, the tax on profits is 30% for all taxpayers resident and non-resident. In Uganda, corporate taxes for both resident and non-resident companies are the same: 30%.

The withholding component of dividends, management, technical or professional fees and royalties is higher in Kenya for non-resident than for resident companies. The tax rate on dividends is 10%. For resident corporations listed on the DSE, the rate is 5% of the gross amount. If a corporation distributes dividends to entities which hold, either directly or indirectly, 25% or more of the shares and voting power of the corporation, the dividend is tax-exempt.

There has been considerable harmonization among the EAC countries, particularly with regard to corporate and personal income taxes, with the top rate now 30% in all three countries.

Excise tax and VAT

In all three partner States, excise taxes are levied on a number of products, including alcoholic beverages, tobacco products, petroleum products, motor vehicles, carbonated drinks, mineral water and natural juices, cosmetics, jewellery and cell phone air time. VAT is levied by all three States at broadly similar rates: 16% in Kenya, 17% in Uganda and 20% in Tanzania. Efforts are under way to harmonize excise and VAT rates so as to preclude tax competition, particularly with regard to alcohol, tobacco and petroleum products.

Trade tariffs

The three EAC countries are now implementing tariffs on third-country imports of 0%, 10% and 25%, in line with the EAC's Common External Tariff (CET) structure. (Uganda's request for temporary exemptions from the CET is yet to be decided upon.) Internal tariffs are applicable only on imports from Kenya into the other two countries. These are to be at declining rates and to cease entirely after five years.

The private sector in the EAC

Private-sector development is at different stages in the three partner States.

By East African standards, Kenya has a very substantial private sector, including a significant number of foreign investors. The import substitution policies of the 1960s and 1970s led to considerable diversification of the economy, and foreign investment was relatively high. The domestic private sector has been concentrated in certain kinds of manufacturing for both the domestic and the regional market. FDI has recently played key roles in the horticulture industry (for export to the European Union) and service areas such as transport, tourism and mobile telephony.

In Tanzania, the private sector has traditionally been characterized by small family-owned companies in such areas as retail trade, import/export, transport and hospitality. Most businesses in manufacturing focused on light industries: soaps and detergents, bottling, food-packaging, and so forth. There has also been a very large informal sector. Things have begun to change, however, with the entry of a number of foreign firms. In this context, a relatively recent initiative that has successfully brought together large (mainly foreign-owned) companies and small and medium-sized (local) enterprises (SMEs) in Tanzania is worth noting – see box II.3.

In Uganda, the private sector is still small and fragile. The majority of the more than 100,000 existing enterprises have been established in the last decade and a half. Most of these enterprises are very small, falling in the category of small or micro enterprises. They account for 90% of non-farm employment. The local private sector owns around 38% of the investment projects licensed by the UIA between 1991 and 2002.

The private sector is now fully recognized in the EAC as the engine of growth and a key player in the policy process. Government consultations with the sector have been increasing at both the national and the Community level, with private-sector associations playing a major role in strengthening these consultations. At the Community level, the partner States have agreed to provide an enabling environment, to strengthen the private sector and to promote cooperation among regional organizations and professional bodies to take full advantage of the business opportunities in the Community (Article 127 of the Treaty of Establishment).

For a sampling of major foreign investors in the EAC, see appendix 2.

Box II.3. Business linkages in Tanzania

The business environment of many developing countries suffers from the problem of the "missing middle" — there are a few large (often foreign) corporations on the one hand and a very large informal sector with very limited capacities on the other. The Private Sector Initiative Tanzania, known as Psi Tanzania, addresses this problem. It began when BP Tanzania approached SBP, a research and private-sector development organization based in South Africa, to help create an enterprise development programme. Psi Tanzania was formally launched in mid-2002. The programme has been a boon to both large companies – who can carry less stock, reduce import hassles and minimize transaction costs – and local SMEs – who develop their capacities and find new business.

The initiative was launched by eight charter members: BP Tanzania, Kahama Mining, Kilombero Sugar, National Microfinance Bank, Sumaria Group, Tanga Cement, Tanzania Breweries and Tanzania Cigarette Company. By 2005, the membership had grown to 17, with the following additional members: Celtel, Coca-Cola Kwanza, CRDB Bank, Geita Gold, Mac Group, Mobitel, Placer Dome, Resolute Tanzania and Standard Chartered Bank. Psi has a database of local SMEs which its members use for import substitution. There is no formal secretariat. Psi members select one of themselves to chair the Initiative for a year and this company in effect acts as a secretariat. This informally organized exercise has been a very substantial success, with $51 million being spent by its members on local sourcing from SMEs in the first two years of its operation.

Source: UNCTAD, based on information provided by Psi Tanzania.

A variety of associations in the EAC serve to ensure that the voice of the business community is heard and its concerns understood. They include the following (see appendix 3 for contact details):

The Eastern African Business Council

At the Community level, the East African business Council (EABC) is the formal apex business body. It was established in 1997 to represent the interests of the region's private sector in the EAC integration process. Its more specific objectives include the promotion and maintenance of a single market and investment area in East Africa and the maintenance of an institutionalized interaction with the EAC and its member Governments. The EABC has three categories of membership. One category consists of chambers of commerce, manufacturers' associations, employers' federations and organizations in the banking, tourism, insurance, agriculture and transport sectors. A second category is that of investment promotion centres, export promotion councils and export-processing zones. The third category is that of companies. In mid-2005, the EABC had 45 members: 20 from Kenya, 12 from Tanzania and 13 from Uganda.

Eastern Africa Association

The Eastern Africa Association (EAA) was established in 1964 to facilitate foreign investors' participation in the economic development of Eastern Africa. It is headquartered in London and acts as a channel of communication between foreign investors and Eastern African Governments. It interprets the policies and objectives of Governments to its members and, in turn, explains the views and needs of investors, prospective investors and foreign businesses generally to Governments. The EAA's members include companies from India, South Africa, the United Kingdom and the United States, among other countries. It has a strong presence in the EAC but also a presence elsewhere in the region, in Eritrea, Ethiopia, Madagascar, Mauritius and the Seychelles.

National associations

At the national level, all three countries have established overarching private-sector associations: the Kenya Private Sector Alliance (KEPSA), the Tanzania Private Sector Foundation (TPSF) and the Private Sector Foundation of Uganda (PSFU). The objectives of these associations include addressing cross-cutting sectoral concerns and facilitating dialogue with their Governments. There are also a number of sector-specific associations in each EAC member country, which collect and disseminate information to members, provide training and marketing services, and lobby the Government on behalf of their members. Among the most influential of these associations are the Kenya Association of Manufacturers (KAM), the Confederation of Tanzania Industries (CTI) and the Uganda Manufacturers Association (UMA).

In addition, all three countries have set up organizations that specifically serve the purpose of promoting business–government dialogue: the National Economic and Social Council in Kenya, the Tanzania National Business Council, and the Presidential Investors Round Table in Uganda.

Investment climate: Key factors for foreign investors

Strengths

- Peace and political stability
- In addition to the EAC population of 93 million consumers, access to the other regional markets of COMESA (385 million) and SADC (215 million) as well as preferential access to the EU and US markets
- Relatively large and low-cost pool of workers, some of them highly skilled and enterprising
- Some of the best climatic conditions and natural resources in sub-Saharan Africa for agricultural production and for tourism

Opportunities

- Commercial agriculture and agro-processing
- Tourism
- Mining
- Infrastructure development
- Development of service businesses (telecommunications, health and education)
- Privatization

Weaknesses

- Inadequate physical infrastructure
- High cost of doing business
- Persistent corruption

Threats

- HIV/AIDS epidemic and its impact on the workforce and on productivity
- Insecurity, arising from problematic borders

When I was first asked to come to Kenya in 1994, my picture of Kenya (like that of most outsiders) was of a misgoverned country with limited resources. The reality on the ground turned out to be very different: a community of people with amazing resources and a real passion to go forward and develop themselves. Yes, there were and still are problems in Kenya, but if one comes here with a positive attitude and focuses on niche markets, the underlying talents of the people can transform any idea into a solid opportunity.

Stewart Laird Henderson, Chief Executive Officer, Old Mutual Kenya

Winston Churchill extolled Uganda early in the 20th Century with the now famous words "Uganda is from end to end one beautiful garden ... the Pearl of Africa". This remains as true today as it was then. In addition, the warmth and friendliness of Ugandans are second to none in Africa. This special combination of natural and human assets makes Uganda as appealing to investors in tourism as it is to the discerning tourist.

Roni Madhvani, Director, Madhvani Group (Mweya & Paraa Safari Lodges)

Areas of opportunity

III

For more detailed and country-specific information, the reader should consult UNCTAD's recently published investment guides to Kenya, Tanzania and Uganda (see the list of sources consulted at the end of this guide).

The East African Community offers investment opportunities in virtually all areas of the economy. The tropical to temperate climate in the region offers opportunities for commercial agriculture of many kinds. There are also opportunities for investment in agro-processing; in manufacturing for the wider African region; in mining, physical infrastructure and energy; in a variety of services including IT-based services; and, of course, in tourism.

As for the basic strengths of the region, it is politically and economically stable and strategically located with relatively easy access to regional and world markets. The private sector in the region is relatively well developed and each Government has been making efforts to create a climate conducive to investment.

Priority areas

Agriculture and related activities

Agriculture is the one of the leading economic sectors in the EAC. It provides a livelihood to about 80% of the population and contributes 44% to the GDP in Tanzania, 32% in Uganda and 16% in Kenya (table III.1).

Opportunities for large-scale commercial farming exist in the region for both food and cash crops. Opportunities in the latter include crops such as coffee, cotton, tobacco, sisal, cashew nuts, sugar, pyrethrum, and high-value products such as vanilla, cloves and other spices.

Irrigation agriculture is not much practised in the region, with most production, particularly of food crops, being rain-fed agriculture. For instance, less than 10% of Tanzania's over one million hectares of irrigable land is developed. Irrigation potential exists in the river valleys and the alluvial plains of the region. The freshwater lakes in the region are also a potential source of irrigation water.

CA

COUNTRY	VALUE ADDED AS % OF GDP Percentage		RAW MATERIAL EXPORTS % of merchandise exports	
	1990	2002	1997	2002
Burundi	56	49	0	1[a]
Ethiopia	49	42	11	15
			7	*11*
Rwanda	33	42	15	5
Sudan	..	39	33	6
			23	*13*[a]
			8	*11*
Zambia	21	22	..	3

Source: Adapted from the World Bank (2004e).
[a] Figure for 2001.

Horticulture

Horticulture has expanded rapidly in the region in the last two decades. The climate, the soil and the existing water supplies provide an excellent mix of the resources needed to produce high-quality horticultural produce in a natural environment. Some of the fruits and vegetables produced in the region are consumed within the region, while much of the produce is exported to international markets, particularly to the EU (see boxes III.1 and III.2 below). In 2003, fruits, vegetables and flowers were together the largest export earner in Kenya, contributing about 26.7% of total export earnings.

The majority of vegetable and fruit farmers in the region are smallholders. In Kenya, they constitute about 80% of all growers and account for 60% of the export produce. Important fruit and vegetable products of the region include pineapple, passion fruit, papaya, banana, avocado, mango and orange. There is much export potential for passion fruit, apples, bananas, raspberries, beans, asparagus, snow peas and chillies. The main floriculture export product is cut flowers. In Uganda, cut foliage and potted plants are also produced for export. The principal export destination of this produce is the EU, with most of the sales being made to intermediaries at the auction centre in the Netherlands.

Opportunities for the production and export of horticultural produce (fruits, flowers and vegetables) are far from being exhausted. Other opportunities exist in the production of propagation materials, the establishment of soil-analysis services, the manufacture of greenhouse plastics, the production of inputs such as fertilizers, herbicides and pesticides, and the production of packaging materials. There are opportunities as well in other horticulture-related activities such as processing. The provision of cold-storage facilities as well as air-cargo transport to foreign markets also offers investment opportunities, as does the provision of accreditation services to meet market and regulatory requirements.

Tea

Tea is an important export commodity in the EAC. In 2002, its exports accounted for about 26% and 7% of all the export earnings in Kenya and Uganda respectively. In addition, it is a major employer, large numbers of people being employed directly in farming as well as indirectly in marketing, transport and retailing.

Opportunities for investment exist in tea plantations, processing and packaging for both domestic and export markets.

Coffee

Coffee is another significant foreign-exchange earner in the EAC. It accounts for the largest share of export earnings in Uganda and is the fourth largest export earner in Kenya. The region produces high-quality arabica and robusta coffees. The falling international coffee prices have negatively affected the sub-sector in the region, but there are opportunities in the growing of arabica and robusta coffee, in coffee processing and packaging, and in the manufacture of coal from coffee husks. Other opportunities include producing for specialty markets such as the organic coffee market, the production of washed robusta coffee, which has a higher earning potential as compared with dry-processed coffee, and coffee roasting.

Cotton

EAC countries have the potential to produce some of the best cottons in the world. Production in Kenya has decreased sharply since the 1980s when the sub-sector experienced marketing problems associated with increased competition from synthetic substitutes and is now lower than in Tanzania and Uganda. Production in Tanzania has also been decreasing. The demand for cotton has increased recently with the growth of the textile and apparels industry responding to the opportunities provided by the US African Growth and Opportunity Act (AGOA).

Box III.1. FDI story: Investing in horticulture

Horticulture has overtaken tourism to become the second largest foreign exchange earner in Kenya, after tea. (Horticulture here includes flowers as well as fruits and vegetables.) Vitacress Kenya Ltd., now 10 years old, is part of this larger success story.

The company began operations in 1994 after its founding by Willem Dólleman, Gordon Murray and Vitacress Salads. Mr. Dólleman, a native of the Netherlands who came to East Africa in 1978 to work for a Dutch seed house and then stayed on, owns 30% of Vitacress Kenya and runs the operation. Mr. Murray, who supplied the land (350 hectares in Timau, 225 kilometres north of Nairobi), owns another 30%. Vitacress Salads, the largest watercress grower and marketer in the United Kingdom and Portugal, owns the remaining 40%. The total equity is about $6 million. The company has 1,500 employees, of whom only four are expatriates. The annual turnover is now $10 million.

The company mainly grows salad onions, broccoli, garden peas, sweet corn and baby leaf lettuce. The produce is sold to Marks & Spencer and Sainsbury in the United Kingdom. Vitacress Kenya does more than grow its vegetables; it also processes them to supermarket specifications, including packing and labelling. The produce is harvested early in the morning, processed by noon, trucked to Nairobi in the afternoon, flown to Europe overnight and placed on supermarket shelves the next morning.

Mr. Dólleman assesses the investor's environment as fairly risky, with poor infrastructure and complicated bureaucracy. (The company pays altogether 32 taxes!) What most needs attention in Kenya is the transport infrastructure. The port at Mombasa is a major problem, with delays and "facilitation fees". The railway is dilapidated and the roads are very poorly maintained, even in the Naivasha area, famous for its floriculture. Mr. Dólleman is also unhappy at the lack of local management. It is not so much that ability and qualifications are lacking. It is rather that Africans with the right skills cannot be persuaded to work in a farming environment. If this were not so, the company would have even fewer expatriate employees.

Overall, however, Mr. Dólleman thinks that Kenya abounds in opportunities for investors, specifically in horticulture and tourism, and that both areas would become far more attractive if roads and security were improved. In his view, perhaps the best thing about Kenya is its climate, and the Nairobi airport with its many flights by European airlines is also a strong plus. Vitacress Kenya itself plans to keep growing. If the circumstances were right, the company might diversify into floriculture.

Source: UNCTAD, based on information provided by Vitacress Kenya Ltd.

Box III.2. FDI story: Amfri Farms' African Organic project

Amfri Farms Limited in Uganda, which trades as African Organic, is involved in the growing and export of organic fruits and vegetables. Formerly known as Suntrade and Consulting INT (U) Ltd, the company started in 1990 with about 25 individual outgrowers and cooperative farms. It was started by a Swiss engineer with an initial investment of $20,000, using self-developed solar energy technology for processing fruits and vegetables (organically grown pineapples, bananas, chillies, ginger, beans, mangoes and okra). Today, the company has 82 outgrowers.

Amfri Farms has concentrated efforts on ensuring control over the products it exports. The major areas of development have been the following: certification by the Swiss Institute for Market Ecology (IMO) to process and market organic products in compliance with EU Regulation (EEC) No. 2092/91; advising and supporting outgrower farmers with techniques in organic/sustainable farming; development of a company-owned farm for organic production and a pack-house facility; development and continuous improvement of solar driers to increase efficiency; and certification (in May 2003) by USDA AMT CFR part 205, National Organic Program.

The company handles a wide range of products, both *fresh* (pineapples, bananas, ginger, passion fruit, baby aubergines, okra, matoke and hot pepper) and *dried* (pineapples, bananas, papaya and mangoes). It owns a farm of 1,500 acres in Luwero, 450 acres of which are certified as organic. At the moment, 90% of the produce comes from the outgrowers, but future plans are to increase company farm production so that 40% of the export produce comes from the farm.

At present, the company has 25 permanent employees and 75 casual workers, and owns 50 drying units. The project uses a vacuum-gauging machine, the only one of its kind in Uganda. The Services Institute for Market Ecology certifies the organic quality by carrying out annual inspections of the production area (soil inspection) and the harvesting and processing operations. Exports of fresh fruit started with less than 2 tons in 2000 but, by the end of 2002, over 282 tons of fresh and dried fruits and vegetables were exported, earning about $350,000 for the company. In the past, the main market was Switzerland, but now the market has expanded to include Canada, Germany, Norway, Sweden and the United States.

Source: UNCTAD, based on information provided by Amfri Farms Ltd.

Food crops and oil seeds

EAC countries produce a wide range of food crops and oil seeds. These include cereals (millet, sorghum, maize, rice) and other grains (beans, pigeon peas, other pulses), which can be produced several times a year. These are consumed in the domestic markets as well as exported to regional markets. Sugar, rice and wheat production in the region is not fully developed, and this makes the region a net importer of those commodities.

There is unexploited potential in the region for the production and export of sesame seed, sunflower seed, groundnuts and cottonseed. There is also potential for pressed organic oils.

Forestry and related products

EAC member countries have large areas of forests and woodlands. Some of these have been gazetted as forest reserves. Some are under plantation forestry while others are under water catchments. Softwood and hardwood plantations offer good opportunities to invest in the establishment of wood-based industries such as saw-milling, partial boards, furniture and joinery.

Natural forests, with their indigenous fauna and flora, offer great potential for the development of an organic honey-processing industry and related products. Investment opportunities include honey-processing, the manufacturing of beekeeping equipment, beeswax processing, the development of bee-pollination-based industries and the promotion of lesser-known bee products such as royal jelly, which have a demand in Japan and other developed countries. Opportunities also exist for the provision of services for the certification of organic honey production.

Livestock

The livestock sector in the EAC contributes substantially to the member countries' GDP and provides employment, food and foreign exchange. Important livestock export products from the region include hides and skins, dairy products and live animals. There is limited meat-processing in the region. Opportunities for investment in the meat sub-sector include the construction of abattoirs that meet international hygiene standards, the processing of leather and the processing of meat and its by-products. The provision of veterinary services and drugs is another important opportunity, the provision of such services having been liberalized in all three EAC countries.

Other opportunities include the rearing of wild animals and the production of game meat (such as ostrich and crocodile farming) and the supply of processing equipment for both small and large-scale processors. There are also opportunities in the provision of financial services, including credit and banking services, in areas where livestock keeping is a major activity.

Dairy sub-sector

In cattle, each of the EAC member States keeps both exotics and a traditional-exotic crossbreed. In Kenya, the dairy sector and related services were liberalized in the mid-1980s. A small quantity of the total milk produced in each EAC member country is marketed through the formal channels (14% of the marketed production in Kenya and 10% in Uganda), most of it being marketed through informal channels. Fifty-six per cent of the marketed production in Kenya and 90% in Uganda is sold in raw form. Processing is limited, particularly in Tanzania and Uganda, and this makes the two countries dependent on Kenya for processed dairy products. The export potential of the EAC is nothing like fully exploited; currently, only Kenya exports substantial quantities to the region. Key export markets for dairy products from the region include the COMESA member countries. Exports currently also go to the Middle East and to UN bases and international airlines operating in the region.

Investment opportunities exist in the processing of dairy products such as powdered milk, ultra-heat-treated (UHT) milk, cheese, butter, yoghurt, ice-cream and flavoured condensed milk; the supply of processing and packaging equipment for both small and large-scale processors; the supply of veterinary and animal-breeding services and of animal feeds; the supply of financial services, especially credit; and the supply of quality accreditation services. The planned privatization of Dairy Corporation Limited, the largest dairy processor in Uganda, offers another opportunity. DCL collects and processes over 30 million litres a year into fresh milk, UHT milk, yoghurt, ice cream and cheese, generating a turnover of $12 million(Uganda Government Public Enterprise Reform and Divestiture Program, http://www.perds.go.ug/index.html).

Fisheries

The East African region is endowed with some of the largest freshwater lakes in the world, which harbour substantial resources for fishery. The coastal waters of the Indian Ocean are also home to a variety of marine fish. Of all the water masses, the most exploited is Lake Victoria, which is shared by the three EAC partner States in the following proportion: Kenya (6%), Tanzania (49%) and Uganda (45%). The surface area of the lake is some 68,000 km^2 and the shoreline length is 3,400 km. The lake is believed to contain about 350 species of fish. The commercially important fish species of Lake Victoria are *Lates niloticus* (Nile perch), *Oreochromis* (Tilapia) and *Rastrineobola argentea* (Dagaa). The other species include *Alestes, Barbus, Clarius, Haplochromis, Labeo, Mormyrus, Protopterus, Schilbe* and *Synodontis.* The Nile perch is the species most widely processed for export in the region, with its principal markets being the European Union, Israel and Japan.

Other lakes such as Lake Turkana (in Kenya) and Tanganyika (in Tanzania) and Kyoga (in Uganda) and smaller lakes within the Rift Valley remain underexploited and therefore offer ample opportunity in fishing, fish processing and fish by-product processing, as well as in the supply of fishery-related equipment and storage infrastructure such as fishing nets, cooler transporters, processing equipment, packaging materials, and freighters and cargo planes. Fish farming (aquaculture) is another investment opportunity in this area, as are accredited testing laboratories.

The EAC coastline extends for 2,104 km, including some 680 km in Kenya and some 1,424 km in Tanzania. The marine fishery resources remain underexploited, with Kenya and Tanzania exploiting mainly their continental shelves, and not being able to fully exploit their Exclusive Economic Zone (EEZ) owing to a lack of state-of-the-art fishing vessels. Most of the fishing remains artisanal in nature. The marine resources include crustaceans, molluscs, Dermasal fish species, Pelagic fish species, and tuna and tuna-like species. Opportunities include investment in deep-sea fishing, the provision of deep-sea fishing vessels, storage infrastructure, and the processing of marine fish and the related by-products.

Tourism

Tourism is an important industry in the EAC countries. In 2002, it accounted for 9%, 47% and 26% of export receipts in Kenya, Tanzania and Uganda respectively (see table III.2). The numbers of tourists increased significantly between 1995 and 2002 in both Tanzania (from 285,000 to 550,000) and Uganda (from 160,000 to 254,000), although in Kenya there was a small decline (from 896,000 to 838,000). This demonstrates that the sector continues to show vibrancy and potential, despite the security concerns expressed by the travel advisories of countries such as the United States, caused by the 1998 bombings in both Nairobi and Dar es Salaam (see box on security in chapter I), and increased global travel concerns following the events of 11 September 2001 in the United States. Even in Kenya, the decline has not been large. (In fact, in 2003, Kenya received over a million international visitors.)

Among the principal sources of tourists are the members of the European Union – in particular Germany, the United Kingdom, Italy and France – and the United States. All three EAC countries are interested in diversifying the sources of tourism and adding new ones such as the countries of East, South and South-East Asia and the new members of the EU. This interest is shared by the tourism business as well, for example Pollman's and Ranger Services, two leading tour operators in the EAC, and Serena Hotels, which operates nearly a dozen hotels and lodges in the region (see box III.3).

The EAC is blessed with some of the finest natural tourism assets in Africa, in particular beaches and wildlife. For example, Tanzania has allocated more than 25% of its total area to wildlife parks and protected areas. The northern circuit in Tanzania includes the Serengeti plains; the Ngorongoro crater, which hosts an extraordinary diversity of wildlife in an area of about 8,000 sq. km; and Mt Kilimanjaro, Africa's highest mountain. In Kenya, the Maasai Mara wildlife ecosystem connects with the Serengeti to the south and is one of 48 parks and reserves in the country, which include Tsavo and Amboseli. In Uganda, there is the Bwindi Impenetrable National Park, home to some 300 mountain gorillas, the Murchison Falls and Queen Elizabeth National Park. This is no more than a small listing of some of the principal assets and does not mention the cultures and crafts of the region, which have their own unique attractions.

The established tourist activities are primarily safaris and beach holidays, of which the former can be carried out in all three countries and the latter in Kenya and Tanzania. There are many activities, however, that can be either developed or developed substantially further. There are also investment opportunities in servicing the established tourist activities. What follows is a listing of some areas and opportunities that draws upon discussions with foreign tourism companies, among others.

- More accommodation facilities of international standard (hotels, lodges, guesthouses, etc.) are needed, particularly in Tanzania and Uganda. Even in Kenya, which has a more developed tourism infrastructure, more accommodation is needed in the less exploited circuits.

- Ecotourism is as yet an unexploited opportunity. It could be developed, for example, in the eastern-arc mountain ranges in Tanzania: North Pare, the Usambaras, Uluguru and Udzungwa. It also presents an opportunity in Kenya (e.g. the Kakamega forest) and Uganda.

- Cultural heritage sites and historical locations can also be systematically developed further. Also largely unexploited thus far are tourism prospects in Lake Victoria, the North Rift Valley and the Selous Game Reserve (the largest of its kind in the world).

- Beach tourism is mostly undeveloped around Dar es Salaam and elsewhere along the East African coast, although well developed around Mombasa. There are opportunities as well in the development of deep-sea fishing, diving, and sea and lake cruising. Whitewater rafting is another relatively undeveloped area with potential.

- Finally, outside Kenya, there is a major need for more training in the tourism sector, particularly in Tanzania, which has spectacular natural assets but rather poorly developed workforce skills at various levels.

TABLE III.2. INTERNATIONAL TOURISM

COUNTRY	NUMBER OF ARRIVALS		RECEIPTS			
	Thousands		Percentage of total exports		Millions of current $	
	1995	2002	1995	2002	1995	2002
Burundi	34	36[a]	1	3	1	1
Ethiopia	103	148[a]	3	8[a]	26	75[a]
			16	*9*	*486*	*297*
Rwanda	..	113[a]	3	23	2	31
Sudan	63	52	3	3[a]	19	56[a]
			20	*47*	*259*	*730*
			12	*26*	*78*	*185*
Zambia	163	565	..	11[a]	47	117[a]

Source: Adapted from the World Bank (2004e).
[a] Figure for 2001.

Box III.3. FDI story: Investing in tourism (hospitality)

Serena Hotels is a chain operating in the East African region, with its main focus on Kenya, where it has seven properties (in Nairobi, Mombasa, Amboseli and Mara, among others). In Tanzania, it owns five properties (in Lake Manyara, Ngorongoro, Serengeti and elsewhere), and in Uganda it recently bought the old Nile Hotel, which is undergoing renovation and will open for business as the Kampala Serena in February 2006. The Serena hotels and lodges are distinguished by the quality of their service and their attention to local tradition in architecture and decor. In Kenya, Serena Hotels have had an average annual turnover since the mid-1990s of about KShs 1.2 billion (about $15 million). The number of employees is 1,100, including *one* expatriate. The company recognizes its employees as its greatest single asset.

The Serena chain is owned by Tourism Promotion Services Limited (TPSL). TPSL has operated in Kenya since 1971 and floated nearly 39 million shares on the Nairobi Stock Exchange in 1997. The shares, then valued at KShs 13 each, now trade at KShs 50 each. TPSL is in turn majority-owned by TPS Holdings, a company incorporated in Kenya and in turn majority-owned by the Aga Khan Fund for Economic Development (AKFED), which is incorporated as a commercial entity under Swiss law. AKFED, founded in 1984, is the only for-profit entity in the Aga Khan Development Network (AKDN), also based in Switzerland, and sees its aim as going beyond profits to encompass employment creation, human resource development, and the preservation of natural and cultural assets. AKDN has a history in East Africa going back to the late nineteenth century.

According to Mr. Mahmud Jan Mohamed, Managing Director of Serena Hotels in East Africa, tourism boomed in the 1970s and 1980s in Kenya, leading, among other things, to an oversupply of hotels and an undersupply of quality. The situation changed in the 1990s, as the economy was liberalized, inflation rose and Government expenditures on such items as infrastructure fell. (The terrorism incidents in Nairobi and Dar es Salaam in 1998 and in Mombasa in 2002 did not help tourism either – see box I.2.) Since then, the industry has recovered, although the investor environment remains difficult on account of corruption, insecurity, poor infrastructure and the high cost of doing business. Nairobi in particular, with its severe image problem, represents a lost opportunity, according to Mr. Jan Mohamed.

As to what needs the Government's attention, Mr. Jan Mohamed thinks more focus is needed on developing new areas of potential interest to tourists – for example, Lake Victoria and the North Rift Valley – as well as on changing the image (and in part the reality) of Kenya as an insecure and expensive place. There *have* been improvements, in tourism management and in the promotion of Destination Kenya, but much more needs to be done. The company sees the main advantages for an investor in East Africa as the workforce and the weather in Kenya and good tourism planning and management in Tanzania. TPSL welcomes the movement towards regional integration in East Africa, although the pace can be frustratingly slow. It would also like to see much more quality foreign investment in the tourism business.

Source: UNCTAD, based on information provided by Serena Hotels.

Other areas

Infrastructure

Each of the three EAC member States is implementing restructuring programmes which aim at reducing government involvement in commercial activities, including the provision of infrastructure services. Kenya is in the process of implementing reforms which target a number of parastatals: Telkom Kenya Ltd, the Kenya Railways Corporation (KRC), the Kenya Ports Authority, The Kenya Power and Lighting Company (KPLC), the water sector and the Chemelil Sugar Company. The Presidential Parastatal Sector Reform Commission (PSRC) in Tanzania is coordinating and implementing the privatization of State enterprises, such as the Tanzania Harbours Authority (THA), the Tanzania Electric Supply Company Limited (TANESCO), the Tanzania–Zambia Railway Authority (TAZARA), Marine Services Company Limited (MSC), the National Insurance Corporation (NIC), the Tanzania Postal Corporation (TPC) and the National Shipping Company, Shirika la Usafiri Dar es Salaam. Similar programmes are in the pipeline in Uganda. These privatization initiatives present investment opportunities in all three countries.

Road transport

By sub-Saharan African standards, the EAC road network is not bad. However, the roads both within and between countries are poorly maintained and a significant proportion of them are unpaved. The poor state of the roads leads to high transport and vehicle-maintenance costs and contributes to the high cost of doing business in the region. There are opportunities for investment in the construction, maintenance and rehabilitation of roads, as well as in the construction of bridges.

The Governments of Kenya and Tanzania are both implementing road-upgrading programmes. In Kenya, the implementation of the Roads 2000 Programme to develop rural access roads is being accelerated. Other roads programmes include double-laning the Mombasa–Nairobi–Busia–Malaba highway and reducing congestion in key urban centres through the construction of bypasses. The Government of Kenya is also reviewing its legal, institutional and regulatory framework to enhance integrity in road contract procurement.

In Tanzania, the intention is to upgrade 70% of the country's 10,300 km of main roads and build some 3,000 km of new ones. In the 1990s, the Government of Tanzania launched a concession system aimed at inducing both domestic and foreign investors to participate in build, operate and transfer (BOT) schemes in roads. An autonomous executive agency, the Tanzania Roads Agency (TANROADS), was also established to manage trunk road construction, rehabilitation and maintenance.

At the regional level, EAC member countries aim to develop roads under the East African Road Network Project (EARNP), on which see the section on "Main regional issues and initiatives" in chapter IV.

Railways

The regional railway system is in poor condition. Since it was constructed some 100 years ago, it has had no major rehabilitation. Its locomotives, wagons and equipment are as old as the system itself, and this has aggravated the poor performance of the sector. Privatization is now under way (box II.1). The region is also in the process of extending the railway line coverage within the region as well as linking the region with neighbouring countries. Opportunities for investment therefore exist in the extension of the railway lines within the region as well as in the rehabilitation of existing lines, wagons and coaches.

Water transport

Water transport in the region is underdeveloped and underexploited. Passenger transport and freight cargo services, especially on Lake Victoria, Lake Tanganyika (shared between Tanzania, Burundi, the Democratic Republic of the Congo and Zambia), and Lake Nyasa (shared between Tanzania, Malawi and Mozambique) present substantial investment opportunities. The regions surrounding Victoria, Tanganyika and Nyasa are estimated to host over 30 million people involved in fishing, agriculture and trading. There are opportunities in establishing fast passenger traffic from the commercial city of Mwanza to Bukoba in Tanzania, Port Bell in Uganda and Kisumu in Kenya. A private company has already delivered two 90-passenger speedboats to Mwanza to ease transport problems in and around Lake Victoria.

Air transport

Despite the liberalization measures taken over the past decade, air services in the region are still not very efficient and freight charges remain high. The Governments of the EAC countries are involved in reforms to modernize the operations and improve the efficiency of airport services. The Government of Kenya has prioritized the upgrading of Kisumu, Malindi, Wilson and other airports important for tourism. The privatization of commercial and non-regulatory services at the airports and exploring the possibility of private-sector participation in building capacity for passenger terminal facilities (Republic of Kenya, 2003) are other priorities.

Investment opportunities exist in modernizing the airport management systems under the Global Navigation Satellite System, supplying security-control-related equipment, and providing commercial and non-regulatoty services after privatization. There are opportunities as well in the construction of state-of-the-art passenger terminal facilities, strengthening parking aprons, extending taxiways and rehabilitating the old runways.

Port facilities

Investment in port facilities is a major area of opportunity. The Government of Kenya has made the privatization of port facilities one of its priorities. Kenya's public-sector reform programme envisages the transformation of the Kenya Ports Authority (KPA) into a landlord authority, relinquishing most cargo handling and complementary services to the private sector. In May 2000, the Tanzania Harbours Authority (the parastatal which manages the Tanzanian ports and their operations) was divested and leased to private investors. The National Shipping Agencies (NASACO) also divested its shipping operations, creating opportunities for private operators.

Investment opportunities may be found in conventional cargo operations (stevedoring of non-bulk liquid containerized cargo); container transport (dedicated wagons, locomotives and communication equipment); cruise ships; dockyard facilities; a bunkering pipeline; development of other container terminals and ports; inland container depots; computerization of port operations; estate management; and the provision of equipment and gear. Limitations in handling and storage facilities of LPG at the port of Mombasa have constrained the supply and distribution of LPG in Kenya as well as in neighbouring countries. Investment opportunities therefore exist in the provision of handling and storage services.

Information and communication technologies

Liberalization in the telecommunication sector began in Kenya and Tanzania in the early 1990s but the parastatals Telkom Kenya Limited and Tanzania Telecommunication Corporation Limited (TTCL) remain the main gateways to international exchanges for Kenya and Tanzania respectively. Privatization of both is scheduled for 2005. The Government of Kenya is also planning the licensing of a second fixed-line operator.

Uganda Telecom Limited was successfully divested in June 2000. There are still numerous investment opportunities in Uganda in the information and communication technologies (ICT) sector, including opportunities in processing accounting data, incipient e-business services, printing and publishing media and television, logistics management, ICT infrastructure and high-level ICT training facilities.

The growing use of the Internet in the region offers opportunities for investment in the provision of Internet-related hardware and software. EAC partner States are embarking on liberalizing the sector fully to make it more efficient and extend services to rural areas. In Kenya, for instance, plans are under way to license four other Internet gateway service providers in line with the Government's commitment to enhance competition in the telecommunication sector.

Other investment opportunities exist in the provision of value-added services in voice and imaging products, teleconferencing, data capture and processing, call centres, radio paging, and broadband wireless Internet services.

Energy

The region has abundant untapped energy resources, which are very far from being fully exploited. They include coal reserves (about 1,200 million tons in Tanzania), natural gas, and geothermal, solar and hydroelectric energy. In Tanzania, for example, hydroelectric energy has a potential of 4,700 MW, but only about 10% of this has been developed. Among other things better exploitation of the existing resources could help save the foreign exchange that goes to pay for the import of petroleum products.

The energy sector in the three EAC countries has been privatized to some extent: in 1994 in Kenya, 1992 in Tanzania and 2001 in Uganda. Further privatization and restructuring are priorities in Kenya and Tanzania. Uganda's restructuring is quite advanced.

The EAC partner States have developed an East Africa Power Master Plan. A study of the East African power systems has also been undertaken and has recommended a Zambia–Tanzania–Kenya interconnection through the construction of a 33 kV-670 km transmission line from Pensulo in Zambia to Mbeya in Tanzania, and Namanga to Nairobi in Kenya. Opportunities can be found in all of power generation, transmission and distribution.

(See section on "Power supply and energy" in chapter II for other relevant information.)

Water and sanitation services

The provision of water and sanitation services in each of the EAC countries is gradually being privatized. In Nairobi, some of these services have already been privatized, with the Nairobi Water and Sewerage Company currently providing water and sanitation management services in Nairobi, with plans to expand its operations to other cities in the country. In Tanzania, the National Water and Sewerage Corporation (NWSC) is also in the process of privatizing its services. The National Water and Sewerage Corporation (NWSC) of Uganda is conducting trials with contracted private management of operations in Kampala and Jinja and is in the process of identifying the forms of private-sector involvement. Investment opportunities exist in the provision of potable water, the provision of garbage and refuse disposal facilities, and the provision of waste treatment facilities.

Mining and manufacturing

Mining

Minerals

The EAC countries are richly endowed with a variety of mineral resources.

Kenya has four belts of minerals — the gold greenstone belt in western Kenya, which extends to Tanzania; the Mozambique belt passing through central Kenya, the source of Kenya's unique gemstones; the Rift belt, which has a variety of resources including soda ash, fluorspar and diatomite; and the coastal belt, which has titanium.

Tanzania has a wide variety of minerals, including diamonds, gold, base metals, gemstones (including the unique Tanzanite) and a variety of industrial minerals such as phosphates, mica, gypsum, limestone, graphite, quartz and vermiculite that have a wide range of applications in ceramics, pottery, brick and tile making, and glass manufacture. Mining is more developed in Tanzania than it is in Kenya and Uganda. The sub-sector accounts for 42% of Tanzania's exports and is its fastest-growing sector. Tanzania is the second largest gold producer in Africa after South Africa. The Government has banned trade in and export of raw and uncut gemstones, with a view to creating a lapidary industry. Mineral deposits in Tanzania include gold, nickel, cobalt, copper, diamonds, gemstones, apatite, niobium, tanzanite, iron ore, coal and evaporates.

Uganda also has a variety of mineral resources, including copper, cobalt, tin, iron ore, tungsten, beryllium, limestone, phosphates, salt, clays, feldspar, diatomite, silica sand, glass sand, sand gravel, and construction materials such as granites and gneisses.

With both domestic and international demand for minerals expanding, mining offers a wide range of opportunities for interested investors. Investment opportunities exist in mining stone for the construction and building industry, phosphates for agriculture, salt for domestic and chemical uses, iron ore for the iron and steel industry, kaolin for leather tanning and pharmaceuticals, and silica sand and trona for glass manufacture. Demand for these products is growing at about 10–15% a year. Investment opportunities also exist in the exploration and development of mineral deposits including oil, gold, copper, cobalt sulphide and hematite iron. There is also an investment opportunity arising from the Government of Uganda's complete divestment of Kilembe Mines Limited, 90% of which is currently owned by the State.

Oil and gas

Investor interest in oil and gas has been growing in the EAC countries. In the last two years, petroleum investment in the region has exceeded $100 million ($60 million in Tanzania, $31 million in Uganda and $10 million in Kenya).

In Tanzania, the Songo Songo gas field has started gas production for the gas-to-electricity project, commissioned in July 2004. Exploration has increased with the signing of production-sharing contracts (PSCs) in the Mnazi Bay area, the Rufiji/Mafia area and the Deep Sea basin. In November 2004, the Government of Tanzania launched the third offshore licensing round, offering seven blocks in the Deep Sea basin. In Uganda, investment has been concentrated in acquiring data about land and lakes and drilling wells in the Albertine Graben. In Kenya, in the offshore Lamu Basin, seven PCS have been signed. Over 8,000 km of 2D seismic data have been acquired offshore. All 13 on shore blocks are currently available for leasing, as is one block offshore.

During the East African Petroleum Conference in March 2005, the three EAC countries agreed to develop their petroleum potential by harmonizing their policies and their legal and fiscal regimes applying to petroleum exploration.

Manufacturing

A wide range of opportunities for investment exist in the manufacturing sector in each of the EAC countries. The region is currently a net importer of manufactured products such as machinery and transport equipment. In 2002, the imports of machinery and transport equipment accounted for 35.4% and 26.5% of total imports in Tanzania and Uganda respectively. The manufacturing sector is most developed in Kenya among the EAC partners. In 2002, this sector contributed to 13%, 8.4% and 9.7% of the GDP in Kenya, Tanzania and Uganda respectively. By offering incentives to processors, such as zero-rating of various raw materials, and through various manufacturing incentive schemes, the EAC partner states have been trying to promote manufacturing as a way of diversifying their economies.

Manufacturing in the EAC currently includes the following: the manufacture of textiles and garments, the assembly of automotive components and electronics, the manufacture of tyres, plastics, paper, chemicals, pharmaceuticals, animal-feed processing, beverages, cement and ceramics, chemicals, canning, bottling and glassware, for both the domestic and the export markets.

Textiles and apparel

The EAC partner States have a history of textile manufacture and are known for the production and export of long handpicked cotton. The manufacture of garments has been revitalized since the signing of the African Growth and Opportunity Act (AGOA) in the United States (see box III.4). AGOA gives the EAC partner States, along with other sub-Saharan African countries, market access to the United States. Textile and apparel exports as well as investment in the sector have consequently experienced remarkable growth, particularly in Kenya. However, the quantities of cotton produced are insufficient and the capacity to produce high-quality competitive fabric is lacking. Investment opportunities thus exist in cotton ginning and the production of yarn and finished textiles. Other opportunities exist in marketing and trading in cotton and textiles as well as in cut, make and trim (CMT) units.

Box III.4. AGOA and export opportunities

The *African Growth and Opportunity Act* (AGOA) was signed into law on 18 May 2000. It is intended to encourage market forces in African countries by offering these countries the most preferential access to the US market available outside free trade agreements. The Act covers some 6,400 items, including textiles and apparel. The *AGOA Acceleration Act*, signed into law on 12 July 2004 and known as AGOA III, extends this preferential access until 30 September 2015. It also extends the third-country fabric provision[1] by three years, from September 2004 to September 2007.

Eligibility for AGOA benefits is determined annually on the basis of a review by a committee chaired by the United States Trade Representative (USTR). The criteria require that the country have established or be making progress towards establishing, *inter alia*, a market economy, the rule of law, policies to reduce poverty, and a system to combat corruption. In 2004, 37 sub-Saharan countries qualified, including the three members of the East African Community: Kenya, Tanzania and Uganda.

Trade between sub-Saharan Africa and the United States is not large, with the former accounting for less than 1% of US merchandise exports and less than 2% of imports, but it is increasing. In 2003, US imports from sub-Saharan Africa rose by 43% to $25.6 billion. Of this, 55% were AGOA imports, most of them in turn being petroleum products. Of the remainder, textile and apparel products accounted for $1.2 billion. AGOA provides duty-free and quota-free treatment for eligible apparel articles made in qualifying sub-Saharan African countries through 2015. Among the qualifying articles are apparel made of US yarns and fabrics; apparel made of sub-Saharan African (regional) yarns and fabrics, subject to a cap; apparel made in a designated lesser-developed country of third-country yarns and fabrics, subject to a cap; and eligible hand-loomed, handmade or folklore articles and ethnic fabrics.

Of the EAC members, Kenya has advantages in this field, as is suggested by the 30-plus companies, mainly from Asia, that have set up shop in the EPZ near Nairobi. In 2003, Kenya was the third largest AGOA apparel exporter in sub-Saharan Africa at $184 million, and AGOA-related new jobs in the country number about 30,000.

Although garment exports offer an opportunity in the EAC, the medium-term future of this industry is unclear. Two factors need to be taken into account. The first affects the potential for exports to any destination, and the second the potential for exports specifically to the United States. The first factor is the ending of the Multifibre Arrangement (MFA) on 1 January 2005. The MFA imposed quotas on garment exports by developing countries to the markets of developed countries. One of the consequences of this system was that efficient producers (e.g. in the Republic of Korea), after filling their quotas, invested in other countries that still had unfilled quotas (e.g. Bangladesh). The cut-make-trim (CMT) garment industry in several LDCs owes its genesis to the MFA. With the MFA gone, competition is now open, and China looms as a very big competitor. The second factor is the condition regarding third-country fabric provision in AGOA (see footnote), which expires in 2007. Unless it is extended again and again, the EAC partners (along with other sub-Saharan countries) will need to develop a high-quality price-competitive textile industry that could supply the fabric needed to make garments for export under AGOA. This will in turn require a targeted effort to attract FDI in textiles, which is not thus far apparent.

[1]The preferential treatment available under AGOA for garments is intended primarily for garments assembled in a beneficiary country from fabric (i) sourced from the United States or (ii) produced in the beneficiary country. This requirement is waived for "lesser-developed countries" (in effect, most countries in sub-Saharan Africa) until September 2007, allowing them to use fabric from any other ("third-country") source.

Source: UNCTAD, based on information from the AGOA website (http://www.agoa.gov/index.html), Office of the United States Trade Representative (2004), the Financial Times and other sources.

Iron, steel and other metals

Each of the EAC member countries has a broad-based metal products industry with various independent engineering, foundry and metalwork shops. The industry is, however, not highly developed and the product range is limited. Iron and steel imports as raw material for the manufacturing industry amount to 4% of the total in Kenya. In Uganda, iron and steel account for 5.1 % of total imports.

The industry is relatively more developed in Kenya than in Tanzania and Uganda. It is a major export commodity for Kenya, accounting for about 3% of total exports (EAC, 2002c), most of which go to Tanzania and Uganda. Iron and steel items produced in the EAC include structural steel, roofing materials, and spare parts for equipment and machinery. Other products include ox-driven ploughs, wheelbarrows, hoes, tractor-trailers, water tanks, reinforcement bars from scrap or imported billets and wire rods.

Opportunities exist in the development of a nucleus foundry making precision castings that can then be processed into precision components, aluminium cans, high-strength reinforcement bars, ductile iron rolls, casting sand and moulding. Opportunities also exist for investment in the mining of iron ore to supply the existing steel mills, the production of sponge iron for steel mills and the production of steel products.

Vehicle parts and assembly

The number of new motor vehicle registrations in the region has been increasing rapidly over time. In Kenya, about 34,000 vehicles were registered in 2003 (Republic of Kenya, 2004). The import of motor vehicles accounted for 6% of total imports in Kenya in 2002. Most of these vehicles are second-hand reconditioned cars imported from Japan. Car parts and accessories, including tyres, tubes, batteries, springs, radiators, brake pads, cables, rubber components and filters, are now produced locally, with a number of firms fabricating bodies for commercial vehicles (see box III.5). Car parts and accessories of some of vehicles, especially of European origin, are often lacking in the market. There are still opportunities in the manufacture of components for use by local assemblers and for export to regional markets.

Electronics and electrical equipment

The electronics industry in EAC member countries is still in its infancy, although the number of firms in the assembly, testing, repair and maintenance of electronic goods is rapidly growing, especially in Kenya. Investment potential can be found in the production of motors, circuit breakers, transformers, switch gears, irrigation pumps, capacitors, resistors, insulation tapes, electrical fittings, integrated circuit boards, electric cables, cookers, dry cells, solar panels, automobile batteries, and a variety of electronic appliances and equipment.

Plastics

In Kenya, the plastics industry is relatively well developed and produces goods made of polyvinyl chloride (PVC), polyethylene, polyestyrene and polypropylene. Plastics in both primary and non-primary form accounted for 3.4% of total Kenyan imports in 2002. Exports of plastic articles, mainly to the region, accounted for 2.3 % of Kenya's exports over the same period. Opportunities exist for investment in the production of all plastic articles to meet the domestic demand in each of the EAC member countries as well as to meet the demand in the broader region.

Chemicals

Chemicals, both organic and inorganic, and fertilizers are important EAC imports. Opportunities for producing such chemicals for both domestic and regional markets remain unexploited. Investment opportunities can be found in the production of PVC resin from ethyl alcohol, formaldehyde from methanol, melanine and urea, mixing and granulating of fertilizers, cuprous oxychloride for coffee-bean disease, caustic soda and chlorine-based products, carbon black, activated carbon, precipitated calcium carbonate, textile dyestuff, ink for ball-points and gelatin capsules, among other things.

Box III.5. FDI story: Investing in manufacturing (automotive)

General Motors East Africa has been in Kenya since 1977. (It was known as General Motors (Kenya) Ltd. until March 2004.) The company is a manufacturing and marketing operation, with 57% of the shares owned by General Motors, a US company, 38% held by the Government of Kenya and the remaining 5% held by the Itochu Corporation of Japan. The annual turnover is about $120 million and the number of employees 400, of whom only three are expatriates, including the Managing Director and the Chief Financial Officer.

GM East Africa came to Kenya because the country offered attractive import substitution incentives in the 1970s. It was the first company to spread modern manufacturing into Africa (Egypt, Kenya, Tunisia). It assembles vehicles and manufactures parts in Kenya, and markets products assembled in Kenya and elsewhere in Africa. For example, it recently sold 50 pick-up trucks made in Egypt to Rwanda. Its distribution network covers Kenya, Tanzania and Uganda, as well as Burundi and Rwanda. In addition to using imports for its assembly, GM East Africa buys substantial quantities of local supplies (worth $19 million in 2003) and has put in place an extensive supply chain development programme.

Asked how he assesses the investment climate, Mr. William Lay, the Managing Director, says he thinks this is a good time to get into Kenya. Locally produced buses in particular offer a good opportunity. Kenyan-made vehicles enjoy a substantial advantage, in his view, given the nature of Kenya's roads. As for the trend in key areas (e.g. infrastructure or governance), Mr. Lay thinks it is positive but slow. The main challenges GM East Africa has itself faced over the years have had to do with the unpredictability of government policies and fluctuations in the Kenya shilling's exchange rate.

Mr. Lay shares the priorities of most investors in Kenya: security, infrastructure and the cost of energy. Difficulties related to these not only put off potential investors, they also affect the scale and productivity of existing enterprises. Agriculture, for instance, is a key industry and one that has enjoyed considerable export success in recent years; yet it is also seriously and adversely affected by the dilapidated infrastructure, especially road conditions.

The company has a 30% market share in commercial vehicles sold in the East African Community: buses, pick-up trucks and matatus (a privately operated cross between a taxi and a bus). The locally assembled Isuzu matatus in particular have been a great success. The company strongly welcomes the planned regional integration that has begun with the EAC Customs Union Protocol coming into effect on 1 January 2005, although it is concerned that implementation will be slow. Overall, GM East Africa has a very positive vision of its future. It sees itself as being in for a long haul and plans to increase its investment so as to remain the regional market leader. (In August 2004, it announced plans to expand its plant in Nairobi.) As for Kenya's greatest asset as an investment location, it is clearly, in Mr. Lay's view, its human capital: a well-educated workforce with a strong work ethic.

Source: UNCTAD, based on information provided by General Motors East Africa.

Pharmaceuticals

The imports of chemicals and pharmaceuticals account for 3.4% and 4.5% of total imports into Kenya and Uganda respectively. The main sources of these imports are India, the United Kingdom, France and Germany. A few pharmaceuticals in the form of tablets, syrups, capsules, liquid mixtures, capsules, disposable syringes, surgical gauze, aspirin and paracetamol, and injectables are manufactured in the region. Investment opportunities exist in the manufacture of drugs for the treatment of various tropical diseases, the provision of modern family-planning services, and the manufacture of medical equipment and sundries (surgical cotton/gauze, sanitary pads, syringes, bandages, infusion syrups, oxygen). The rich biodiversity of the region also provides an opportunity in the processing of herbal medicines. The processing of pyrethrum extracts and the production of vaccines, antibiotics and vitamins also offer investment opportunities.

Beverages

The main beverage production activities in the region include coffee roasting, tea processing, and the production of soft drinks and alcoholic beverages. The region has a competitive advantage in processing these products because it produces most of the raw material used in this industry, including fruits, barley, coffee and tea. Investment in this sector has been increasing, especially in producing soft drinks. The demand for beverages is increasing. Investment opportunities exist in production targeting both local and export markets.

Services other than tourism

Building, construction and housing

Building and construction is another fast-growing sector in the region. Investment opportunities here include the provision of low-cost housing to cater to the needs of growing populations in urban and peripheral areas; the manufacture of prefabricated concrete systems and other fittings for the building industry; and the processing of non-metallic minerals to make sanitary fittings, tableware, floor and wall tiles, glass, lime, cement, glazes, and so forth. There may also be opportunities in the provision of mortgage services, although land legislation can make it difficult to engage in mortgage lending.

Training

Education is a dynamically developing service sector in the region. There are both public and private schools and training institutions in the EAC countries. The Governments of Kenya and Uganda introduced free primary school education in 2003 and 1997 respectively. The result of this has been an increased enrolment in primary schools in the two countries, leading to an overstretching of capacity. Tertiary institutions to absorb secondary school leavers are limited in number and variable in quality.

Opportunities exist in the provision of facilities and training services in primary and secondary schools, polytechnics, technical and tertiary education, and vocational education and training institutions. Private universities are gaining in importance.

Health care

The public health-care system in each of the EAC partner States comprises health-care centres/dispensaries at the lowest administrative level as well as hospitals at district, provincial and national levels. Non-governmental organizations and the private sector also provide the same services at all levels. The availability of affordable medical care remains, however, an issue in the region. Opportunities for investment in this area include the following: the establishment of hospitals and other health units and modern testing facilities; training of medical personnel in specialized medical care (in such disciplines as neurology and neuro-surgery, urology, cardiology and plastic surgery); the manufacture of drugs, hospital equipment and furniture; and the provision of family planning facilities and services.

Financial services

There is potential in all three EAC countries for expanding product and service portfolios in non-traditional services such as brokerage, asset management, real-estate financing, lease finance, agricultural finance and advisory services. The informal sector (commonly referred to as the Jua Kali sector) in the region is growing rapidly. The provision of credit and related services to this sector offers many opportunities (see box III.6). There is a demand also for new insurance services, particularly for medical, educational and property insurance.

Box III.6. FDI story: Investing in banking

Standard Chartered is a UK-based international bank employing 30,000 people in more than 50 countries. It has a management team that draws on 70 nationalities. Although headquartered in the United Kingdom, the bank is focused on the established and emerging markets of Asia, Africa, the Middle East and Latin America. About 70% of its business is in Asia and another 12% in Africa. The rest is mostly in the Middle East, with a very small percentage in the Americas. In sub-Saharan Africa, Standard Chartered has more than 130 branches in 12 countries and employs 5,500 people.

The bank first established its presence in what is now Tanzania in 1916 and was nationalized in 1967. Following the liberalization of the banking and financial sector in 1991, Standard Chartered Bank Tanzania (SCBT) opened for business in December 1993 and was the first foreign bank to be registered. SCBT now has six branches – three in Dar es Salaam, one in Mwanza, one in Arusha and one in Moshi. The head office is in Dar es Salaam.

SCBT is fully owned by Standard Chartered plc, with a total investment of $23 million. The Tanzanian company's annual turnover is around $32 million, with profit after tax in the $10 million range. The assets of the bank are $180 million. In early 2005, the bank had 250 employees, of whom 7 were expatriates, 5 of them African. About 90% of the bank's business in Tanzania is corporate, with 75% of corporate customers being domestic companies and 25% foreign ones, mainly multinationals. (Worldwide, about 50% of the bank's business is corporate.) Interest rates on its loans vary between 10 and 23%, with the rate on dollar-denominated loans being around 5%.

Asked how he sees the investor's environment, Mr. Hemen Shah, the Managing Director, identifies several issues. Existing land regulations, for one thing, prevent mortgage lending, a business which the bank thinks has potential. One major challenge the bank has faced is retaining skilled employees, of whom there is a shortage. On the other hand, there are no tax hassles, especially since the revenue authorities set up a large-tax payers' unit. There are also no major problems with foreign-exchange regulations. Mr. Shah thinks it ought to be a priority for the Government to reform the land legislation, so that securing title and using it as collateral are facilitated. Asked what he likes best about the country, Mr. Shah says it is the stable macroeconomic environment. As for FDI opportunities, they are significant in the agriculture and tourism sectors, as well as in infrastructure.

SCBT is optimistic about the country and its own business, which it hopes to see grow at the rate of 15% per annum. The bank expects to increase its capital by 3 to 5% and its employees by 10 to 15%. It would like to do more in the areas of infrastructure, real estate and mining. (At the moment, its corporate business is mainly in oil, trading, agro-processing and manufacturing.) It would also like to see its business with small and medium-sized enterprises grow to a larger share from the current 5% — perhaps to 15% — and, finally, it would like to do more in consumer loans.

Source: UNCTAD, based on information supplied by Standard Chartered Bank Tanzania..

Export-processing zones (EPZs), incentives and related matters

The partner States have agreed to harmonize and rationalize investment incentives with a view to promoting the Community as a single investment area. They have also agreed to support export promotion schemes as a way of promoting and facilitating export-oriented investment. The goods to benefit from these schemes are primarily goods for export which, if sold within the Community, may attract full duties, levies and whatever other charges there may be, according to the CET. Sales within the Community are also subject to authorization by a competent authority and are limited to 20% of the total annual production of any given company.

The export promotion schemes and incentives proposed include the ones described below:

Duty drawback schemes

Drawback of import duties upon materials used exclusively in the production of goods exported to a third country is provided for in the Customs Union. The conditions and amounts are to be prescribed by the "Competent Authority".[4] Requirements for the payment of duty drawbacks include the submission of an application to the Competent Authority within the Competent Authority's prescribed period, based on the date of export, with regard to any material used in the manufacture or processing of goods which meet the conditions prescribed by the Competent Authority.

Duty and VAT remission schemes

The Customs Union Protocol provides for duty and VAT remission schemes to support export promotion. Under article 27 of the Customs Union Protocol, the three EAC partner States agree to establish such schemes, whose implementation will be specified by the Customs Law of the Community.

Manufacturing-under-bond schemes

Within the Customs Union framework, the partner States may facilitate manufacturing-under-bond schemes within their respective territories. Such schemes would allow imported goods to be used for processing or manufacture.

[4] The Competent Authority is a body designated by the Community to administer the Customs Law of the Community. The Customs Union has not yet specified this Competent Authority.

Export-processing zones (EPZs)

The Customs Union protocol has spelt out Export Processing Zone Regulations, which are intended to ensure that the partner States establish EPZs in a uniform fashion and that the implementation process is transparent, accountable, fair and predictable. To further promote uniformity, the partner States propose to develop an East African Community Model Export Processing Zones Operational Manual.

Under article 29 of the Customs Union Protocol, exporting companies located in EPZs will have imported goods used directly in the production of products for export zero-rated. Operations within the EPZs in each partner State have to be administered and overseen by a partner-State-designated Competent Authority.

EPZ developers are required to provide and maintain certain facilities in EPZs, including adequate enclosure to separate the EPZ from the customs territory. They are also expected to lease land for the periods provided in the national legislation and are not expected to reside in the zones. The activities to be undertaken in the zones are not to be dangerous or prejudicial to the public interest, health or safety. Eligible activities include manufacturing, commercial and service activities.

A company located in an EPZ could sell in the customs territory at most 20% of its annual total production. In addition, it must obtain the necessary permits from the Competent Authority. The goods so sold will attract all applicable import duties, levies and other charges and must comply with all customs procedures.

For any company to operate in the EPZ, it must be licensed by the Competent Authority. Conditions for licensing include the following: the company activities should meet the objectives of the EPZs and their regulations; the companies (whether domestic or foreign) must be incorporated under the relevant legislation of a partner State; and the activities of the companies must be eligible under the EPZ regulations, must not be deleterious to the environment, must not be unlawful, must not impinge on national security or constitute a health hazard, and must be conducted in accordance with existing laws.

Free ports

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, the 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. The Customs Union provides regulations for the operation of these ports which are intended to ensure that there is uniformity among the partner States in port operations and that the process of establishing and operating these ports is transparent, accountable, fair, predictable and consistent with the provisions of the Customs Union protocol. The regulations are to be applied in conjunction with the existing national legislation relating to free port operations in each partner State, and the operations in such ports are to be overseen by a free port authority, appointed by a partner State under the relevant national legislation.

Free port zones could be established at seaports, river ports, and airports – or in other places with similar geographical and economic advantages. Activities to be carried out in these ports include activities to preserve goods, improve packaging, and prepare for shipment – but not manufacturing or processing. Examples are warehousing and storage, labelling, packaging and repackaging, sorting, grading, cleaning and mixing, breaking bulk, and the assembly and grouping of packages. Sale of the goods while on the free port premises is subject to compliance with the relevant national legislation. Removal of the goods from the ports is subject to approval by the customs department of the partner State concerned.

Harmonization of duty-exemption regimes

Currently, the three partner States have different (import) duty exemption schemes and have therefore agreed to harmonize these regimes and adopt a single list of exemptions, which is to be specified in the customs law of the Community. Harmonization of duties will cover both import goods destined for the local market and those intended for export markets.

Tanzania is one of the most stable and peaceful countries in Africa. It also has enlightened leadership and abundant natural resources, particularly for tourism. The combination of the world's best game parks, abounding in hundreds of thousands of wild animals, and the most friendly people on earth offers tourists from around the world an unmatchable safari experience. We at Ranger Safaris are proud of our 30-plus years of history as Tanzania's biggest tourism company and fully expect to grow by expanding the range of our customers.

Husein M. Taki, Group Executive Director, Ranger Safaris

Nestlé has had a manufacturing presence in Kenya for the past 40 years. Nairobi's location and the quality of the workforce have been big assets for us. With further improvements in governance and the full realization of the benefits of the COMESA and EAC regional arrangements, we believe that Kenya could offer many new opportunities for investors, both foreign and local. Agriculture and infrastructure are two very promising areas.

Dominique Peterhans, Managing Director, Nestlé Foods Kenya Ltd

The regional framework IV

The regulatory framework for investment is still for the most part a matter for the partner States in the EAC. Thus for such matters as investment legislation, entry and exit procedures, investment protection and incentives, the reader should consult the individual country guides to Kenya, Tanzania and Uganda in the list of sources consulted at the end of this guide. The aim of this chapter is essentially to describe the legal and institutional framework at the Community level and discuss some of the issues likely to affect investors in the EAC.

Legal and institutional framework

The EAC has seven key organs: the Summit, the Council of Ministers, the Co-ordination Committee, the Sectoral Committees, the East African Court of Justice (EACJ), the East African Legislative Assembly (EALA) and the EAC Secretariat.

Policy aspects

The Summit is made up of the three partner States' heads of government. Its key function is to give general direction and impetus to the development of the Community and the achievement of its objectives. The Summit is the highest decision-making body of the Community and authorizes the publication of all its rules and orders in the official EAC Gazette, such publication being necessary for them to come into effect.

The Council of Ministers is the second highest decision-making body of the Community. The functions of the Council include making policy decisions, issuing directives, and initiating and submitting bills to the EALA. The Council is also responsible for the Community budget and for the implementation of the decisions and directives of the Summit. The decisions, regulations and directives of the Council are binding on the three partner States and all organs and institutions of the Community except the Summit, the EACJ and the EALA.

The Co-ordination Committee is the technical arm of the Community and is made up of Permanent Secretaries (top civil servants) responsible for regional cooperation in each partner State and any other Permanent Secretaries as determined by each partner. Its functions include submitting reports and recommendations to the Council and implementing Council decisions.

Legislative aspects

The East African Legislative Assembly (EALA) provides a democratic forum for debate and also has a watchdog function in respect of the Community's secretariat. Inaugurated in November 2001, the EALA is made up of 27 elected and 5 *ex-officio* members. Since its inauguration, the Assembly has passed seven bills into law, the Customs Union Management Bill 2004 being the latest, approved budgets for the EAC for 2002–2003 and 2003–2004, and advised the Secretariat with respect to treaty implementation.

Box IV.1 The EAC treaty

The treaty establishing the East African Community was signed on 30 November 1999 and came into force on 7 July 2000 upon ratification by the three partner states: Kenya, Tanzania and Uganda.

The treaty consists of a long preamble (on the background of East African cooperation) and 153 articles divided into 29 chapters. It lays down the basic principles, objectives and functioning of the Community (chapters 2 and 28–29), and describes its structures (chapters 3–10) and the proposed fields of cooperation (chapters 11–27).

According to Articles 2 and 5 of the treaty, the broad purpose of the Community is to further cooperation in the political, economic and social fields, among others. The concrete objectives are to establish a Customs Union, a Common Market, a Monetary Union and a Political Federation. Chapters 11 to 27 of the treaty identify three main areas of cooperation: economic development (including trade liberalization, monetary and financial matters, and the free movement of persons, capital, goods and services); services, science and technology (including infrastructure, health and education); and political and legal matters. Partner States may conclude such protocols as necessary, spelling out the aims, scope and institutional mechanisms of cooperation (Article 151). The Customs Union was established through the adoption of a protocol that came into force on 1 January 2005.

The treaty creates seven main organs to enable the Community to fulfil its mission (Articles 9 to 72): the Summit (the highest organ of the Community), the Council, the Co-ordination Committee, the Sectoral Committees, the East African Court of Justice, the East African Legislative Assembly and the Secretariat. The Community is headquartered in Arusha (Article 136). Its official language is English, but it recognizes Kiswahili as a lingua franca (Article 137).

The treaty (Article 3) provides rules and conditions governing membership, including acceptance of the Community's fundamental principles, such as the equality of sovereign States, potential contribution to the Community, geographical proximity, and compatibility of social and economic policies with those of the Community. Decisions, directives and regulations of the Community are binding on partner States. A member State failing to observe the fundamental principles and objectives of the treaty may be suspended from the Community (Article 146) or expelled in the event of gross and persistent violation (Article 147).

The treaty also establishes the primacy of Community organs, institutions and law over national ones on matters pertaining to the implementation of the treaty (Article 8).

Source: UNCTAD, based on the East African Community Treaty of 1999 and the East African Community Secretariat (2002a).

Judicial aspects

Judicial aspects of the Community lie within the mandate of the East African Court of Justice (EACJ). This is an international court with responsibility for ensuring the correct interpretation and application of Community law and its compliance with the treaty. The Court is made up of six judges (two from each member State) and a registrar.

The Court was inaugurated in November 2003 and is now partially operational. Its operations are, however, *ad hoc* until it is determined by the Council of Ministers that there is enough business to make it fully operational. Among the key jurisdiction areas are disputes on the interpretation and application of the Treaty and disputes arising out of an arbitration clause contained in a commercial contract or agreement in which the parties have conferred jurisdiction on the Court. Proceedings can be instituted by a partner State, by the Secretary General, or by legal and natural persons resident in a partner State. Executions of Court judgements that impose a pecuniary obligation on a person are governed by rules of civil procedure in the State in which the execution is to take place. In the absence of a pecuniary obligation, the partner States and the Council must implement a judgement without delay.

Administrative aspects

The administrative aspects are the responsibility of the EAC Secretariat, which is the executive arm of the Community. Its key offices are the Secretary General, the two Deputy Secretaries General and the Counsel (the principal legal adviser) to the Community. The functions of the Secretariat include initiating, receiving and submitting recommendations to the Council; forwarding bills to the Assembly through the Co-ordination Committee; initiating studies and research; and implementing and monitoring programmes that contribute to achieving Community objectives. The Secretariat is also the custodian of Community property.

Protection of person and property

Each EAC partner State offers guarantees to investors as provided for in its constitution, its investment laws and agreements to which it is party (see the guides to Kenya, Tanzania and Uganda in the list of sources consulted at the end of this guide). The laws in all partner States protect property rights and facilitate the acquisition and disposal of property, including intellectual property. However, intellectual property rights are not rigorously enforced in the EAC. Each country is also a member of the International Centre for the Settlement of Investment Disputes and the World Bank's Multilateral Investment Guarantee Agency (MIGA).

Investment framework

The EAC partner States have their own institutions and regulatory mechanisms for dealing with foreign investment. The general policy trend has been towards privatization and liberalization. Each country has its own requirements with respect to such matters as company registration and incorporation procedures, permits and licences, property acquisition, access to capital and land, ownership and management control, and exit procedures. A restrictive regulatory and administrative regime in the partner States has, however, been cited as a constraint on attracting investment (EAC Secretariat, 2003a). Among other things, the EAC Industrial Development Strategy (2000) proposes that a sufficient number of expatriates should be allowed to work for foreign companies without bureaucratic hindrance. An EAC Model Investment Code was drafted in 2002. It is not intended to be a binding legal instrument but rather a model whose features the EAC member States may incorporate into their national laws. The code includes sections dealing with establishment of an enterprise, the creation of a regional investment promotion agency, and the establishment, operations and incentives of Special Economic Zones.

At the national level, the member States are in the process of simplifying procedures to facilitate foreign investment. They have also undertaken to promote cooperation in the development of science and technology, among other ways through the harmonization of policies on the commercialization of technologies and the promotion and protection of intellectual property rights.

Table IV.1 provides a snapshot of the business climate in the EAC. Starting a business is generally less expensive and less time-consuming in the EAC than in sub-Saharan Africa as a whole, as are registering property and enforcing contracts. Hiring and firing workers is easiest in Uganda, which, on the whole, offers the most business-friendly environment.

TABLE IV.1. DOING BUSINESS IN THE EAC

ECONOMY CHARACTERISTICS (2003)

VARIABLE	KENYA	TANZANIA	UGANDA	SSA[a] AVERAGE	OECD AVERAGE
GNI per capita (at PPP)[b]	1,020	610	1,440	1,770	26,000
Informal economy (% GNI, 2003)	34.3	58.3	43.1	42.3	16.8
Population (millions)	31.9	34.9	25.3	19.5	41.5

STARTING A BUSINESS (2004)

The challenges of launching a business in East Africa are shown below through four measures: procedures required to establish a business, the associated time and cost, and the minimum capital requirement.

INDICATOR	KENYA	TANZANIA	UGANDA	SSA AVERAGE	OECD AVERAGE
Number of procedures	12	13	17	11	6
Time (days)	47	35	36	63	25
Cost (% of income per capita)	53.4	186.9	131.3	225.2	8.0
Minimum capital[c] (% of income per capita)	0.0[c]	6.8	0.0	254.1	44.1

HIRING AND FIRING WORKERS (2004)

The first three indices cover the availability of part-time and fixed-term contracts, working time requirements, minimum wage laws, and minimum conditions of employment. The overall Rigidity of Employment Index is an average of these three indices. Higher values represent greater rigidity in all indices.

INDICATOR	KENYA	TANZANIA	UGANDA	SSA AVERAGE	OECD AVERAGE
Difficulty of Hiring Index	22	56	0	53.2	26.2
Rigidity of Hours Index	20	80	20	64.2	50.0
Difficulty of Firing Index	30	60	0	50.6	26.8
Rigidity of Employment Index	24	65	7	56.0	34.4
Firing costs (weeks of wages)	47	38	12	59.5	40.4

REGISTERING PROPERTY (2004)

The ease with which businesses can secure rights to property is measured below, using the following indicators: the number of procedures necessary to transfer a property title from the seller to the buyer, the time required, and the costs as a percentage of the property's value.

INDICATOR	KENYA	TANZANIA	UGANDA	SSA AVERAGE	OECD AVERAGE
Number of procedures	7	12	8	6	4
Time (days)	39	61	48	114	34
Cost (% of property per capita)	4.0	12.6	5.5	13.2	4.9

ENFORCING CONTRACTS (2004)

The ease or difficulty of enforcing commercial contracts in East Africa is measured below, using three indicators: the number of procedures counted from the moment the plaintiff files a lawsuit until actual payment, the associated time, and the cost (in court and attorney fees) expressed as a percentage of debt value.

INDICATOR	KENYA	TANZANIA	UGANDA	SSA AVERAGE	OECD AVERAGE
Number of procedures	25	21	15	35	19
Time (days)	360	242	209	434	229
Cost (% of debt)	41.3	35.3	22.3	43.0	10.8

CLOSING A BUSINESS (2004)

The time and cost required to resolve bankruptcies is shown below. Costs include court costs as well as the fees of insolvency practitioners, lawyers, accountants, etc. The Recovery Rate measures the efficiency of foreclosure or bankruptcy procedures, expressed in terms of how many cents on the dollar claimants recover from the insolvent firm.

INDICATOR	KENYA	TANZANIA	UGANDA	SSA AVERAGE	OECD AVERAGE
Time (years)	4.5	3.0	2.1	3.6	1.7
Cost (% of estate)	18	23	38	20.5	6.8
Recovery rate (cents on the dollar)	14.7	21.3	35.5	17.1	72.1

Source: Adapted from the World Bank (2004a).
[a] "SSA" is "sub-Saharan Africa".
[b] "GNI" is "gross national income", while "PPP" is "purchasing power parity".
[c] The minimum capital requirement for foreign investors in Kenya is now $500,000 but an amendment submitted to parliament in June 2005 reduces it to $100,000.

Investment protection and related matters

Investment in each EAC member State is guaranteed against nationalization and expropriation under the laws (including the investment code) of the partner State. Expropriation of private property is permitted only when due process is followed and prompt and adequate compensation is offered. Further protection is guaranteed under the various bilateral treaties signed by the partner States (table IV.4). Companies and their products in each country are given national treatment. Companies investing, as well as goods produced and traded within the Community, will enjoy national treatment under the Customs Union Protocol.

The EAC partner States have also liberalized their foreign-exchange regimes and transfers in freely convertible currencies are allowed with respect to net profits, the repayment of foreign loans, royalties and fees, the remittance of proceeds (net of taxes and obligations) in the event of sale or liquidation, and the emoluments and other benefits payable to foreign employees.

Dispute settlement

EAC partner States have agreed to cooperate in promoting measures that strengthen linkages among business organizations and professional bodies.

The national laws of the three partner States provide appropriate procedures for the settlement of disputes through litigation, negotiation or arbitration. In Kenya, arbitration is governed by the Arbitration Act, under which parties may agree to refer their present or future disputes to arbitration through an arbitration agreement. In Tanzania, the Commercial Court, the Lands Division of the High Court and the Industrial Court deal with commercial, land and labour disputes respectively. In Uganda, the Investment Code permits international arbitration in a manner mutually agreed by the parties. The Centre for Arbitration and Dispute Resolution (CADER) provides procedures for the settlement of local disputes.

Kenya, Tanzania and Uganda are also members of several international organizations and parties to international treaties governing the settlement of disputes between Governments and investors, through arbitration or negotiation. These include the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, the International Centre for the Settlement of Investment Disputes (ICSID), and the Multilateral Investment Guarantee Agency (MIGA).

At the EAC level, Community law establishes various means for the settlement of disputes arising either between the partner States or between investors and partner States.

Under the Customs Union protocol, a dispute settlement mechanism has also been formulated. In the event of a dispute between partner States, the mechanism provides for consultation as the first step, with a view to finding an amicable solution. The consultation period can be up to 60 days. If the parties still fail to settle the dispute, the matter would be referred to the Dispute Settlement Committee, which establishes a Dispute Settlement Panel. The panel is to be made up of experts from both the public and the private sector, who are independent persons of high integrity. The panel would submit its report within a period of three months or, in the case of perishable goods, within a period of one and a half months. The report is to be adopted by the committee within a period of 60 days of its circulation.

If there are concerns about fraud, lack of jurisdiction or other illegality with respect to the panel's report, any of the parties may refer the matter to the East African Court of Justice for arbitration.

Under Article 32 of the EAC Treaty, the Court of Justice also has jurisdiction over disputes arising from an arbitration clause contained in a commercial contract or agreement in which the parties have conferred jurisdiction on the Court. The Court also has jurisdiction over the interpretation and application of the EAC treaty, and legal and natural persons resident in a partner State may challenge the legality of any act or regulation of an EAC institution or a partner State which is allegedly in breach of the EAC Treaty.

Requirements and restrictions

The main entry requirements and other restrictions affecting foreign investors in the EAC are summarized in table IV.2.

TABLE IV.2. FOREIGN DIRECT INVESTMENT IN THE EAC: ENTRY REQUIREMENTS AND RESTRICTIONS

	KENYA	TANZANIA	UGANDA
Minimum capital	$500,000 for an investment certificate, which is required. An amendment is pending, which reduces the requirement to $100,000 and makes the investment certificate optional.	$300,000 to be eligible for a certificate, which is not required.	$100,000 for an investment licence, which is not required. There is a new code pending, which reduces the requirement to $25,000.
Restrictions on sectors			
Prohibited sectors	Narcotic drugs and psychotropic substances.	Narcotic drugs. Arms and ammunition.	Activities relating to national security.
Restricted sectors	Firearms and explosives require special licences.	Sawn timber, veneer, plywood, wood-based products, and utility logs as raw material are subject to approval from the Ministry of Tourism and Natural Resources.	Activities requiring the ownership of land. (Investors can lease land for up to 99 years or participate in joint ventures involving the leasing of land.)
Restrictions on equity	Companies listed on the NSE (75%). Fishing activities (49%). Insurance (66.7 %). Telecommunication (70%).	Companies listed on the DSE (45%).	None.

Source: UNCTAD.

Trade regime

Trade and investment are the core instruments for attaining the objectives of the East African Community, which include developing policies and programmes aimed at widening and deepening cooperation among the partner States. The Treaty for the Establishment of the EAC provided for a Customs Union, which would aim at the enhancement of trade and investment.

The EAC trade regime

The Customs Union Protocol signed in March 2004 came into force upon ratification by the three member countries and became effective on 1 January 2005. The administration of the protocol will be governed by the Customs Law of the Community, which had been drafted by a working group at the EAC headquarters in Arusha by the end of 2004 but has not yet been debated at the EALA. The East African Legislative Assembly enacted on 16 December 2004, the East African Community Customs Management Act 2004, which will apply uniformly in the EAC. This Act will govern the administration of the Customs Union, including legal, administrative and operational matters.

The Act provides for a transitional decentralized administrative structure for the EAC Customs Union. Within this decentralized set-up, the day-to-day operations of customs, including revenue collection, will continue to be managed and administered by the respective national revenue authorities. The newly established Directorate of Customs under the EAC Secretariat will identify policy issues and coordinate and monitor customs and trade-related activities in the EAC.

The objectives of the Customs Union include furthering the liberalization of intra-regional trade in goods; promoting production efficiency in the Community; enhancing domestic, cross-border and foreign investment; and promoting economic development and industrial diversification. There are two broad areas of cooperation in the Customs Union: (i) customs management and general trade matters; and (ii) establishing and adopting uniform and common trade procedures in the Community.

The Customs Union Protocol has spelt out the rules and regulations that are to govern trade within and outside the Community. The partner States have agreed on a three-band Common External Tariff (CET) of 0%, 10% and 25% for raw materials, intermediate goods and finished goods respectively. The Council may review the CET structure and approve measures aimed at remedying any adverse effects that a partner State may experience as a result of implementing the CET. There are, in addition, a number of sensitive products that are exempt from the CET and may be imported at other specific tariff levels which are higher than 25%. These include wheat, rice, maize (not for seed), some cotton clothing, jute bags and sugar (see appendix 1 for further details).

With respect to the Community's internal tariffs, the partner States have adopted transitional provisions on tariff elimination, which is to be achieved within a five-year period from the time of implementation of the Protocol. The provisional structure is asymmetrical, reflecting the fact that Kenya's economy is more developed than the economies of its EAC partners. On the implementation of the Protocol, goods exported by Tanzania and Uganda anywhere within the EAC are to be duty-free with immediate effect. Goods flowing from Kenya to Tanzania and Uganda are to attract variable and declining tariffs that would be phased out within a period of five years.

Goods and products qualifying for the Community's tariff treatment will have to meet the *rules-of-origin* criteria as specified in the Customs Union rules of origin,[5] which are fairly accommodating. Identical or similar products of partner States will receive national treatment.[6]

The Customs union also provides for cooperation in a number of areas, including those described below.

Trade facilitation

Trade facilitation will aim at reducing the volume and variety of documentation, adopting common standards of documentation and common procedures for trading within the region, coordinating transport activities, collecting and disseminating information on trade and trade documentation, and establishing joint training programmes. The partner States have further agreed to cooperate in simplifying, standardizing and harmonizing trade information and documentation so as to facilitate trade in goods. This will include the establishment of a customs data bank at the Secretariat. Under Article 7 of the Customs Union Protocol, the harmonized customs documentation is to be specified in the Customs Law of the Community. The partner States have adopted the Harmonized Commodity Description and Coding System to ensure comparability and reliability of trade information. They have also agreed to cooperate in the prevention and investigation of customs offences within their territories through the exchange of information and ongoing surveillance, as well as by consulting one another on the establishment of common border posts and ensuring that traded goods pass through recognized customs offices and approved routes.

Anti-dumping measures

Dumping is prohibited under the Customs Union Protocol if it causes or threatens material injury to an established industry, materially retards the establishment of a domestic industry or frustrates the benefits expected from the removal or absence of duties and quantitative restrictions between the partner States. The Community has therefore developed anti-dumping regulations[7] whose purpose is to ensure that there is uniformity in the application of anti-dumping measures and to ensure that the process is transparent, accountable, fair, predictable and consistent with the provisions of the Customs Union Protocol.

[5] The basic criterion of origin is that goods should be wholly produced in a partner State. Goods partially produced from materials imported from outside partner States or material of undetermined origin, by a process of production which effects a substantial transformation of the materials used (such that the c.i.f. value of the materials does not exceed 60% of the total cost of materials used in production *or* the value added accounts for at least 30% of the ex-factory cost of the goods *or* when goods can be classified in a tariff heading which is different from the one under which they were classified when imported) also qualify as originating from a partner State. Cumulative treatment within the Community is allowed.

[6] Partner States will not impose on one another's products any internal taxation of any kind in excess of that imposed on domestic products and any repayment of internal taxation will not exceed the internal taxation imposed on them (EAC Secretariat, 2004b).

[7] The regulations describe the process of determining "dumping" and the injuries caused by dumping as well as the subsequent process of investigation.

Competition policy and law

Any practice that adversely affects free trade such as an agreement, an undertaking or a concerted practice the objective or effect of which is the prevention, restriction or distortion of competition within the Community is prohibited under the Customs Union Protocol. The Community has also drafted a Competition Bill (EAC Secretariat, 2004c) which is intended, among other things, to enhance the competitiveness of EAC enterprises, create an environment more conducive to attracting foreign investment, and bring the Community's competition policy and practice into line with international best practice. The bill is to be submitted to the East African Legislative Assembly in 2005.

Re-export of goods

Re-exports are to be exempted from the payment of import or export duties. However, normal administrative and service charges applicable to the import or export of similar goods, in line with the national laws and regulations of the partner States, are allowed.

Non-tariff barriers to trade

Under Article 13 of the Customs Union Protocol, the EAC partner States agree to remove all existing non-tariff barriers to trade and not to impose any new ones. Discussions on non-tariff barriers are continuing in the EAC Sectoral Committee on Trade, Industry and Investment. The committee is expected to recommend a mechanism for identifying and monitoring the removal of such barriers.

Standards and measures

Under Article 81 of the Treaty Establishing the Community, the EAC partner States recognized the importance of standardization, quality assurance, metrology and testing for the promotion of trade and investment and consumer protection, among other things. They also undertook to evolve and apply a common policy for standardization, quality assurance, and metrology and testing, and to conclude a protocol on these matters for the goods and services produced and traded within the Community. The Sectoral Committee on Standards has so far harmonized 493 standards, which have been adopted as EAC standards. A total of 361 of these standards have been gazetted.

Restrictions and prohibitions

The partner States may introduce or continue to apply restrictions or prohibitions on trade, especially where trade affects the application of security laws and regulations; control over military equipment such as arms and ammunitions; the protection of human life; the environment and natural resources; public safety, health and morality; and the protection of animals and plants. The restrictions are, however, not to be used to restrict the free movement of goods within the Community and a partner State applying such restrictions should first notify the Secretary General of its intention to do so. The goods to be restricted and prohibited from trade are to be specified in the Customs Law of the Community.

Main regional issues and initiatives

The financial sector and foreign exchange

At the national level, the partner States have started on various financial-sector restructuring programmes. At the Community level, they have undertaken to cooperate in monetary and fiscal matters in line with the Community's approved macroeconomic harmonization programme and convergence framework. The partners will, in particular, maintain the convertibility of their currencies and harmonize their macroeconomic policies, including specifically those affecting exchange rates, interest rates and taxation. They will also remove obstacles to the free movement of goods, persons, services and capital within the Community.

The partner States have undertaken to harmonize their regulatory and legislative frameworks for the financial sector, including their banking acts, so as to harmonize and eventually integrate their financial systems. The integration of the financial systems could be achieved earlier than expected, especially if the recommendations of the Federation Fast-tracking Committee are followed. The Committee has proposed that by September 2009 there be a single regional currency.

The partner States are currently undertaking the harmonization of their monetary and fiscal policies. Pre- and post-budget consultations, the regular sharing of information on budgets and tax proposals, and the reading of budget statements on the same day have already been institutionalized. Efforts are being made to institutionalize the convertibility of EAC currencies.

Capital markets

Capital-market development in the three countries of the Community is at different stages of development, with the Nairobi Stock Exchange in particular being more developed than the others. In Article 85 of the EAC treaty, the partner states agreed to implement a capital development programme and create an environment conducive to the easy movement of capital within the Community. Specific actions by the partner States include harmonizing capital-market policies on cross-border listing, admitting foreign portfolio investors and the taxation of capital-market transactions. Other actions will include harmonizing policies affecting capital markets; promoting cooperation among the stock exchange, capital-market and securities regulators; and promoting the establishment of a regional stock exchange with trading floors in each of the three partner States. Efforts are to be made to ensure that the national authorities adhere to the harmonized stock-trading system and establish a cross-listing of stocks.

Taxation

Each partner state has its own corporate, income, excise and value-added taxes (see table II.10).

Double taxation is one of the key business concerns in the region. Under Article 80 of the Treaty, the partner States agree to take measures to avoid double taxation and harmonize and rationalize incentives, including those related to taxation, with a view to promoting the Community as a single investment area.

In 1997, the EAC member States signed a Tripartite Agreement on the Avoidance of Double Taxation. However, the agreement is not yet in force, as it has not been ratified by Uganda. The agreement is to be renegotiated in 2005.

Tables IV.3 and IV.4 list the tax and investment treaties signed by the partner States.

TABLE IV.3. DOUBLE TAXATION TREATIES SIGNED BY EAC COUNTRIES

	KENYA	TANZANIA	UGANDA
Austria	•		
Bangladesh	•		
Belgium	•		
Canada	•	•	
China	•		
Denmark	•	•	•
Finland		•	
Germany	•		
Greece	•		
India	•	•	
Indonesia	•		
Ireland	•		
Italy		•	•
Kenya		•	•
Japan	•		
Netherlands	•		•
Norway			•
South Africa			•
Sweden		•	
Tanzania	•		•
Uganda	•	•	
United Kingdom	•		•
Zambia		•	•

Source: UNCTAD.

TABLE IV.4. BILATERAL INVESTMENT TREATIES SIGNED BY EAC COUNTRIES

	KENYA	TANZANIA	UGANDA
Denmark		•	
Egypt			•
Finland		•	
France			•
Germany	•	•	•
India		•	
Italy		•	•
Netherlands	•	•	•
Norway		•	
South Africa			•
Sweden		•	
Switzerland		•	•
Uganda		•	
United Kingdom		•	•
Zambia		•	

Source: UNCTAD.

[8] Articles 89–101 of the treaty establishing the EAC.

Infrastructure

The EAC partner States have agreed to cooperate in the area of infrastructure and the associated services,[8] in particular to develop common policies (or harmonize existing ones) with respect to roads, railways, civil aviation, ports, postal services, telecommunications, meteorological services and energy supply.

To promote regional trade and investment, five major regional road corridors have been identified for development and rehabilitation under the East African Road Network Project (EARNP) – see figure IV.1. The network measures 15,273 km and comprises 8,361 km of main routes and 6,912 km of feeder routes. Currently, only about 43% of the network is paved. These corridors will connect the three partner States, their areas of production and markets, and other transport nodes including ports, railway stations and airports.

The region should also benefit from the NEPAD infrastructure development programme, funded by the African Development Bank and covering transport, energy, ICT, and water and sanitation. Priority is to be given to projects dependent on regional cooperation and joint action between countries. Implementation is expected to start soon.

In the rail sub-sector, there are plans for the rehabilitation of the Mombasa–Malaba–Kampala railway, under the European Union's Regional Indicative Programme for the East African region. An additional rail line between Musoma–Arusha and the port of Tanga to serve Southern Uganda and Northern Tanzania, is also planned under the East African Cooperation Rail Network (EACRN). Rehabilitating and expanding the railway network offer investment opportunities.

The Partner states are harmonizing civil aviation regulations in the region, to facilitate *inter alia* the establishment of a regional safety oversight agency; the establishment of a Search and Rescue (SAR) coordination center; the sharing/pooling of personnel, particularly in the area of licensing airworthiness inspectors. The Tripartite Search and Rescue Agreement was ratified in November 2004 and the Secretariat is developing its implementation framework.

With respect to inland water transport and port facilities, the three partners signed a waterway transport agreement in 1998. Other infrastructure plans and projects include a Digital Transmission Project in telecommunication, a postal automation project and a five-year meteorological development plan.

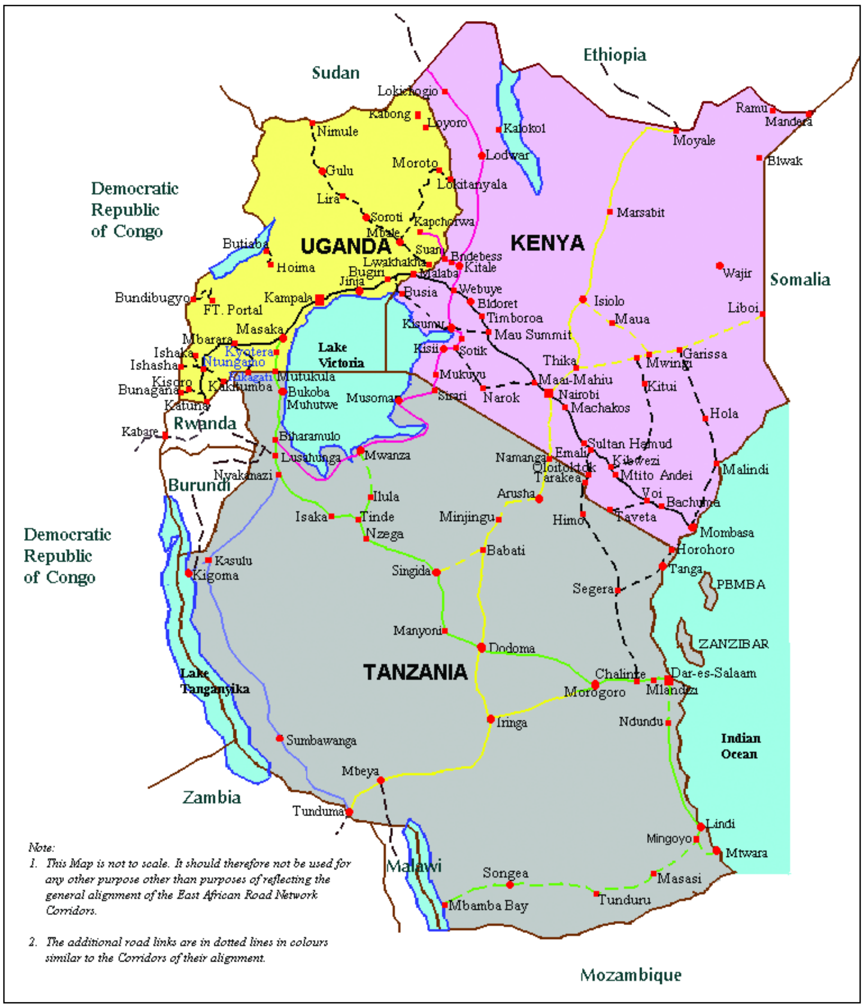
Regional cooperation in the development of the energy sector is also being undertaken. Activities to be undertaken in this area include further intergrid connections, the joint development of energy projects and the undertaking of joint regional research. An Energy Power Master Plan for the region has also been developed.

Human resources

The entry into force of the Customs Union Protocol in January 2005 is a step towards creating the free movement of labour, capital and entrepreneurship among the three partner States. The EAC Fast-tracking Committee has proposed that a high-level task force be formed in 2005, with the mandate to negotiate the establishment of free labour movement. The negotiations will also consider the possibility of both EAC and non-EAC citizens residing in any of the partner States acquiring citizenship in their country of residence.

For the efficient implementation of the free movement of labour, the partner States will also need to harmonize their labour laws and policies, institute national identity cards and harmonize social security systems. This is an important issue, given that there are some critical labour gaps in various countries. Achieving free labour movement within the Community could face difficulties if a partner State fears that it will jeopardize its national employment efforts. Several efforts have, however, been initiated with respect to labour and employment in the region. For example, the East African Business Council (EABC) has set up a working group on labour and employment to discuss issues related to the free movement of labour and services. Also, a joint project by the EAC, the EU and the International Labour Organization (ILO) has been initiated to address issues related to labour migration.

Figure IV.1. East African road network project (including proposed additional road links)



1. Mombasa–Malaba–Katuna Corridor
2. Dar es Salaam–Dodoma–Isaka–Mutukula–Masaka Corridor
3. Biharamulo–Mwanza–Musoma–Sirari–Lodwar–Lokichogio Corridor
4. Nyakanazi–Kasulu-Sumbawanga–Tunduma Corridor
5. Tunduma–Iringa–Dodoma–Arusha–Namanga–Moyale Corridor
6. Sections/links connecting with East African neighbours

Source: Adapted from the East African Community Secretariat (2003b).

Other issues

Multiple trading bloc memberships

The three EAC partner States participate in various regional integration initiatives, including the Inter-governmental Agency for Development (IGAD), the Organization of the African Union (AU), the Cross-Border Initiative (CBI) and, as mentioned in chapter I, COMESA and SADC. Table IV.5 shows the membership of the three countries in these regional initiatives.

All of the above initiatives, although they have somewhat different emphases, have the common objective of enhancing economic cooperation and regional integration in Africa. (See section on market size and access in chapter I for further information.)

The multiple memberships have both benefits and costs. The benefits follow from the provisions of the various initiatives regarding trade and development opportunities, while the costs are associated with complying with the different requirements of different regional trade initiatives (such as the different tariff structures, preferences and customs procedures) and participating in a great many meetings. Being members of the AU, for instance, will help the partner States benefit from the New Partnership for African Development (NEPAD) programmes, such as the infrastructural development programmes. Investors in the EAC will also have market access to other trading blocs to which the EAC partner States belong.

Different rules of origin in COMESA and SADC complicate the application of the EAC's rules of origin. COMESA has proposed a four-band Common External Tariff (CET) of 0% on capital goods, 5% on raw materials, 15% on intermediate goods and 30% on finished goods, while the EAC has agreed on a three-band CET structure of 0%, 10% and 25% for raw materials, semi-finished goods and finished goods respectively. SADC is in the process of developing a CET. Different CETs in different trading blocs to which individual EAC partner States belong will complicate the administration of the EAC's CET, which requires the three countries to follow a common external trade policy. The ongoing negotiations on economic partnership agreements (EPAs) between the EU and various regional groupings in African, Caribbean and Pacific States (APC) are likely to further complicate the EAC Customs Union. The negotiations will provide the timetable for the progressive liberalization and removal of barriers to trade between the EU and the various regional groupings in accordance with WTO rules. Problems arise because Tanzania has decided to join SADC for its EPA negotiation with the EU, whereas Kenya and Uganda will negotiate with a group of 14 other East and Southern African countries (ESA countries), which are mainly members of COMESA. Discussions are currently under way on the possibility of Tanzania joining COMESA, so that the three partner States can belong to the same regional trading bloc.

EAC PARTN
IN OTHER REGIONAL INTEGRATION INITIATIVES

REGIONAL INITIATIVE/ COUNTRY	MEMBERSHIP		
	Kenya	Tanzania	Uganda
CBI	Yes	Yes	Yes
COMESA	Yes	No	Yes
IGAD	Yes	No	Yes
AU	Yes	Yes	Yes
SADC	No	Yes	No

Source: UNCTAD.

Natural resources and the environment

The EAC partner States have agreed to cooperate in joint management and sustainable utilization of natural resources within the Community and have already signed an MOU to that effect. They have further agreed to implement joint projects to promote the sustainable utilization of the region's resources. Lake Victoria and its surrounding basin have been declared an area of economic interest and a regional growth zone. The Lake Victoria Development Authority has been established to coordinate intervention programmes on the lake. Currently, these programmes include harmonizing environmental policies, the management and conservation of aquatic resources, the control and eradication of water hyacinths, and the development of infrastructure in the lake region.

Tourism and wildlife management

EAC partner States have agreed to cooperate in the area of tourism and wildlife management. In particular, they have agreed to establish a common code of conduct for private and public tour operators, to standardize hotel classification and to harmonize professional standards. They have also agreed to develop a common and coordinated policy for the conservation and sustainable utilization of wildlife and tourist sites in the Community.

Regional peace and security

Compared with their neighbours, EAC countries have been fairly peaceful and secure, although there *are* security issues in the three countries (see box I.2).

The EAC partner States agree that peace and security are prerequisites for social and economic development and have therefore agreed to establish common foreign and security policies to strengthen the security of the Community. They reviewed their cooperation in the area of defence in 2001. They have set up a Defence Liaison Office at the Secretariat and are currently implementing interregional training programmes, information exchanges and joint exercises.

Standard Chartered was the first international bank to return to Tanzania when the financial sector was liberalized in 1993. Since then, we have become the largest bank in terms of our loan portfolio. The stable political environment, combined with strong macroeconomic growth, has created tremendous opportunities for local entrepreneurs – and for us, as over 75% of our lending now goes to local companies. In 2004, we grew our business by 25% and we expect to see double-digit growth in the future.

Hemen Shah, CEO and Managing Director, Standard Chartered Bank Tanzania Ltd

Tourism has long been an important industry in Kenya and has successfully capitalized on the country's assets – not only the natural ones like the beaches, the wildlife and the weather, but also the great human asset of an excellent workforce. However, much potential still remains for investors to exploit. For example, neither Lake Victoria nor the Rift Valley has received anything like the attention it deserves. The Serena group has a very positive view of its own future and would be delighted to see more investors join us.

Mahmud Jan Mohamed, Managing Director, Serena Hotels (East Africa)

Private-sector perceptions

V

This chapter summarizes the results of consultations with the private sector in Kenya, Tanzania and Uganda. The consultations were carried out through a number of meetings and workshops, held mainly in October 2004 and May 2005. Something like 75 investors (both foreign and domestic) participated in the various discussions. The summary presented below should be regarded as no more than indicative of private-sector opinion in the East African Community.

General observations

When participants in the consultations were asked to identify the most attractive features of the EAC as an investment location, the following were mentioned most frequently: political stability, the location and the climate. Stability was particularly important to foreign investors. The location was important to all investors. (When investors speak of location in the EAC context, they have in mind such things as the 2,000-km coastline, Nairobi's status as an East African air-traffic hub and Tanzania's sharing of its borders with eight other countries.) As to the climate, it is the temperate highland climate that is so appealing for investors in both agriculture and tourism. In addition, there are specific attractions in the individual countries: the skilled and enterprising workforce in Kenya, the enormous natural resources of Tanzania and the business-friendly regime in Uganda.

When asked to identify matters that most needed the attention of EAC Governments, investors put infrastructure (in particular transport) at the top. Red tape and corruption came next. Within individual countries, there were differences. For example, training was particularly an issue in Tanzania, while security was an issue in Kenya and power supply in Uganda. The cost of doing business was another issue that came up in all three countries.

In all three countries, investors were reasonably satisfied with the way the Government dealt with business. In particular, it was widely agreed that recent years had seen much progress in this area. Asked what specific improvements they would like to see, investors in all three countries felt that streamlining bureaucracy and changing the bureaucratic mindset ought to be among the Government's priorities. In both Kenya and Tanzania, foreign investors felt that they faced special difficulties. In Kenya, this was a matter of a lack of clarity, a lack of access and too many licences. In Tanzania, it was a matter of slow approvals, the tax regime and a lingering remnant of hostility to foreign investment.

Specific points

The political and economic climate

On the whole, investors felt that the EAC countries offered a stable and predictable environment. All three Governments were, at least in principle, open to listening to the private sector and addressing its concerns. The liberalization of the foreign-exchange regime was widely welcomed. Low inflation and steady growth were appreciated, although there were concerns over the growth rate in Kenya, which continued significantly to trail its neighbours'. Insecurity arising from problematic borders was a concern in the EAC generally and insecurity arising from urban crime particularly a concern in Kenya. Reforms in a wide range of fields were under way in all three countries, although the pace was often far slower than investors would have preferred.

Infrastructure

This is *the* area of concern for all investors, whether foreign or domestic. In all three countries, there had been significant improvement in the telecommunication infrastructure – although this was almost entirely a function of the advent of mobile telephony. Fixed-line connections continued to be inadequate and expensive. There had been improvements as well in air transport, both in airports and in airline connections, the latter particularly in Kenya, where Nairobi was now a significant air-transport hub and Kenya Airways a remarkable success story. Electric power continued to be a problem everywhere. In Uganda, investors were very concerned about the frequent outages. Road and rail transport were perhaps in the worst shape. The inadequacy of the railways put greater pressure on roads and aggravated the problems caused by poor maintenance. The inefficiencies of the port at Mombasa in Kenya were a matter of considerable concern, particularly to investors in landlocked Uganda. As to the precise nature of the concerns regarding infrastructure, quality and cost were the main issues in Kenya, while in Tanzania it was reliability.

Human resources

There is a good deal of variation among the three EAC partner States when it comes to human resources. In Kenya, foreign investors regard the country's workforce as its greatest asset. What dissatisfaction there is centres on the industrial courts. In Tanzania, human resources top the list of investor concerns. Skills are thought to be inadequate and training unsatisfactory. In Uganda, the workforce was seen as being trainable and motivated. Opinion was divided on the question of the shortage of skilled employees. Foreign companies, in particular, said that they had difficulties recruiting sufficient numbers of skilled employees, especially for technical and managerial positions.

Taxation

The level of taxation is not generally thought to be an issue in the EAC. There has been much tax harmonization in the Community and tax rates are now very similar and quite reasonable. There is, however, a good deal of concern over tax administration. Investors are unhappy, for example, with the extent of the delays in VAT refunds in Kenya. In Tanzania, there is concern over the regulation that requires taxpayers to remit a substantial part of the tax assessed even if they are appealing against the tax assessment. In all three countries, foreign investors complain of petty harassment, deriving they feel from the revenue authorities' efforts to meet tax collection targets by focusing on a few prominent taxpayers. (In one country, an investor said that the Government looked upon foreign investors as chickens to be plucked.) The absence of double taxation treaties in the region is another point of concern. (A double taxation treaty was actually signed by the EAC partner States in 1997, but it has yet to be ratified by Uganda.)

Red-tape and corruption

Corruption is an issue flagged by investors in all three countries. In Kenya, it is perhaps the biggest concern, in part because there have been instances of corruption on a truly spectacular scale. In Tanzania and Uganda, it appeared to be petty corruption that most concerned investors. A number of steps have been taken by the three Governments to control and reduce corruption. In Kenya, for example, a significant part of the judicial hierarchy has been dismissed for having engaged in corrupt practices. There are also persistent concerns about bureaucratic delays, which may derive simply from administrative weakness. Nevertheless, most investors agree that these issues are now openly discussed and that there have been discernible improvements, even if not enough of them.

Other issues

Under this heading, investors were asked about a range of issues that might be contributing to an unsatisfactory business environment. Monopolies and market dominance was one of these issues – and turned out not to be a significant concern, although some investors did express unhappiness over the poor service provided and high charges levied by monopolies like Telkom Kenya. There was also no great concern over conflicts of interest created by regulatory bodies that also competed in the market. Government intervention in management was basically unknown and there were no difficulties about foreign exchange. Investment protection was again not an issue in any of the three countries. Ownership and property were not big issues either, although intellectual property continues to be a matter of concern, particularly to foreign investors. Legislation dealing with intellectual property was less of an issue than the enforcement of intellectual property rights. Land was a concern in all three countries, as access to land was often difficult, both because of land legislation and because of the lack of clarity in titles.

Concluding remarks

All in all, investors saw the East African Community as an area of great potential. The obstacles in the way of realizing this potential (poor infrastructure above all) were being removed, albeit slowly. The strengths of the EAC – political and economic stability, the wide use of English and broadly pro-business policies – were real and not often fully appreciated. In this regard, it is noteworthy that foreign investors in particular regard the Governments of the three countries as having done a far from satisfactory job of marketing their countries. A number of investors mentioned this as something that needs focused government attention. The natural resources of the Community were regarded as very substantial, particularly in the areas of agriculture, tourism and mining. If they were not as fully exploited as they might be, this was in part due to the inadequacies of marketing.

Appendix 1

Sensitive products in the EAC trade regime

Heading no.	HS code/ tariff no.	Description	Unit of quantity	Rate
04.01	Milk and cream, not concentrated nor containing added sugar or other sweetening matter			
	0401.10.00	Of a fat content, by weight not exceeding 1%	Kg	60%
	0402.20.00	Of a fat content, by weight exceeding 1% but not exceeding 6%	Kg	60%
	0401.30.00	Of a fat content, by weight exceeding 6%	Kg	60%
04.02	Milk and cream, concentrated or containing added sugar or other sweetening matter			
	0402.10.00	In powder, granules or other solid forms, of a fat content, exceeding or not exceeding 1.5%. - Not containing added sugar or other sweetening matter	Kg	60%
	0402.21.10	Specially prepared for infants	Kg	60%
	0402.21.90	Other	Kg	60%
	0402.29.10	Specially prepared for infants	Kg	60%
	0402.29.90	Other	Kg	60%
	0402.91.10	Specially prepared for infants	Kg	60%
	0402.91.90	Other	Kg	60%
	0402.99.10	Specially prepared for infants	Kg	60%
	0402.99.90	Other	Kg	60%
10.01	Wheat and meslin[1]			
	1001.90.20	Hard wheat	Kg	35
	1001.90.90	Other	Kg	35
10.05	Maize corn			
	1005.90.00	Other (not seed)	Kg	50
10.06	1006.10.00	Rice in the husk (paddy or rough)	Kg	75% or $200 per MT, whichever is higher
	1006.20.00	Husked (brown) rice	Kg	75% or $200 per MT, whichever is higher
	1006.30.00	Semi-milled or wholly milled rice, whether or not polished or glazed	Kg	75% or $200 per MT, whichever is higher
	1006.40.00	Broken rice	Kg	75% or $200 per MT, whichever is higher

[1] A mixture of growing grains, such as oats and barley, or the product milled from it.

Heading no.	HS code/ tariff no.	Description	Unit of quantity	Rate
17.01	Cane or beet sugar and chemically pure sucrose, in solid form			
	1701.11.10	Cane sugar – Jaggery	Kg	35%
	1701.11.90	Other cane sugar	Kg	100% or $200 per MT, whichever is higher
	1702.12.10	Beet sugar – Jaggery	Kg	35%
		Other beet sugar	Kg	100% or $200 per MT, whichever is higher
	1702.91.00	Other beet sugar containing added flavouring or colouring matter	Kg	100% or $200 per MT, whichever is higher
	1702.99.10	Sugar for industrial use	Kg	100% or $200 per MT, whichever is higher
	1702.99.90	Other	Kg	100% or $200 per MT, whichever is higher
24.02	Cigars, cheroots, cigarillos and cigarettes, tobacco or of tobacco substitutes			
	2402.20.10	Of length not exceeding 72 mm in length, including the filter tip	mil	35%
	2402.20.90	Other	mil	35%
24.03	Other manufactured tobacco and manufactured tobacco substitutes; homogenized or reconstituted tobacco, tobacco extracts and essences			
	2403.10.00	Smoking tobacco, whether or not containing tobacco substitutes	Kg	35%
25.23	Portland cement, aluminous cement, slag cement, supersulphate cement and similar hydraulic cement, whether or not coloured or in the form of clinkers			
	2523.29.00	Other Portland cement (not white, whether or not artificially coloured)	Kg	55%[2]
52.08	Woven fabrics of cotton containing 5% or more by weight of cotton, weighing not more than 200g/m^2			
	5208.51.10	Khanga, Kikoi and Kitenge	Kg	50%[3]
	5210.51.10	Khanga, Kikoi and Kitenge	Kg	50%

[2] Rates are to be reduced from 55% to 35% over a period of four years at an annual rate of 5%.

[3] Rates are to be reviewed within three years. (Khanga, et al. are types of fabrics common in East Africa.)

Heading no.	HS code/ tariff no.	Description	Unit of quantity	Rate
52.11	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200g/m^2			
	5211.51.10	Khanga, Kikoi and Kitenge	Kg	50%
52.12	Other woven fabrics			
	5212.15.10	Khanga, Kikoi and Kitenge	Kg	50%
	5212.25.10	Khanga, Kikoi and Kitenge	Kg	50%
55.13	Woven fabrics of synthetic stable fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of weight not exceeding 170g/m^2			
	5213.41.10	Khanga, Kikoi and Kitenge	Kg	50%
55.14	Woven fabrics of synthetic stable fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight exceeding 170g/m^2			
	5214.41.10	Khanga, Kikoi and Kitenge	Kg	50%
62.11	Track suits, ski suits and swimwear, other garments			
	6211.42.10	Khanga, Kikoi and Kitenge	Unit	50%
	6211.43.10	Khanga, Kikoi and Kitenge	Unit	50%
	6211.49.10	Khanga, Kikoi and Kitenge	Unit	50%
63.02	Bed linen, table linen, toilet linen and kitchen linen			
	6302.21.00	Of cotton	Kg	50%
	6302.31.00	Of cotton	Kg	50%
	6302.51.00	Of cotton	Kg	50%
	6302.91.00	Of cotton	Kg	50%
63.05	Sacks and bags, of a kind used for the packaging of goods			
	6305.10.00	Of jute or other textile bast fibres of heading 53.03	Kg	45% or 45 cts per bag, whichever is higher
63.09	Worn clothing and worn textile articles; rags		Kg	$0.75 per kg or 50%, whichever is higher
	6309.00.00	Worn clothing and other worn articles		
85.06	Primary cells and primary batteries			
	8506.10.00	Manganese dioxide	Unit	35%
	8506.30.00	Mercuric oxide	Unit	35%
	8506.40.00	Silver oxide	Unit	35%
	8506.50.00	Lithium	Unit	35%
	8506.60.00	Air zinc	Unit	35%
	8506.80.00	Other primary cells and primary batteries	Unit	35%

Source: Adapted from the East African Community Secretariat (2005a).

Appendix 2

Major foreign investors in EAC member countries

This is a sampling of partly or wholly foreign-owned companies in the East African Community, not an exhaustive list.

AGRICULTURE AND RELATED

	Name of company	Major foreign ownership	Business	Contact details
1.	Alltech Biotechnology E.A. Ltd (Alltech Biotechnology)[4]	United States	Animal feed additives	New Rehema House, 5th Floor Rhapta Road, Westlands P.O. Box 13995, Nairobi, Kenya Tel: 254 20 449 082 Fax: 254 20 449 082 E-mail: alltech@africaonline.co.ke
2.	Aquarius Systems	United States	Aquatic plant harvesting	P.O. Box 9179, Kisumu, Kenya Tel: 254 35 21 504 Fax: 254 35 21 504 E-mail: acquarius@net2000ke.com
3.	BAT Industries (British American Tobacco plc – also in Uganda)[5]	United Kingdom	Tobacco products	Likoni Road P.O. Box 30000, Nairobi, Kenya Tel: 254 20 533 555 Fax: 254 20 531 616 E-mail: bat@kenyaat.com
4.	Goldsmith Seeds (Goldsmith Seeds, Inc.)	United States	Floriculture	Twin Towers, Mombasa Road P.O. Box 10346, Nairobi, Kenya Tel: 254 20 553 001 Fax: 254 20 552 015 E-mail: info@goodyearkenya.com
5.	Ibero (Uganda) Ltd (Neumann Kaffee Gruppe – also in Kenya and Tanzania)	Germany	Coffee	7th Street, Industrial Area P.O. Box 23139, Kampala, Uganda Tel: 256 41 342 619/21/29 Fax: 256 41 342 646 E-mail: admin@ibero.co.ug
6.	James Finlay (Kenya) Ltd (James Finlay Ltd)	United Kingdom	Tea	Mara Mara Factory P.O. Box 71, Kericho, Kenya Tel: 254 52 20 155 through 9 Fax: 254 52 32 051 E-mail: paul.wythe@finlays.co.ke
7.	Unilever Tea Kenya Ltd (Unilever plc – also in Tanzania and Uganda)	United Kingdom	Tea growing and processing	Kericho Nakuru Road P.O. Box 20, 200 Kericho, Kenya Tel: 254 52 20 146/30 188 Fax: 254 52 30 347 E-mail: richard.fairburn@unilever.com

[4] The name of the foreign parent company appears in parentheses (e.g. British American Tobacco plc) under the name of each company in this list, except when the parent company's name is identical to the name of the company in the EAC.

[5] Many major transnational companies have a presence in more than one EAC country. This is indicated in a number of cases after the name of the parent company.

8.	Vitacress Kenya Ltd (Vitacress Group)	United Kingdom and Netherlands	Horticulture	Baba Dogo House 4th G P.O. Box 63249-00619, Nairobi, Kenya Tel: 254 20 860 650 Fax: 254 20 860 653 E-mail: operations@vitacresskenya.com

MINING, OIL AND GAS

1.	Africa Mashariki Goldmines Ltd (Placer Dome Inc.)	Canada	Gold mining	Nyamongo, Tarime P.O. Box 71579, Dar es Salaam, Tanzania Tel: 255 22 266 6330 Fax: 255 22 212 3141 Website: www.placerdome.com
2.	BP Tanzania Ltd (BP plc)	United Kingdom	Petroleum products	P.O. Box 9043, Dar es Salaam, Tanzania Tel: 255 22 211 126 972 Fax: 255 22 211 127 267 Website: www.bp.com
3.	Canmin Resources Ltd (IBI Corporation)	Canada	Mining of vermiculite	P.O. Box 1417, Kampala, Uganda Tel: 256 41 268 994 Fax: 256 41 268 063 E-mail: canmin@africaonline.co.ug
4.	Geita Goldmine (AngloGold Ashanti Ltd)	South Africa	Gold mining	P.O. Box 532, Geita, Tanzania Tel: 255 68 50 0702 Fax: 255 68 50 1342 Website: www.anglogold.com
5.	Kahama Mining Corporation Ltd (Barrick Gold Corporation)	Canada	Gold mining	P.O. Box 1080, Dar es Salaam, Tanzania Tel: 255 22 212 3181 Fax: 255 22 212 3245 E-mail: kahama@barrick.com
6.	Songas Tanzania Ltd (CDC Group plc)	United Kingdom	Gas production & distribution	P.O. Box 6342, Dar es Salaam, Tanzania Tel: 255 22 245 2160 Fax: 255 22 212 4181 E-mail: info@songas.com
7.	Total Uganda Ltd (Total Group)	France	Sale & distribution of petroleum products	8th Street Industrial Area P.O. Box 3079, Kampala, Uganda Tel: 256 41 23 131/2/3 Fax: 256 41 231 338 E-mail: totaluganda@totaluganda.co.ug

8.	Williamson Diamond Mines (De Beers Group)	South Africa	Diamond mining	Po Bwadui Shinyanga Dar es Salaam, Tanzania Tel: 255 22 24 1332 Fax: 255 22 2671/2965 Website: www.debeersgroup.com

MANUFACTURING

1.	ABB Electric Company	Switzerland	Manufacturing of electrical goods	P.O. Box 3658, Dar es Salaam, Tanzania Tel: 255 22 212 9497/9499 Website: www.abb.com
2.	Aluminium Africa Ltd (managed by Comcraft – also in Kenya and Uganda)	Bermuda	Manufacturers of corrugated iron sheets, and other building materials	P.O. Box 2070, Dar es Salaam, Tanzania Tel: 255 22 286 4017 Fax: 255 22 286 4690 E-mail: alaf@aluminiumafrica.com
3.	Atlas Copco Kenya Ltd (Atlas Copco AB)	Sweden	Industrial equipment	North Rd. Airport, Emabakasi P.O. Box 40090-00100 Nairobi, Kenya Tel: 254 20 825 267 Fax: 254 20 825 472 E-mail: copco-kenya@ke.atlascopco.com
4.	BASF (BASF AG)	Germany	Chemicals and plastics	Outering Road P.O. Box 00100-30467, Nairobi, Kenya Tel : 254 20 530 774 Fax: 254 20 534 727 E-mail: cwambui@hiekchem.co.ke
5.	Bata Shoe Company (Kenya) Ltd (Bata Shoe Company – also in Uganda)	Canada	Footwear	P.O. Box 23, Limuru 00217, Kenya Tel: 254 66 716 20/71 205-6 Fax: 254 66 71 145/71 047 E-mail: bata.kenya@bata.com
6.	Bayer East Africa (Bayer AG)	Germany	Pharmaceutical	Outerring Road P.O. Box 30321-00100, Nairobi, Kenya Tel: 254 20 860 667 Fax: 254 20 803 341 E-mail: info@bayerea.com
7.	Bestfoods Kenya Ltd (Unilever Bestfoods Solution)	United Kingdom and Netherlands	Food manufacturing	Off Outer Ring Road P.O. Box 41045, Nairobi, Kenya Tel: 254 20 802 653/861 534 Fax: 254 20 860 080 E-mail: russel.carmichael@eu.bestfoods.com

8.	CarTrack Kenya Ltd (Lojak Corporation)	United States	Vehicle security equipment	Kenya Road, Upper Hill P.O. Box 79448, Nairobi, Kenya Tel: 254 20 712 780 Fax: 254 20 713 010 E-mail: cartrack@form-net.com
9.	Century Bottling Company (The Coca-Cola Company – also in Kenya and Tanzania)	United States	Manufacture of soft drinks	Namanve Ind. Area P.O. Box 3990, Kampala, Uganda Tel: 256 41 221 445/222 691 Fax: 256 41 221 145/221 448 E-mail: coke@starcom.co.ug
10.	Colgate Palmolive (EA) Ltd (Colgate-Palmolive Company – also in Tanzania and Uganda)	United States	Oral and household care products	Mogadishu Road P.O. Box 30264-00100 GPO Nairobi, Kenya Tel: 254 20 534 044 Fax: 254 20 651 417 E-mail: customerservice@colgate-palmolive.co.ke
11.	De la Rue Ltd (De la Rue plc)	United Kingdom	Currency and security printing	Noordin Rd, off Thika Rd, Ruaraka P.O. Box 38622-00623 Nairobi, Kenya Tel: 254 20 860 086 Fax: 254 20 860 787 E-mail: catherine.odwako@ke.dearue.com
12.	East African Breweries Ltd (Diageo plc – also in Tanzania and Uganda)	United Kingdom	Manufacturing alcoholic & non-alcoholic beverages	P.O. Box 30161 00100, Nairobi, Kenya Tel: 254 20 802 701 Fax: 254 20 802 054 E-mail: info@eabl.com Website: www.eabl.com
13.	Eli Lilly (Suisse) SA (Eli Lilly and Company)	United States	Pharmaceutical	Chiromo Crt. P.O. Box 41556-00100, Nairobi, Kenya Tel: 254 20 3 747 088/747 054 Fax: 254 20 3 747 070 E-mail: aswani-frank@lilly.com
14.	General Motors East Africa (General Motors Corporation)	United States	Motor vehicle assembling	Mombasa/Enterprise Rd. P.O. Box 30527, Nairobi, Kenya Tel: 254 20 534 141/556 588 Fax: 254 20 542 543/254 20 534 858 E-mail: gmk@africaonline.co.ke
15.	Henkel Kenya Ltd (Henkel KgaA)	Germany	Chemicals	Enterprise Road P.O. Box 42510 GPO, Nairobi, Kenya Tel: 254 20 223 344/556 037 Fax: 254 20 545 527/254 20 552 090 E-mail: info@henkel-ea.com

16.	Kilombero Sugar Company Ltd (Illovo Sugar Ltd)	South Africa	Manufacturing sugar	P.O. Box 50, Kidatu, Tanzania Tel: 255 23 262-6011 Fax: 255 23 262-6188 Website: www.illovosugar.com
17.	Matsushita Electric Co. (E.A) Ltd (Matsushita Electric Industrial Co., Ltd)	Japan	Manufacturers of dry batteries	Nyerere Road, P.O. Box 2470, Dar es Salaam, Tanzania Tel: 255 22 211 0272 E-mail: Panasonic.mefca@raha.com Website: www.industrial.panasonic.com
18.	Mitsubishi Motors (Mitsubishi Corporation)	Japan	Vehicle manufacturing	International Hse, Mama Ngina St. P.O. Box 48738-00100, Nairobi, Kenya Tel: 254 20 219 068/228 225 Fax: 254 20 245 409 E-mail: nmburu@swiftkenya.com
19.	Nestlé Foods Kenya Ltd (Nestlé S.A.)	Switzerland	Food products	Pate Rd, Ind. Area, P.O. Box 30265 GPO, Nairobi, Kenya Tel: 254 20 532 569/70 Fax: 254 20 532 291 E-mail: nestle@nestlekenya.com
20.	Phenix Logistics Ltd (Yamato International Inc.)	Japanese	Textile	Plot 100-2, 5th Street, Industrial Area P.O. Box 4378, Kampala, Uganda Tel: 256 41 344 479 Fax: 256 41 344 162 E-mail: phenix@utlonline.co.ug
21.	Procter and Gamble EA Ltd (The Procter and Gamble Company)	United States	Food products	Old Embakasi Rd, off Mombasa Rd. P.O. Box 30454-00100, Nairobi, Kenya Tel: 254 20 823 108 Fax: 254 20 823 107 E-mail: tuvah.dk@pg.com
22.	Siemens Ltd (Siemens AG)	Germany	Telecommunication equipment	Nairobi Business Park, 1st Flr. Block A, Ngong Rd. P.O. Box 50867-00200, Nairobi, Kenya Tel: 254 20 723 717 Fax: 254 20 726 128 E-mail: slnairobi@siemens.co.ke
23.	Tanzania Breweries Ltd (Sabmiller plc)	South Africa	Manufacturing of beers and spirits	P.O. Box 9013, Dar es Salaam, Tanzania Tel: 255 22 182 779 Fax: 255 22 181 457 Website: www.sabmiller.com

23.	Tanzania Cigarette Company Ltd (Japan Tobacco International)	Japan	Cigarette manufacturing	P.O. Box 40114, Dar es Salaam, Tanzania Tel: 255 22 286 150/9 Fax: 255 22 286 5210 Website: www.jti.com
24.	Tetra Pack (Tetra Pak Beteiligungs GmbH)	Germany	Packaging materials	Enterprise Rd/Likoni Rd, Nairobi, Kenya Tel: 254 20 534 300 Fax: 254 20 532 639 E-mail: janet.muhoro@tetrapak.com

SERVICES

FINANCIAL

1.	African Banking Corporation (ABC Holdings Limited)	Botswana	Banking	1st Floor, Barclays House P.O. Box 31, Dar es Salaam, Tanzania Tel: 255 22 211 1990 E-mail: abctz@africanbankingcorp.com Website: www.africambankingcorp.com
2.	Allied Bank International (U) Ltd (Banque Belgolaise)	Belgium	Banking	45 Jinja Road P.O. Box 2750, Kampala, Uganda Tel: 256 41 250 821/3 Fax: 256 41 230 439 E-mail: kwane.ahadzi@alliedbank.co.ug or allied@starcom.co.ug
2.	Bank of Malaysia (T) Ltd	Malaysia	Banking	P.O. Box 9362, Dar es Salaam, Tanzania Tel: 255 22 213 4989 Fax: 255 22 213 4286 E-mail: equity@intbankofmalaysia-tz.com
3.	Barclays Bank (Barclays Bank – also in Tanzania)	United Kingdom	Banking	Barclays Plaza, Loita St. P.O. Box 30120-00100, Nairobi, Kenya Tel: 254 20 332 230/313 405 Fax: 254 20 331 396 E-mail: Elizabeth.njoroge@barclays.com
4.	Citibank (Citigroup Inc. – also in Kenya and Tanzania)	United States	Banking	Centre Court Building Plot 4, Ternan Avenue P.O. Box 7505, Kampala, Uganda Tel: 256 41340 945/9 Fax: 256 41 340 624 E-mail: nadeem.lodhi@citigroup.com

6.	Old Mutual Life Assurance (Old Mutual plc)	United Kingdom	Insurance	Old Mutual Bldg, Corner of Mara Hospital Rd. P.O. Box 30059-00100, Nairobi, Kenya Tel: 254 20 2 728 881 Fax: 254 20 272 2415 E-mail: contact@oldmutualkenya.com
7.	Stanbic Bank (Uganda) (Standard Bank Group Limited – also in Kenya and Tanzania)	South Africa	Banking	Crested Towers P.O. Box 7131, Kampala, Uganda Tel: 256 31 224 111 Website: www.stanbic.com
8.	Standard Chartered Bank (Uganda) (Standard Chartered plc – also in Kenya and Tanzania)	United Kingdom	Banking	Plot 5, Speke Road, Standchart Building P.O. Box 7111, Kampala, Uganda Tel: 256 41 258 211/258 217 Fax: 256 41 231 473/342 875 E-mail: acb.Uganda@ug.standardchartered.com

TOURISM AND TRANSPORT

1.	Abercrombie & Kent Ltd	United Kingdom	Tour operations	Bruce House, Standard Street Nairobi, Kenya Tel: 254 20 334 955/228 700 Fax: 254 20 213 072 E-mail: petern@abercrombieken.com
2.	ASB Holdings (Kempinski Hotel, S.A.)	Switzerland	Hotel development	P.O. Box 88 Dubai, United Arab Emirates Fax: 9 714 355 1199/8151 E-mail: asbt@kilimanjarohotel.com
3.	Coastal Travels Ltd	Italy	Wildlife camps	P.O. Box 3052, Dar es Salaam, Tanzania Tel: 255 22 211 2731/7953 E-mail: safari@coastal.cc
4.	Conservation Corporation Tanzania Ltd (Conservation Corporation Africa)	South Africa	Lodges and tented camps	P.O. Box 751, Arusha, Tanzania Tel: 255 27 254 8078 Fax: 255 27 254 8268 Website: www.ccafrica.com
5.	Holiday Inn (T) Ltd (InterContinental Hotels Group plc – also in Kenya)	United Kingdom	Hotel	Garden Avenue P.O. Box 80022, Dar es Salaam, Tanzania Tel: 255 22 213 7575 Fax: 255 22 213 9070 E-mail: hidar@hidar.co.tz

6.	KLM Royal Dutch Airline (Air France – KLM)	France	Air transport	Loita Street P.O. Box 49239, Nairobi, Kenya Tel: 254 20 229 291/226 050 Fax: 254 20 320 747 17 E-mail: Pieter-de.man@klm.com
7.	Lonrho Hotels (Norfolk Hotel et al. – John Holt Group Ltd)	United Kingdom	Hotel management	Harry Thuku Road P.O. Box 58581-00100, Nairobi, Kenya Tel: 254 20 216 949/216 682 Fax: 254 20 216 896 E-mail: lonhotkk@africaonline.co.ke
8.	Madhvani Lodge	United Kingdom	Safari lodge	Pan Africa House, Shop 9 Ground Floor Kimathi Avenue P.O. Box 22827, Kampala, Uganda Tel: 256 41 260 260/1 Fax: 256 41 260 262
9.	Pollmann's Tours and Safaris (Partly TUI Group)	Germany and Mauritius	Tour operations	Pollmann's Hse, Mombasa Rd. P.O. Box 84198-80100, Mombasa, Kenya Tel: 254 20 822 226/544 374 Fax: 254 20 228 935 E-mail: pollmans@pollmans.co.ke
10.	Private Safaris (Kuoni Travel Ltd)	Switzerland	Tour operations	Twinstar Bldg, Mombasa Road P.O. Box 45205-00100, Nairobi, Kenya Tel: 254 20 554 150/533 998 Fax: 254 20 533 854 E-mail: info@privatesafaris.co.ke
11.	Tourism Promotion Services (T) Ltd (Serena Hotels, Aga Khan Group – also in Tanzania and Uganda)	Switzerland	Hotels & lodges	Kenyatta Ave/Nyerere Rd. P.O. Box 46302 GPO, Nairobi, Kenya Tel: 254 20 2 725 111/ 2 842 000 Fax: 254 20 2 725 184 E-mail: nairobi@serenaco.ke
12.	Somak Tours and Travel (Somak Travel Ltd)	United Kingdom	Tour operations	Somak Hse, Mombasa Rd. P.O. Box 48495-00200, Nairobi, Kenya Tel: 254 20 535 508/535 509 Fax: 254 20 535 172 E-mail: admin@somak-nairobi.com

13.	Tan Russ Investment (T) Ltd (Royal Palm Hotel – Mövenpick Hotels & Resorts)	Switzerland	Hotel	P.O. Box 791 Dar es Salaam, Tanzania Tel: 255 22 211 2416 E-mail: info@movenpick.com

BUSINESS SUPPORT

1.	Cargill Kenya Ltd (Cargill, Inc. – also in Tanzania and Uganda)	United States	Tea warehousing, handling, storage, blending, etc.	Dar es Salaam Road P.O. Box 90403, Mombasa, Kenya Tel: 254 11 225 701/5 Fax: 254 11 314 013/225 284 E-mail: Ivan-Fernandes@cargill.com
2.	Deloitte & Touche (Deloitte Touche Tohmatsu)	Switzerland [6]	Auditing and consulting	Ring Road, Westlands P.O. Box 40092, Nairobi, Kenya Tel: 254 20 441 344/05/12 Fax: 254 20 448 966 E-mail: admin@dtti.co.ke
3.	DHL Worldwide Express (Deutsche Post AG – also in Kenya and Uganda)	Germany	Courier services	Nyerere Road Dar es Salaam, Tanzania Tel: 255 22 286 1000 Fax: 25 22 286 2703 Website: www.dhl.com
4.	Ernst & Young East Africa (Ernst & Young Global – also in Tanzania)	United Kingdom [6]	Auditing and consulting	Kenya-Re Towers Off Ragati road P.O. Box 44286, Nairobi, Kenya Tel: 254 20 271 5300 Fax: 254 20 271 6271
5.	KPMG Kenya (KPMG International – also in Tanzania and Uganda)	Switzerland [6]	Auditing and consulting	Lonhro Hse, 16th Flr, Standard St. P.O. Box 40612 GPO Nairobi, Kenya Tel: 254 20 222 862 Fax: 254 20 215 695 E-mail: info@kpmg.co.ke
6.	Maersk Sealand K Ltd (A.P. Möller Gruppen)	Denmark	Shipping International	Hse, Mama Ngina St. P.O. Box 43986 GPO Nairobi, Kenya Tel: 254 20 314 435/220 056 Fax: 254 20 220 086
7.	PricewaterhouseCoopers (PricewaterhouseCoopers International – also in Kenya and Tanzania)	United States [6]	Auditing and consulting	Communications House, Floor 10 Plot 1, Colville Street P.O. Box 882, Kampala, Uganda Tel: 256 41 236 018 Fax: 256 41 230 153 E-mail: pwcug.general@ug.plucglobal.com

[6] Non-equity forms (licensing, franchising) are common in certain types of services, for example accounting and consulting. The country of ownership here is thus the country where the firm with which the EAC firm has a licensing/franchising agreement is located.

8.	Tanzania International Container Terminal (International Container Terminal Services, Inc.)	Philippines	Container terminal services	Container Terminal Building Dar es Salaam Port P.O. Box 13412, Dar es Salaam, Tanzania Tel: 255 22 211 0371 E-mail: ticts@ticts.com Website: www.ictsi.com
9.	United Parcel Service (UPS) (United Parcel Service, Inc.)	United States	Courier services	North Road, Embakasi P.O. Box 46586, Nairobi, Kenya Tel: 254 20 820 804 Fax: 254 20 823 124 E-mail: upsnbo@form-net.com

INFRASTRUCTURE

1.	Celtel Kenya (Celtel International B.V. – also in Tanzania and Uganda)	Netherlands	Telecommunication	Parkside Tws, Mombasa Road P.O. Box 73146-00200 City Square Nairobi, Kenya Tel: 254 20 69 010 000 Fax: 254 20 69 011 114 E-mail: ccare@celtel.co.ke
2.	MIC Tanzania Limited (Millicom International Cellular S.A.)	Luxembourg	Telecommunication	P.O. Box 2929, Dar es Salaam, Tanzania Tel: 255 22 123 456/306 Fax: 255 22 123 014 E-mail: mobitel@mobitel.co.tz
3.	MTN (Uganda) Ltd	South Africa	Telecommunication	UDB Tower 22 Hannington Road P.O. Box 24624, Kampala, Uganda Tel: 256 41 212 333 Fax: 256 41 212 056 E-mail: cs@mtn.co.ug
4.	Safaricom (Partly Vodafone Group plc)	United Kingdom	Telecommunication	Safaricom Hse, Waiyaki Way P.O. Box 46350 GPO Nairobi, Kenya Tel: 254 20 427 3224 Fax: 254 20 444 5419 E-mail: customerservice@safaricom.co.ke
5.	Vodacom Tanzania Ltd (Vodacom Group PTY Ltd)	South Africa	Telecommunication	PPF Toser P.O. Box 2369, Dar es Salaam, Tanzania Tel: 255 22 266 6127/6684 Website: www.vodacom.co.tz

CONSTRUCTION AND OTHER

1.	Eskom Enterprises Africa (Eskom Enterprises (Pty) Ltd)	South Africa	Power generation	P.O. Box 28802, Kampala, Uganda Tel: 256 41 233 833 Mobile: 256 77 516 466 E-mail: eskom@africaonline.co.ug
2.	Konoike Construction Company (Otori Holdings Co, Ltd)	Japan	Construction	P.O. Box 31224, Dar es Salaam, Tanzania Tel: 255 22 270 0308 Fax: 255 22 270 0306/5489 E-mail: kontan@intafrica.com
3.	Murray & Roberts Construction (T) Ltd (Murray & Roberts Holdings Ltd)	South Africa	Construction	P.O. Box 394, Dar es Salaam, Tanzania Tel: 255 22 266 6962 Fax: 255 22 266 7163 E-mail: info@murrob.com Website: www.murrom.com

MISCELLANEOUS

1.	ACTIS (Actis Capital LLP)	United Kingdom	Diversified equity investor in emerging markets	Norfolk Towers 1st Floor, Kijabe Street P.O. Box 43233-00100, Nairobi, Kenya Tel : 254 20 219 952 Fax: 254 20 219 744 E-mail: mturner@act.is
2.	Oxford University Press EA	United Kingdom	Publishing	ABC Place Waiyaki Way P.O. Box 72532 City Square Nairobi, Kenya Tel: 254 20 4 440 555 Fax: 254 20 4 443 972 E-mail: enquiry@oxford.co.ke
3.	SGS Kenya Ltd (SGS S.A.)	Switzerland	Inspection certification firm	Rank Xerox Hse P.O. Box 72118, Westlands Nairobi, Kenya Tel: 254 20 3 751 811 Fax: 254 20 3 741 468 E-mail: sgsinquirieskenya@sgs.com
4.	Sumitomo Corporation	Japan	Trading	I&M Bldg, 4th Flr, Ngong Rd. P.O. Box 41097-00100, Nairobi, Kenya Tel: 254 20 2 717 000/4 Fax: 254 20 2 710 374 E-mail: nrbzz-org2@sumitomocorp.co.ke

Source: UNCTAD, based on information from various sources.

Appendix 3

SOURCES OF FURTHER INFORMATION

Regional

East African Community Secretariat
AICC, Ngorongoro Wing
P.O. Box 2617, Arusha, Tanzania
Tel: 255 27 250 4253/8
Fax: 255 27 250 4255
E-mail: eac@eachq.org
Website: www.eac.int

Country investment agencies

[7] The IPC is expected to turn into the Kenya Investment Authority some time in 2005.

Investment Promotion Centre[7]
National Bank Building, 8th Floor
Harambee Avenue, P.O. Box 55704
Nairobi, City Square, 00200, Kenya
Tel: 254 20 221 401-4
Fax: 254 20 243 862
Websites: www.investmentkenya.com
www.ipckenya.org

Tanzania Investment Centre
Shaaban Robert Street
P.O. Box 938, Dar es Salaam, Tanzania
Tel: 255 22 211 6328/211 3365
Fax: 255 22 211 8253
E-mail: information@tic.co.tz
Website: www.tic.co.tz

Uganda Investment Authority
Plot 28, Kampala road
P.O. Box 7418, Kampala, Uganda
Tel: 256 41 251 562/5, 251 41 234 109
Fax: 256 41 342 903
E-mail: info@ugandainvest.com
Website: www.ugandainvest.com

OTHER PUBLIC INSTITUTIONS

Regional

East African Community Lake Victoria Fisheries
Organization Secretariat
P.O. Box 1625, Jinja, Uganda
Tel. 256 043 120 205/6
Fax 256 043 130 123
E-mail: lvfo-sec@lvfo.org
Website: www.lvfo.org

Kenya

East African Development Bank
Resident Manager
Rahimtulla Tower, 2nd Floor
P.O. Box 47685, Nairobi
Tel: 254 20 340 642/340 656
Fax: 254 20 273 1590
E-mail: cok@eadb.org
Telex: 22689 EADEVBANK

Attorney General's Chambers
State Law Office
P.O. Box 40112, Nairobi
Tel: 254 20 227 461

Commissioner of Customs & Excise
Forodha Hse, Nairobi
Tel: 254 20 271 5540
Fax: 254 20 271 8417

Commissioner of Lands
Lands Department
Ardhi House, Ngong Road, Nairobi
Tel: 254 20 271 8050

Commissioner of Value Added Tax
Times Towers
Haile Selassie Avenue, Nairobi
Tel: 254 20 224 275

Export Processing Zones Authority (EPZA)
P.O. Box 50563-00200, Nairobi
Tel: 254 20 271 2801/6
Fax: 254 20 271 3704
E-mail. info@epzakenya.com
epzahwq@africaonline.co.ke
Website: www.epzakenya.com

Kenya Bureau of Standards
P.O. Box 54974, Nairobi
Tel: 254 20 502 210-2
Fax: 254 2503 293
E-mail: info@kebs.org
Website: www.kebs.org

Kenya Revenue Authority
Times Towers
Haile Selassie Avenue, Nairobi
Tel: 254 20 310 900/315 553

Ministry of Agriculture
Kilimo Hse, Cathedral Road, Nairobi
Tel: 254 20 271 8870
Fax: 254 20 272 0586
Website: www.agriculture.go.ke

Ministry of Energy
Nyayo House, Nairobi
Tel: 254 20 330 048
Website: www.energy.go.ke

Ministry of Environment & Natural Resources
Maji Hse, Ngong Road
Nairobi
Tel: 254 20 271 6103
Website: www.environment.go.ke

Ministry of Finance
Treasury Building, Nairobi
Tel: 254 20 338 111
Website: www.treasury.go.ke

Ministry of Lands & Housing
Ardhi House, Ngong Road, Nairobi
Tel: 254 20 271 8050
Website:www.lands.go.ke

Ministry of Planning & National Development
Treasury Building, Nairobi
Tel: 254 20 338 111
Website: www.planning.go.ke

Ministry of Roads & Public Works
Ministry of Works Building, Nairobi
Tel: 254 20 272 3101/88
Website: www.publicworks.go.ke

Ministry of Trade & Industry
Teleposta Towers, Nairobi
Tel: 254 20 315 001-7
Website: www.tradeandindustry.go.ke

Nairobi City Council
City Hall
City Hall Way, Nairobi
Tel: 254 20 224 2 82
Fax: 254 20 218 291/214 780

Principal Immigration Officer
Immigration Department
Nyayo House, Nairobi
Tel: 254 20 333 531

Registrar of Companies
Sheria House
Harambee Avenue, Nairobi
Tel: 254 20 227 461

Tana & Athi River Development Authority
P.O. Box 47309-00100, Nairobi
Tel: 254 20 535 834/5
Fax: 254 20 535 832/3
E-mail: tarda@swiftkenya.com

Telkom Kenya Ltd
Telposta Towers, Kenyatta Avenue
Nairobi
Tel: 254 20 323 2000
Fax: 254 20 243 338
E-mail: marketing@telkom.co.ke
Website: www.telkom.co.ke

Tanzania

East African Development Bank
Resident Manager
NSSF Waterfront House, 7th Floor
P.O. Box 9401, Dar es Salaam
Tel: 255 22 211 3195/211 6981
Fax: 255 22 211 3197
E-mail: cot@eadb.org
Telex: 41175 EADEVBANK

Bank of Tanzania
Mirambo Street
P.O. Box 2939, Dar es Salaam
Tel: 255 22 211 1061-4/211 6682
Fax: 255 22 211 6719
E-mail: info@hq.bot-tz.org
Website: www.bot-tz.org

Board of External Trade
Trade Fair Grounds, Kilwa Road
P.O. Box 5402, Dar es Salaam
Tel: 255 22 285 1759/285 1706
Fax: 255 22 285 1705/211 27527
E-mail: betis@intafrica.com
Website: www.bet.co.tz

Business Registration and Licensing Agency
Cooperative Building, Lumumba Street
P.O. Box 9393, Dar es Salaam
Tel: 255 22 218 0141/218 0130
Fax: 255 22 218 0371
E-mail: usajili@intafrica.com

Capital Markets and Securities Authority
PPF Tower, Ohio Street/Garden Avenue
P.O. Box 75713, Dar es Salaam
Tel: 255 22 211 3903
Fax: 255 22 2113846
E-mail: cap-markets@cats-net.com

Immigration Services Department
Ministry of Home Affairs
Ghana Avenue/Ohio Street
P.O. Box 512, Dar es Salaam
Tel: 255 22 211 8636
Fax: 255 22 211 1090
E-mail: uhamiaji@intafrica.com

National Bureau of Statistics
Kivukoni Front
P.O. Box 796, Dar es Salaam
Tel: 255 22 212 2722-3/211 2352
Fax: 255 22 213 0852

Presidential Parastatal Sector Reform Commission
Sukari House, Ohio Street
P.O. Box 9252, Dar es Salaam
Tel: 255 22 211 7988-9/211 3065
Fax: 255 22 212 2870
E-mail: info@psrctz.com
Website: www.psrctz.com

Tanzania Bureau of Standards
Ubungo, Morogoro Road
P.O. Box 9524, Dar es Salaam
Tel: 255 22 245 0298/245 0735
Fax: 255 22 245 0959
E-mail: tbsinfo@uccmail.co.tz

Tanzania Civil Aviation Authority
IPS Building, Samora Avenue
P.O. Box 2819, Dar es Salaam
Tel: 255 22 211 5079-80
Fax: 255 22 211 8905
E-mail: civil-aviation@twiga.com
Website: www.aviationauthority.org

Tanzania Communication Commission
Ali Hassan Mwinyi Road
P.O. Box 474, Dar es Salaam
Tel: 255 22 211 8947-52
Fax: 255 22 211 6664
E-mail: moa@tcc-go.tz
Website: www.tcc-go.tz

Tanzania Harbours Authority
P.O. Box 9184, Dar es Salaam
Tel: 255 22 211 0401-9/117 816
Fax: 255 22 211 3938/211 3432
E-mail: slo@tanzaniaports.com
Website: www.bandari.com

Tanzania Petroleum Development Corporation
Cooperative Building, Lumumba Street
P.O. Box 2774, Dar es Salaam
Tel: 255 22 218 1395/218 0045-6
Fax: 255 22 218 0047
E-mail: killagane@raha.com
Website: www.bot-tz.org

Tanzania Revenue Authority
Sokione Street
P.O. Box 11491, Dar es Salaam
Tel: 255 22 211 9591-4
Fax: 255 22 211 9595
E-mail: nbs.dg@raha.com

Tanzania Roads Agency
P.O. Box 11364, Dar es Salaam
Tel: 255 22 212 5914-5
Fax: 255 22 212 4359

Tanzania Tourist Board
IPS Building, Samora Avenue/Azikiwe Street
P.O. Box 2485, Dar es Salaam
Tel: 255 22 211 1244-5
Fax: 255 22 211 6420
E-mail: ttb@ud.co.tz
Website: www.tanzania-web.com

Uganda

East African Development Bank
4 Nile Avenue
P.O. Box 7128, Kampala
Tel: 256 41 230 021/5
Fax: 256 41 259 763
E-mail: dg@eadb.org
Telex: 61074 EADEVBANK
Website: www.eadb.org

Capital Markets Authority (CMA)
76/78 William Street
Bank of Uganda Building
P.O. Box 24565, Kampala
Tel: 256 41 342 788
Fax: 256 41 342 803
E-mail: cma@starcom.co.ug

Uganda Export Promotion Board (UEPB)
5th Floor Conrad Plaza
Entebbe Road, Kampala
E-mail: uepc@starcom.co.ug

Uganda National Bureau of Standards (UNBS)
Plot M127 Nakawa Industrial Area
P.O. Box 6329, Kampala
Tel: 256 41 222 367/9

Uganda Securities Exchange (USE)
East African Development Bank Building
Kampala
Tel: 256 41 342 818
Fax: 256 41 342 841
E-mail: use@infocom.co.ug

Uganda Tourist Board (UTB)
IPS Building, 14 Parliament Avenue
P.O. Box 7211, Kampala
Tel: 256 41 242 196/7
Fax: 256 41 242 188

PRIVATE SECTOR ASSOCIATIONS

Regional

Eastern Africa Association (EAA)
Jubilee Place, 5th Floor
Mama Ngina Street
P.O. Box 41272-00100, Nairobi
Tel: 254 20 340 341/214 898
Fax: 254 20 340 341
E-mail: eaa@africaonline.co.ke
Website: www.eaa-lon.co.uk

East African Business Council (EABC)
AICC, Ngorongoro Wing,
P.O. Box 2617, Arusha
Tanzania
Tel: 255 27 250 9997
Fax: 255 27 250 9997
E-mail: eabc-online.com

NATIONAL

Kenya

Federation of Kenya Employers
Head Office
Waajiri House
Argwings Kodhek Road
P.O. Box 48311, Nairobi
Tel: 254 20 272 1929
Fax: 254 20 272 1990
E-mail: fke@arcc.or.ke

Flower Council
P.O. Box 56325 00200, Nairobi
Tel: 254 020 560 612, 576 597
E-mail: kfc@wananchi.com

Fresh Produce Exporters Association of Kenya (FPEAK)
P.O. Box 40312, Nairobi
Tel: 254 20 445 1488, 445 1489
E-mail: infor@fpeak.org
Web: www.fpeak.org

Kenya Association of Manufacturers
Peponi Road, Westlands
P.O. Box 30225-00100, Nairobi
Tel: 254 20 374 6005/7
Fax: 254 20 374 6028/30
E-mail: kam@iconnect.co.ke
Website: www.kenyamanufacturers.org

Kenya Fish Processors & Exporters Association (AFIPEK)
P.O. Box 345 00600, Nairobi
Tel: 254 20 444 0858
E-mail: afipek@accesskenya.com

Kenya Private Sector Alliance (KEPSA)
P.O. Box 3556-00100, Nairobi
Tel: 254 20 273 0371/2
Fax: 254 20 273 0374
E-mail: psforum@kippra.org

National Economic and Social Council
Ministry of Planning and National Development
Treasury Building
Harambee Avenue
P.O. Box 30007, Nairobi
Tel: 254 20 338 111
Fax: 254 20 218 475
Website: www.planning.go.ke

Port Management Association of Eastern & Southern Africa
Archbishop Makarios Road, Mombasa
Fax: 254 20 228 344
E-mail: pmaesa@africaonline.co.ke

Tanzania

Association of Tanzania Employers
AMI Building
Samora Avenue
P.O. Box 2971, Dar es Salaam
Tel: 255 22 211 0940
Fax: 255 22 211 9434
E-mail: ate@intafrica.com

Confederation of Tanzania Industries (CTI)
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Uganda

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Uganda Flower Exporters' Association
Nile Hotel
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Appendix 4

List of public holidays (2005)

Date	Holiday	Kenya	Tanzania	Uganda
1 January	New Year's Day	•	•	•
12 January	Zanzibar Revolution Day		•	
26 January	NRM anniversary Day			•
1 February	Eid el Hajj*	•	•	•
8 March	Women's Day			•
25 March	Good Friday*	•	•	•
28 March	Easter Monday*	•	•	•
26 April	Union (between Tanganyika and Zanzibar) Day		•	
1 May	Labour Day	•	•	•
1 June	Madaraka Day	•		
3 June	Martyrs' Day			•
9 June	Heroes' Day			•
7 July	Birth of TANU, the ruling party at independence		•	
8 August	Peasants' Day		•	
9 October	Independence Day			•
10 October	Moi Day	•		
14 October	Nyerere Day		•	
20 October	Kenyatta Day	•		
14 November	Eid el Fitr*	•	•	•
9 December	Independence Day		•	
12 December	Jamhuri Day	•		
25 December	Christmas Day	•	•	•
26 December	Boxing Day	•	•	

Source: UNCTAD.

* The actual date depends on the sighting of the moon.

Appendix 5

Protocols and other tripartite instruments of the EAC

No	Instrument	Subject/area of co-operation	Date concluded	Purpose	Status
1.	Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income	Monetary and financial co-operation	28.04.1997	To provide for the avoidance of double taxation.	Kenya and Tanzania have ratified the agreement but, with the coming into force of the EAC Customs Union, it is being revised.
2.	Protocol on Decision-Making by the Council of Ministers	Meetings of the Council (Article 15 (4))	21.04.2001	To provide for a procedure for decision-making by the Council.	Not ratified.
3.	Protocol on Combating Drug Trafficking in the East African region	Regional peace and security (Article 124 (5, e))	13.01.2001	To provide for a regional mechanism and institutional framework for combating illicit drug supply, demand and related corruption in the Partner States.	Tanzania and Kenya have ratified the protocol.
4.	Protocol on Standardization, Quality Assurance, Metrology and Testing	Standardization, quality assurance, metrology and testing (Article 81 (4))	15.01.2001	To provide for a regional mechanism on standardization, quality assurance, metrology and testing for goods and services produced and traded in the EAC.	Protocol is in force since the date of signature.
5.	Tripartite Agreement on Road Transport	Co-operation in infrastructure and services (Roads and Road Transport (Article 90))	29.11.2001	Promotion and facilitation of international road transport in the region.	Tanzania and Kenya have ratified the agreement.
6.	Tripartite Agreement on Inland Waterway Transport	Co-operation in infrastructure and services (Inland Waterways Transport (Article 94))	30.11.2002	Facilitation of interstate inland waterways transport.	Tanzania and Kenya have ratified the agreement.

7.	Protocol on the Establishment of the Inter-University Council for East Africa	Establishment of the Organs and Institutions of the Community (Inter-University Council (Article 9))	13.09.2002	To provide for the establishment, objectives, functions and *modus operandi* of the Inter-University Council.	Not yet ratified.
8.	Search and Rescue Agreement	Co-operation in infrastructure and services (security)	13.09.2003	To provide for interstate search and rescue services.	Tanzania and Kenya have ratified the agreement.
9.	Protocol for the Sustainable Development of Lake Victoria Basin	Management of Natural Resources (Article 114)	29.11.2003	To provide for a co-ordinated system for the sustainable development of Lake Victoria Basin as an economic growth zone.	Uganda has ratified the protocol.
10.	Protocol on the Establishment of the East African Community Customs Union	Trade liberalization and development (Article 75(7))	02.03.2004	To provide for the establishment of the EAC Customs Union.	The three Partner States have ratified the protocol.

Source: UNCTAD, based on communication from the East African Community Secretariat, July 2005.

Appendix 6

PRIVATIZATION

Selected public enterprises not yet privatized

Sector	Country	Name of the company
Agriculture and agro-processing	Tanzania	National Food Corporation (State farms for wheat, rice and maize)
	Uganda	Dairy Corporation Ltd
	Uganda	Kinyara Sugar Works Ltd
	Uganda	Uganda Seeds Ltd
Banking and finance	Kenya	Kenya Commercial Bank Ltd
	Kenya	National Industrial Credit Ltd
	Tanzania	National Micro-finance Bank
	Uganda	Housing Finance Company of Uganda
	Uganda	National Social Security Fund
	Uganda	Post Bank Uganda Ltd
	Uganda	Uganda Development Bank
Hotel	Tanzania	Embassy Hotel
	Tanzania	Hotel Seventy Seven
Insurance services	Kenya	Kenya Reinsurance Corporation
	Tanzania	National Insurance Corporation
	Uganda	National Insurance Corporation (privatization quite advanced)
ITC	Kenya	Telkom Kenya Ltd
Mining	Uganda	Kilembe Mines Ltd
	Uganda	Uganda Development Corporation (Lake Katwe Project)
Petroleum refining	Tanzania	TIPPER Ltd
Postal services	Uganda	Uganda Posts Ltd
Power supply	Kenya	Kenya Electricity Generating Company Ltd (KenGen)
	Kenya	Kenya Power & Lighting Company Ltd
	Tanzania	Tanzania Electric Company (TANESCO)
Printing and publishing	Uganda	New Vision Printing & Publishing Corporation
Real estate	Kenya	Housing Finance Company of Kenya Ltd
	Uganda	National Housing & Construction Corporation
Sports complex	Uganda	Mandela National Stadium
Transport	Kenya	Kenya Airport Authority
	Kenya	Kenya Ports Authority
	Kenya	Kenya Railways Corporation
	Kenya	Mombasa-Nairobi North Corridor Road
	Tanzania	National Shipping Company (and its subsidiaries)
	Tanzania	Shirika la Usafiri Dar es Salaam
	Tanzania	Tanzania Harbours Authority: Rest of ports activities, grain terminal, non-core assets
	Tanzania	Tanzania Zambia Railway Authority
	Uganda	Uganda Railways Corporation
Water & sewerage	Uganda	National Water & Sewerage Corporation

Appendix 7

Major laws and regulations affecting foreign investment

(a) Investment

Kenya

Name	Area
The Constitution of Kenya (1992)	Sec. 75 of the Constitution provides a guarantee against expropriation without due process
Investment Disputes Convention (1967)	Law giving legal sanction to the Convention on the settlement of investment disputes between States and nationals of other States (also covered by the Kenya Investment Act 2004)
The Kenya Investment Promotion Act (2004)	Investment (see Institutional framework in Chapter IV)

Tanzania

Name	Area
The Tanzania investment Act 1987	Specifies conditions for investors and related matters
Export Processing Zones Act No. 11 of 2002	Provides for the establishment, development and management of EPZs
The Capital Markets and Securities Act, 1994 (No. 5 of 1994)	Provides for the establishment of a Capital Markets and Securities Authority (CMSA)
The Mining Act. 1998 (No. 5 of 1998)	Provides incentives and specifies conditions for investing in mineral exploration, extraction and processing in Tanzania

Uganda

Name	Area
Investment Code Act (Cap 92) Laws of Uganda 2000	Law governing investment

(b) Trade, taxation, finance, insurance and audit

Kenya

Name	Area
Income Tax Act (1989)	Law governing taxation of income
Value Added Tax Act (1989)	Law imposing value-added tax
Customs & Excise Act (1984)	Law on import and export duties
Stamp Duty Act (1982)	Law imposing stamp duty on transfers, leases and security financing documents, among others

Banking Act (1991)	Law governing banking and other financial institutions.
Insurance Act (1988)	Law governing insurance
Trade Licensing Act (1990)	Law governing the licensing of trades
Companies Act (1978)	Law governing the incorporation of businesses
Accountants Act (1984)	Law governing accounting
Standards Act (Cap. 363)	Law governing the standardization of commodities and codes of practice

Tanzania

Name	**Area**
Business Licensing Act (No. 25 of 1972)	Business licensing
Banking and Financial Institutions Act 1991 (No. 12 of 1991)	Harmonizes the operations of financial institutions in Tanzania to foster sound banking and regularize credit operations
Customs Tariff (amendment) act (No. 1 of 1976)	Import duties on goods
The Income Tax Act 2004	Provides for the assessment and collection of income tax
Value Added Tax Act 1997 (No. 24 of 1997)	

Uganda

Name	**Area**
Companies Act (Cap 110) Laws of Uganda 2000	Law governing registration and operation of companies
Income Tax Act (Cap 340)	Laws of Uganda 2000 Law governing taxation
Exchange Control Act (Cap171)	Laws of Uganda 2000 Law governing foreign exchange
Financial Institutions Act (Cap 54) Laws of Uganda 2000	Law governing financial institutions
Insurance Act (Cap 213) Laws of Uganda 2000	Law governing Insurance

(c) Labour, immigration and citizenship

Kenya

Name	Area
Employment Act (1984)	Law governing employment and labour-related issues, including labour disputes
Regulation of Wages & Conditions of Employment Act (1989)	Regulates employment conditions and sets minimum wages
Trade Disputes Act (1991)	Regulates the handling of trade disputes, especially with regard to collective bargaining agreements
Immigration Act (1984)	Law governing immigration and the issue of entry permits
Kenya Citizenship Act (1988)	Issue of citizenship
Aliens Restriction Act (1985)	Enables restrictions to be imposed on aliens, and makes the provisions necessary for giving effect to such restrictions

Tanzania

Name	Area
Trade union Act No. 10 of 1998	Collective bargaining and related matters
Immigration Act 1995 (No. 7 of 1995)	Control of immigration and matters connected with immigration

Uganda

Name	Area
Immigration Act (Cap 63) Laws of Uganda 2000	Law governing immigration
Uganda Citizenship Act (Cap 65) Laws of Uganda 2000	Law governing citizenship
Uganda Citizenship and Immigration Control Act (Cap 66)	Law governing citizenship and laws of Uganda immigration

(d) The environment, forestry, construction and land

Kenya

Name	Area
Environmental Management & Coordination Act (1999)	Regulates matters relating to the management and conservation of the environment
Forests Act (1992)	Law governing forestry management, including monitoring and regulatory compliance
Water Act, Wildlife (Conservation and Management) Act, Fisheries Act (1972)	Laws governing environment-related issues
Housing Act (1990)	Law providing for loans and grants for the construction of dwellings
Land Acquisition Act (1983)	Repeats constitutional guarantee against the expropriation of immovable property
Registered Land Act (1989) Indian Transfer of Property Act (1882) Registration of Titles Act (1982) Government Lands Act (1984) Land Control Act (1987) The Physical Planning Act (1996) Registration of Documents Act (1980)	Main substantive laws on immovable property, regulating the procedures for the acquisition of, and dealings in, immovable property

Tanzania

The Land Act 1999 (No. 4 of 1999)	Provides the basic law in relation to land, non-village land management, dispute settlement and related matters
Village Land Act 1999 (No. 5 of 1999)	Provides for the management and administration of land in villages

Uganda

The National Environment Act (Cap 153) Laws of Uganda 2000	Law governing environmental protection and natural resources
The Land Act 1998	Law governing ownership of land
Registration of Titles Act (Cap 230) Laws of Uganda 2000	Law governing registration of land

(e) Trademarks

Kenya

Trade Marks Act (1982)	Law governing trademark protection and regulation related to unfair business competition

Tanzania

The Trade and Service Marks Act 1986	Provides for the registration and protection of trade and service marks and related matters
The Patents Act 1987	Invention, innovation and acquisition of technology through the granting and regulation of patents, utility certificates and innovation certificates
The Copyright and Neighbouring Rights Act 1999	Provides for the protection of copyright and related rights in literary and artistic works, folklore and related matters

Uganda

Trademarks Act (Cap 217) Laws of Uganda 2000	Law governing trademark protection Protection and regulation related to unfair business competition

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[8] This guide draws substantially on UNCTAD's country guides to Kenya, Tanzania and Uganda. More complete lists of sources can be found at the end of those three publications.

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