

# Profiting from EAC integration

By **FAUSTIN MBUNDU**

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**FAUSTIN MBUNDU** has a BA from Makerere University. A committed entrepreneur, his positions have included Managing Director of Kananura Enterprises Ltd and Executive Director of Katraco Uganda Ltd. Other roles include heading Gorilland Safaris Ltd and CAFERWA Ltd, one of the biggest coffee exporting companies in Rwanda. He is also one of 40 shareholders in the exclusive Rwanda Investment Group (RIG), Rwanda's biggest domestic investment fund with over US\$60 million in assets under management.

Ten years ago, a Ugandan businessman selling maize to Kenya most likely encountered a number of hurdles ranging from harassment to high tariffs, which made doing business between the two neighbours a nightmare. The hypothetical example between Uganda and Kenya is what many businessmen went through in trying to do business with neighbouring countries. Business within the EAC suffered as a result and quickly gave way to unethical business practices such as smuggling and black market as traders sought to circumvent high tariffs. This led to loss of government revenue and trade among people with common traditions remained minimal. It became easier to trade with Europeans and Asians than for the EAC countries to trade amongst themselves. While trade among East African neighbours suffered, trade with overseas countries flourished. But that was ten years ago. Today traders within the EAC, one of the most progressive regional economic blocs in Africa, can freely exchange goods originating from each of the partner states. Trade among EAC partner states has in turn improved to levels never seen before.

The progressive implementation of the EAC Customs Union that began in 2005 culminating in a fully-fledged customs union in 2010 opened borders and removed previous barriers to trade and expanded business opportunities in the region. It has generated a liberalised trade regime and increased cross-border trade through the adoption of common policies to minimise customs clearance formalities, as well as enhancing the predictability of economic policies. It paved the way for an improved business climate which has made the EAC an attractive investment destination as investors seek to take tap into opportunities in a market of 120 million people.

The commencement of the EAC Common Market on July 1st, 2010 has extended these benefits to other

sectors of the economy such as services, labour, and capital. This deepened integration presents immense opportunities for the business community, in terms of larger markets, economies of scale and larger pools of human, financial, and physical capital.

As the private sector, we are committed to continue playing our rightful role in the integration process, through increased trade and investment, enhanced competitiveness and increased employment, thereby accelerating the region's economic growth. The EAC leadership has shown a willingness to work with the private sector in addressing the challenges impeding the full realisation of the economic integration, which is a clear reflection of the resolve and commitment of East Africa's top political leadership to place the private sector at the heart of the EAC integration process.

Since its inception, the EABC has been very active in resolving impediments to the proper functioning of the customs union. One of our biggest undertakings has been the elimination of Non-Tariff Barriers (NTB) to trade. The EABC has been championing this issue and, in recognition of this, in 2005, the EAC mandated us to develop the NTBs monitoring mechanism for reporting and elimination of NTBs. In addition, the EABC carries an annual Business Climate Index to monitor the progress in the removal of NTBs and look at improvements in perception on key business climate factors such as access to land, level of taxation and the legal and regulatory framework, among others. Our other contributions, in the context of the customs union, include the channelling of general policy issues to the EAC Summit and addressing the issues pertaining to rules of origin and double taxation.

Our efforts continue in tandem with the needed policies and initiatives to ensure smooth progress towards full implementation of the regional integration instruments. However, challenges remain. Lack of a legal framework of engagement with policymakers at a regional level, frequent policy reversals, infrastructure bottlenecks and non-tariff barriers that increase the cost of doing business are some of the challenges that need to be addressed as the EAC enters a new decade of integration.

As a private sector company, we will continue to engage the EAC leadership in an effort to address some of these challenges and our expectation is that the EAC leadership will show strong commitment to addressing these issues both in the short and long term. **F**



A customs queue at Malaba on the Kenya-Uganda border