

BRIEF REPORT OF THE 7:30 BREAKFAST DEBATE – MAY 27TH

2011

THE EAST AFRICAN COMMUNITY: IS IT TAKING OFF?

The East African Community (EAC) is the regional intergovernmental organization of the Republics of Kenya, Uganda, the United Republic of Tanzania, Republic of Rwanda and Republic of Burundi with its headquarters in Arusha, Tanzania.

The world economic and financial survey done in 2011, reveal that the members of the East African community (EAC) have been among the fastest growing in sub-Saharan Africa and more broadly in the developing world in recent years. Three countries in the EAC (Rwanda, Tanzania, and Uganda) were among the fastest growing economies in the world during 2005–09. Since then, the region has demonstrated commitment to strong policies. Despite the recent advances, however, per capital incomes remain low.

That is why Policy Forum dedicated its April 2011 debate on the issue of the East African Community, The debate is titled: **The East African Community: Is it taking off?**. The debate included two presentations:-One was done by John Wakeman-Linn, IMF Senior Resident Representative in Tanzania and the other was done by Godwill George Wanga from the Economic and Social Research Foundation (ESRF).

The Debate was facilitated by Semkae Kilonzo, the coordinator of Policy Forum who started by welcoming all participants to the debate then he welcomed the first presenter Mr. Godwill G. Wanga to start his presentation.

Mr. Godwill G. Wanga started his presentation by defining the East African Community (EAC) as a regional organization mandated by the governments of Kenya, Tanzania, Uganda, Rwanda and Burundi to super head the East African economic, social and political integration agenda to sustain development.

He continued to give out the EAC Milestone/Development Strategy from 1993 to 2015 onwards which are as follows; the First EAC Development Strategy (1997-2000)- Achieved establishment of the EAC.

The second EAC Development Strategy (2001-2005)- Achieved Establishment of the Custom Union. The Protocol for the establishment of the EAC custom union was concluded in March 2004 and EAC Customs Union commenced operation in January 2005, the same provides for Common External Tariff (CET), Elimination of internal tariffs, rules of origin, anti-dumping measures and a common customs law.

Mr. Wanga envisaged that it is no excuse that our economy has to grow, in order to improve the establishment of Custom Union we need to integrate the common market so as to achieve this.

The third EAC Development Strategy (2006-2010)- Achieved establishment of the Common Market whose goal is to encourage greater economic integration and growth through freedom of movement of goods, labour, services, capital and right of establishment.

The fourth Development Strategy (2011-2015)-Secretariat is in its drafting/ formulation process and aims at achieving monetary union and political Federation.

Mr. Wanga also mentioned some challenges that EAC is facing. This include; accessibility and administration of duty and tax incentives, easiness of importing raw materials and exporting, easiness of moving goods and accessing the market, carrying out inspection where necessary and conduct joint anti-smuggling alongside borders.

He proposed some developmental strategies, some of them include; there should be projects which address specific problems, EAC need to work together in order to synchronize activities such as infrastructural activities and investment, members need to harmonize tax laws, the government need to guarantee financial markets and improve government system at the local level and also there should be adoption of diplomacy in mobilization of external resources.

He concluded his presentation by emphasizing that EAC is very crucial in the development of underdeveloped East African Countries, therefore the economic parameters need to be envisaged, and there is no need of EAC if the budget is always increasing without developmental impacts.

The second presenter Mr. John Wakeman based his presentation on the recent report produced by International Monetary Fund (IMF), according to the report Tanzania has to attain per capita status of \$995 to qualify as a middle-income country, from this benchmark, EAC members need to maintain an 8.5% growth per rate over the next ten years.

He said that, in benchmarking of EAC growth we should look of at the EAC (countries that have attained sustainable growth) and compare them with the countries of our choice, here the following factors are taken into consideration: strong productivity growth where it is seen that Tanzania and Uganda have been improving and so is the export growth, out of many countries Rwanda is doing better on the issue of high business costs. This is mostly caused by limited access to financial services.

Access to financial services is very low in most of the East African countries this could be improved if trade is improved and access to new financial services.

He stressed that the prospects of a strong East African Community (EAC) lies in its ability to marshal economic development and thus the region needs to refocus its attention to economic issues if it is to attain the threshold of middle-income countries by 2020.

Mr John concluded by saying that, improved policies, access to financial services, improved business costs will lead to better EAC.

The discussant of this debate was Professor Diodorus Kamala the former Minister for East African Cooperation, who said that a country may have a lower economic growth but a double per capital income as in the interesting case of Kenya.

Setting aside the IFM factors, he looked at the factors proposed by Professor Ichumbura (Professor of economics) who proposed switch national focus from politics to economics, that is if you focus on development rather than economics then you are more likely to develop.

Other factors which may trigger the EAC to work out as pointed by Prof. Kamala were as follows; National unity should be maintained, extreme income policies should be avoided, establishment of macroeconomic integration and last is deep integration which is not political federation.

He concluded that, on custom union we are supposed to respect common tariffs, taxes must be paid in a single point of entry, deep integration should be implement custom union by 100% and the EAC should have regional policies which should not be the constitution.

Comments and Questions from Plenary Discussion:

- Is the EAC doing enough? Or should we have a more focused EAC?
- It seems that people don't have enough information/education concerning the EAC, for instance it is believed that most of the Tanzanians have the fear of losing their lands through this integration therefore there is a need to educate the people on what we want as an EAC. This can be done through seminars and if possible include people at the grassroots level.
- The idea of having a regional policy is a very good point but that is not the answer because politics is mostly based on people's centre approach. When you want to do something you need to negotiate.

- East Africa has very excellent policies but there is no implementation of those policies.
- People need feedback in order to know how the community is doing.
- Are stakeholders involved in the making of the policies?
- When is the convergence done? Before grants or after?

Respond to the comments and Questions:

- Rwanda is doing very good in its business a lot of regions can learn from it.
- Most of the people are afraid of EAC because there has been very little effort to explain to the society the goals, objectives of EAC.
- On the basis of doing business, we need to analyze the cost (evolve strategies)
- We need to take on board the issue of economic union in the formation of EAC.
- Confidence to the investors should be assured example by the Ministers of Finance of partner countries. Also, EAC partners should respect what they agree and the full council of ministers of each partner should be consulted before he presents his position of her respective state.
- Tanzanians should not worry about losing their resources but rather respective laws from member states should be followed, they should also consider that having resources without exploiting it is useless.
- We should know that integration is very good but how you do it is very important.

Mr. Semkae Kilonzo closed the discussion and he welcomed again participants for the next 7:30 Breakfast Debate.