



Commonwealth East Africa International Business Forum 2008

“Trade and Investment Opportunities: East Africa – One Market One Destination”

Serena Hotel, Kigali, Rwanda

29-30 October 2008

Communiqué and Report to EAC Heads of Government

1. The first Commonwealth East African International Business Forum held in Rwanda drew over 500 leaders from business and government, including 250 delegates from 23 countries outside the East Africa region. The Forum was organised by the Commonwealth Business Council in partnership with the Rwanda Development Board, Rwanda Private Sector Foundation and the East African Business Council (EABC).
2. The Meeting was opened by HE Paul Kagame, President of the Republic of Rwanda and Chairman, Summit of EAC Heads of State and was addressed by Dr. Ali Mohamed Shein, Vice President of the United Republic of Tanzania, the Hon. Dr. Ezra Suruma, Representative of the President of the Republic of Uganda and Minister of Finance, Planning & Economic Affairs, Dr Mohan Kaul CEO CBC and Reginald Mengi, Chairman EABC. 20 Ministers and 52 private sector leaders spoke, and 7 background papers were produced for the Forum, including an EABC-CBC investment climate survey.
3. The purpose of the Forum was to engage international private sector representatives and investors in the region’s move to create a single market of 120 million citizens, and drive consolidated economic growth. A great deal of business was done over the two days.

Key Policy Messages

4. The global financial crisis and a likelihood of recession in major economies overshadows all economies today. It is bound to have a negative effect on growth in East Africa over the next several years, although it is impossible to predict exactly how. Access to finance and aid flows may come under pressure, and earnings from commodities will be

lower. However, major banks and investment funds present made it clear that that the flow of potential investment funds for debt and equity remains good provided well-structured bankable projects can be put in place. Tackling barriers to investment through the establishment of the single market will be critical to attracting local and international investors.

5. As President Kagame pointed out, the region cannot control the external economic climate but can keep the initiative with its own work and its own reforms. The direction remains the same, even if the road is rockier.
6. The private sector is firmly of the view that the global economic crisis argues for an even quicker implementation of integration and a single market destination. Half-hearted measures or delay in removing trade barriers will make economic performance worse. Government and business therefore need to be more vigorous in promoting a single market, building public understanding and support for the integration process. In particular, business itself must start promoting the region not just individual countries, and called on government to step up global marketing of East Africa. East Africa – One Market One Destination can be an effective tool to facing the challenges ahead.
7. Private sector representatives praised the policy direction being taken, but emphasised that implementation and delivery is often wanting: the region has significant trade barriers, including various non-tariff barriers. Inconsistent tax regimes, which fragment markets and which must be addressed to overcome weak infrastructure and improve competitiveness. Even under the customs union there are still problems related to the transit of goods within East Africa, especially the issue of too many inspections of goods in transit between Malabar and Mombasa. Reducing the costs of doing business in EAC States can help to mitigate the effects of the global crisis.
8. The general message from business participants in respect to the single market was that Government leaders should become even bolder, to accelerate reforms - especially in trade. The Forum identified practical recommendations and action points for the attention of business and of Heads of State:

Specific Recommendations

9. **Accelerating Infrastructure Development.** To flourish, the single market needs cheaper transport, communications, and secure energy supplies. Major constraints restricting infrastructure development were identified as (a) the lack of capacity to structure viable projects and (b) promoting too many projects. Importantly, there is no shortage of funds to invest, but sufficient tariff levels are needed to establish bankable projects. In order to realise more projects, professional capacity must be increased and greater focus achieved.
 - 9.1. Industry leaders recommended that funders and governments develop a regional framework for PPPs with common criteria, ensuring transparency, and improving coherence between the many different funders. In an effort to

increase capacity Infraco offered to host a round table with key ministries and the EAC. The goal will be to identify several projects on which to focus, and rules for ministries within the framework of projects. EABC and CBC agreed to mobilise private sector participation in this exercise.

9.2. The Forum welcomes the EABC Energy Forum to be held in Zanzibar 3-5 December, to promote investment in alternative energy sources

10. **Trade and Movement of Goods and Services.** Rwanda has improved its facilitation of trade with 24 hour service and one stop boarder posts. To benefit fully from trade facilitation traders are required to be fully compliant and thereby able to use the Authorised Economic Operators scheme. Private sector operators must comply with the law and resist enforcement of illegal customs practices.

10.1. The EAC was urged to work closely with EABC and regional business to establish a mechanism to measure progress on trade facilitation performance.

11. **Tackling Illicit Trade:** Smuggling, counterfeits and undeclared production are rising eight times as fast as legal trade. Illicit trade is cutting into tax revenues and poses a serious threat to industrial and service industries, as well as public safety. Free Trade Zones need to be brought under national inspection and supervision as they are growing conduits for illicit trade. Stronger action is required to persuade people of the long term economic damage being caused.

11.1. The Forum welcomed the initiative by the EABC for a campaign to combat illicit trade and counterfeiting in 2009 and to convene a counterfeit and illicit trade conference to develop a joint action plan in February 2009. It urged companies to support the EAC Policy on Anti-Counterfeiting, Anti-Piracy and Other Intellectual Property Rights Violations.

12. **Access to Finance for Development.** Lack of access to financial services by low income earners is inhibiting growth. Extending financial services to those earning \$1-\$5 a day is critical. CBC through the Zipp programme are rolling out new services to this segment of the market in East Africa, and the Forum urged all financial institutions to seek innovative ways to reach low income earners and rural communities.

13. **Improving Governance and Tackling Corruption.** Good governance and zero tolerance for corruption are essential for investment and growth. Corruption remains a significant challenge in East Africa, and business needs to take its own lead in improving standards. The Forum was briefed by representatives of Business Action Against Corruption (BAAC) a unique African programme to create business led programmes to improve corporate governance and to work with governments to tackle corrupt practice and develop tools for countering corruption.

- 13.1. The Forum welcomed the EABC initiative to develop a regional strategy to combat corruption including a Business Code of Ethics and, and have it in place by mid 2009. A technical committee is being established in partnership with BAAC/CBC to develop the programme and all companies were urged to partner its work.
14. **Sustainable Development.** All African countries should ensure that all terrestrial carbon, agriculture and forests are included in the post Kyoto Treaty. COMESA should urge all other African Regions to do this. This will provide an ongoing annual new foreign direct investment of \$30 billion.
- 14.1. The private sector representatives urged the EAC to contribute to a unified African position, which should be put to the Climate Change Conference in Copenhagen 2009 ensuring that all carbon sequestration is included.
15. **Women's Economic Empowerment.** Women entrepreneurs are critical to the regional economy. At policy level there are changes underway with women taking increasing leadership in government. However, to succeed women in business require a better operating environment with support from institutions and from men to fulfil their business aspirations. Women do not necessarily want to grow large businesses but make them more profitable.
- 15.1. It was proposed to set up an East African Women's Association to address these issues. This would address mentoring, training, and a specific fund for women entrepreneurs to support their business ventures. Further it is recommended that government funding mechanisms be devolved to grassroots level and include support for international marketing.
16. **Agricultural Investment.** Business innovation in agriculture and rural financial services is a real opportunity for companies to commercialise their new business ideas that will influence the lives of thousands of impoverished Africans. The session encouraged rural investment and the implications of climate change are serious and its impact is critical for rural Africa.
- 16.1. SMEs and companies were urged to develop proposals to secure support from the new Africa Enterprise Challenge Fund (AECF)
- 16.2. Investors and governments were urged to provide support to the new CBC partnership with Cru Investments. Cru aims to raise \$13 billion in private investment to increase the production of staple crops and to eliminate imports throughout Sub Saharan Africa, by developing low cost high productivity mega farms which are crucial to support smallholder development.

17. The Forum expressed its thanks to the Government of Rwanda for its support in hosting the meeting, and to the companies which have provided sponsorship and support (list attached).

Kigali, Rwanda
30th October 2008

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Fast Tracking Infrastructure Development in the East African Community – How can Business and Government Work Together?”

Women’s Economic Empowerment

Business Climate in East Africa

Corruption & Governance: Survey of EAC States