



THE EAST AFRICAN COMMUNITY



EAC TRADE AND INVESTMENT REPORT 2020

EAC Secretariat
Arusha, Tanzania



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ISBN: 978-9987-786-02-2

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ACRONYMS

AfCFTA	Africa Continental Free Trade Area
API	Burundi Investment Promotion Authority
CBK	Central Bank of Kenya
EAC	East African Community
EALA	East African Legislative Assembly
ECOWAS	Economic Community for West African States
EPZ	Export Processing Zones
EPZA	Export Processing Zone Authority
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HIPCI	Heavily Indebted Poor Countries Initiatives
ICT	Information and Communication Technology
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
KRA	Kenya Revenue Authority
LDC	Least Developed Countries
MoA	Ministry of Agriculture
NDC	National Development Plan
NISR	National Institute Statistics of Rwanda
NTB	Non -Tariffs Barriers
OECD	Organization for Economic and Community Development
ROW	Rest of the World
SADC	Southern Africa Development Community
SDGs	Sustainable Development Goals
SEZ	Special Economic Zones
SSIA	South Sudan Investment Authority
SSNBS	South Sudan National Bureau of Statistics
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
URA	Uganda Revenue Authority
URT	United Republic of Tanzania
WB	World Bank
WTO	World Trade Organization

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FOREWORD

The COVID-19 pandemic affected the whole world, not sparing the EAC Region. The pandemic hit the region in March 2020. To combat the spread of the disease, Partner States immediately imposed containment measures. Unfortunately, the measures negatively impacted free movement of goods and persons. Unprecedented long queues of trucks were witnessed at borders due to long periods of waiting for COVID-19 test results by truck drivers. Those who tested positive for the disease were denied entry into neighbouring Partner States.

In order to ensure trade facilitation even in difficult times, the Region developed and implemented administrative guidelines to expedite safe movement of goods and services.

A joint consultative multi-sectoral committee of Partner States' Ministers for Health, Trade and Transport was also constituted to resolve issues that affected smooth movement of goods across the Community during the pandemic.

I commend their move to ease movement of goods and services across the Region, as it led to growth in Intra-EAC trade, despite the threat imposed by the pandemic.

As preparation for post-COVID-19 pandemic, the Region developed an economic recovery plan to guide immediate and medium-term interventions to address the economic recovery of the EAC Partner States.

I am optimistic that in the medium- to long-term timeframe, EAC will show positive trade and investment trends after COVID-19 recovery, and that the Partner States will experience an intra-EAC trade and Intra-EAC investment growth trajectory to pre-COVID-19 levels.

I hereby acknowledge the support that Trade Mark East Africa (TMEA) has continued to give the EAC integration process by facilitating the preparation, production and printing of the EAC Annual Trade and Investment Reports. The Secretariat appreciates this invaluable support.

Similarly, I also express appreciation to the team of experts from the EAC Partner States, EAC Secretariat Officials and Consultants from the University of Dodoma (UDOM), who worked tirelessly and virtually to ensure that the EAC Trade and Investment Report 2020 was finalized and published.

Hon. Dr. Peter Mathuki
Secretary General, EAC

EXECUTIVE SUMMARY

The East African Community offers a large market for trade in merchandise and services. With a population of about 186.9 million consumers alongside millions of others from inter-regional trade with other African blocs, the region's demand for goods and services is quite high. Also, the abundance of most precious natural resources ranging from minerals to oil to gas to fish to arable land to beautiful climate to tourist attractions to quality human capital to ease of access to finance, and the region's strategic location in the world makes it the best destination for foreign investment. Most recently, the Region has improved infrastructure, such as roads, ports, airlines, electricity and telecommunication, and enjoys good governance of the Partner States, which enhances the conduciveness of the environment for local and foreign investors.

The EAC Secretariat has continued to strengthen the Community Protocols and Partner States have been committed to ensuring a smooth flow of people, goods and services by removing barriers to trade and investment. Consequently, export and import trade comprising agricultural goods and manufactured goods is liberalised. Intra-EAC trade has continued to grow with trends showing that each Partner State is gaining a significant share of the EAC market.

The outbreak of COVID-19 that affected world economies did not spare the EAC Region and its Partner States. It slowed down most economic activities, especially trade and investment. The total trade for EAC declined by 6.08 percent to US\$51,915 million in 2020 from US\$55,278.2 million in 2019. Total exports from the region in the same period increased by 3.15 percent to US\$16,257 million from US\$15,760.8 million in 2019. The increase was attributed to the increase in value of EAC exports to United Arab Emirates and United Kingdom. While total intra-EAC Exports decreased by 7.37 percent in 2020. This decline in exports was due to the COVID-19 pandemic which reduced manufacturing output and slowed down economic activities. On the other hand, total EAC imports decreased by 9.77 percent to US\$35,658 million in 2020 from US\$39,517.50 million in 2019. The relative decline in EAC imports between 2019 and 2020 was a result of the COVID-19 pandemic which reduced trading activities with import partners, mainly China, India and the EU. In addition, the intra-EAC total imports declined by 3.71 percent during the year under review.

In 2020, Republic of Burundi's total trade decreased by 7.9 percent to US\$840.1 million from US\$913.2 million recorded in 2019, while exports to her EAC Partner States declined by 16.4 percent to 12.20 from 14.60. Also, the overall domestic exports earnings declined by 24.57 percent to US\$153.42 million in 2020 from US\$203.40 million in 2019. During the same period, Burundi's domestic imports decreased by 2.59 percent, to US\$909.81 million, from US\$934.00 million recorded in 2019. With regard to services exports trade, Burundi strategically positioned itself during the year, making the highest growth in history of up to 102.3 percent in commercial presence, followed by 42.6 percent in presence of natural persons, and 20 percent for Intra-EAC trade. Government services dropped slightly by 0.7 percent in 2020.

In 2020, Kenya's total trade in goods decreased by 8.76 percent, from US\$23,483 million in 2019 to US\$21,427 million in 2020. The exports trade increased by 3.14 percent with her total exports to the rest of the world valued at US\$6,021 million compared with that of 2019 at

US\$5,838 million. The country's imports declined by 12.7 percent, from US\$17,646 million in 2019 to US\$15,406 million in 2020. It is noteworthy that for almost a decade before COVID-19 struck the world, Kenya was leading in trade in services in the EAC Region. Even at the peak of the pandemic in 2020, the services sector strongly supported Kenya's economic growth.

Rwanda's exports to the world in 2020 fell by 17.85 to record US\$958.4 million against US\$1,166.7 million in 2019. During the same period, total trade in goods increased by 13.17 percent to US\$3,591.26 million in 2020, while imports rose by 2.28 percent from US\$2,574.2 million to US\$2,632.82 million in 2020. Notwithstanding, trade in services plays an important role in the economy of Rwanda. For example, in 2020, services on intellectual property grew by 100 percent, and, due to increased demand for ICT, telecommunication, computer and information services in Rwanda, this service sub-sector grew by 5.4 percent, recording US\$20.9 million from US\$19.7 million in 2019.

The youngest partner state in the EAC is the Republic of South Sudan whose total trade to the world in 2020 declined by 93.54 percent to US\$36.85 million compared with US\$553.22 million in 2019. During the same period, total intra-EAC trade with South Sudan dropped to US\$11.2 from US\$232.7 million in 2019.

In the United Republic of Tanzania, the private sector leads as the engine for economic growth. In 2020, minerals accounted for the biggest proportion of Tanzania's exports. Gold was the highest export with US\$2,959.2 million, comprising more than 50 percent of the country's total exports. Tanzania's total trade increased marginally by 3.7 percent to US\$ 14,582.60 million in 2020, from US\$ 14,058.44 million in 2019. Tanzania's main export destinations in the EAC during the year were Kenya at US\$230.2 million, Rwanda at US\$208 million, Uganda at US\$191.3 million and Burundi at US\$179 million. Trade in services declined from the fourth quarter of 2019, hitting a decline of 67.9 percent in the third quarter of 2020, from a negative growth rate of 0.69 percent in 2019.

Surprisingly, the Republic of Uganda had a record total trade increase of 4.6 percent accounting for US\$12,398.33 million in 2020, from US\$12,849.45 million in 2019. Uganda's imports rose from US\$7,753.79 million in 2019 to US\$8,250.51 million in 2020, which is an increase of 6.41 percent. During the same period, total exports increased by 1.13 percent to US\$4,147.82million in 2020 from US\$4,095.66 million in 2019. Likewise, transportation, travel and commercial services exhibited substantial growth in the country. The commercial services sector could not however pick up and drastically dropped in two quarters of 2020.

Foreign Direct Investment (FDI) flows into EAC are an important instrument to support mechanization of Agriculture, and transformation and industrialisation in the region. Over the past years, industrial production in the region has increased, buoyed by investment in manufacturing, construction and financial services. Likewise, the region has sought to exploit its abundant natural resources endowment, especially oil in South Sudan and Uganda, minerals in Burundi, Rwanda, Tanzania and Uganda, and tourism and financial services in the majority of the Partner States. The Partner States have undertaken reforms to improve the investment climate to promote industrial development and resource exploitations and consequently provide a conducive environment to attract FDI.

Generally, Total investment into East Africa decreased by almost 46.29 percent, falling from US\$11.64 billion in 2019 to US\$6.25 billion in 2020. This fall is attributed to COVID-19, which led to a shutdown of economic activities. The performance of the EAC Partner States in FDI shows that Burundi recorded the highest percentage growth of 179.7 percent. FDI inflows to Kenya decreased by 24.63 percent to US\$917.93 million; and the inflows to Rwanda declined by 47.93 percent to a low record of US\$1,281.39 million. Notably, the FDI inflows to South Sudan showed a decrease of 67.75 percent, from US\$3,879.60 million in 2019 to US\$1,251.14 million, while that of Tanzania declined by 71.25 percent to US\$754.59 million in 2020. Moreover, FDI inflows into Uganda increased by 16.57 percent to US\$1,445.48 million in 2020. It was noted that in 2020, the number of jobs created as a result of FDI inflows to the EAC region fell by 72.5 percent to 58,017 jobs in 2020 from 211,084 in 2019.

Notably, domestic investments have become the key development strategy for EAC Region. In 2020, Uganda marked a large increase in domestic investment value by 19.72 percent at US\$518.38 million, followed by Rwanda whose domestic investment accounted for US\$331.39 million. However, Burundi experienced the highest percentage increase in domestic investments by 188.50 percent at US\$251.57 million from US\$87.20 million in 2019.

Furthermore, The FDI into East Africa decreased by 43.39 percent from US\$8.67 billion in 2019 to US\$4.91 billion in 2020. Only Burundi recorded growth in the year under review, with a 173 percent surge from US\$127.2 million to US\$348.10 million, while Uganda's FDI inflows increased by 14.88 percent, from US\$807.00 million in 2019 to US\$ 927.10 million in 2020. The FDI inflows to Kenya decreased by 33.14 percent from US\$ 1,217.9 million to US\$814.30 million. And the inflows to Rwanda also decreased by 52.10 percent, from US\$1,983.32 million in 2019 to US\$950.00 million in 2020, while South Sudan showed a decrease of 64.32 percent from US\$3,315.9 million to US\$1,183.20 million. Likewise, FDI inflows to Tanzania declined by 43.73 percent to US\$684.9 million from US\$1,217.2 million.

By and large, there is great potential for growth in trade and investment in the EAC region, and the following recommendations can be worked out by the Partner States. First of all, and in view of the COVID-19 pandemic, Partner States should review and harmonise the COVID-19 testing charges, and the validity and mutual recognition of COVID-19 certificates to ensure safe and smooth movement of goods, persons, services and service suppliers in the Region.

This will increase access to regional and international markets and reduce the cost of doing business, enhance transfer of technology, innovation, and boost demand for business travel, tourism, professional work, health and social services. Second, despite the menace of COVID-19 pandemic, the EAC Partner States should implement the harmonised EAC Administrative Guidelines on COVID-19 as adopted at Regional Level, and adopt the EAC COVID-19 Economic Recovery Plan. Partner States should provide an open, transparent and predictable regime for investment and improve the ease of doing business. Furthermore, Partner States should embrace industrialisation and value addition to promote exports, job creation and intra-EAC Trade, while reducing trade imbalances in the Region. Finally, the EAC Partner States should ensure reliable infrastructure to facilitate trade and investment, with a focus on sufficient transport facilities, adequate and reliable supply of energy, ICT and adequate, skilled workforce.





CHAPTER 1: BACKGROUND



1.1 Brief Overview of the East African Community

The East African Community (EAC) is a regional intergovernmental organization of six Partner States, namely the Republic of Burundi, Republic of Kenya, Republic of Rwanda, Republic of South Sudan, Republic of Uganda and United Republic of Tanzania. The EAC has its headquarters in Arusha, United Republic of Tanzania. It is home to approximately 186.9 million people, 22 percent of whom form urban population. The EAC land area is 2.5 million square kilometres, and the combined Gross Domestic Product of the Partner States is US\$228.1 billion (EAC Facts and Figures, 2020).

The EAC integration agenda is guided by its Treaty of Establishment that came into force on 7th July, 2000, following its ratification by the founding three Partner States, namely Republic of Kenya, United Republic of Tanzania and Republic of Uganda. The Republic of Burundi and Republic of Rwanda acceded to the EAC Treaty on 18th June, 2007 and became full Partners of the Community on 1st July, 2007. The Republic of South Sudan joined the Community on 15th April 2016 and became a full Partner on 15th August, 2016. The governing pillars of the EAC are: The Customs Union, which came into force in 2005; the Common Market, which came into force in 2010; the Monetary Union, which was signed in 2013 and will be implemented in 2024; and later, a Political Confederation. The EAC continues to consolidate key integration milestones, specifically the implementation of the Customs Union and the Common Market. Implementation of the EAC Monetary Union will commence in 2024, after which the Region will focus on achieving its last integration pillar, which is forming a Political Confederation. The ultimate objective of the EAC integration agenda is to widen and deepen the integration process to improve the socio-economic welfare of EAC citizens.

The EAC Partner States are endowed with valuable natural resources, which make the region attractive, lucrative and promising for business investment opportunities. These include abundant fertile arable land for subsistence and commercial farming; different precious minerals; oil and gas; water bodies including Lake Victoria, the second largest lake in the world, and Lake Tanganyika, the longest lake in the world. The Region also has rivers and ponds providing artisanal, industrial and deep-sea fishing opportunities in the Indian Ocean (in the Economic Exclusive Zone), especially harvesting of tuna and tuna species for export. Mount Kilimanjaro, the highest mountain in Africa, among others, are some of the best world tourist attractions together with national parks, game reserves, and world cultural and heritage sites.

With a mission to widen and deepen economic, political, social and cultural integration in order to improve the quality of life of the people of East Africa, the EAC encourages and promotes new and better ways of doing business. The EAC seeks to progressively transform into a single market that allows free movement of goods, persons, services, labour and capital, while guaranteeing rights to residence and establishment. Reviews of the relevant laws to ensure smooth operation of the EAC Common Market are ongoing in all Partner States.

1.2 EAC Regional Integration Initiatives

Review of the Regional Laws

The Customs Union remains a cornerstone of the EAC integration agenda. To continuously reposition EAC as a major player in international trade and strengthen intra-EAC trade, the region commenced the comprehensive review of the EAC Common External Tariff (CET) and the EAC Customs Management Act (CMA), 2004. Under the CET review, Partner States have adopted a four-band structure: 0 percent, 10 percent, 25 percent and a rate above 25 percent. Negotiations are on-going on the upper band as some are in favour of 30 percent while others prefer 35 percent. During the year under review, Partner States agreed that 547 tariff lines be assigned a rate above 25 percent. It is expected that the reviewed CET and the EAC CMA, 2004 will enhance trade facilitation and spur growth and economic development in the region. The Region also adopted a framework for the EAC CET e-Tariff tool kit.

Implementation of the Single Customs Territory

The Community has continued to implement the Single Customs Territory (SCT) that has enhanced interconnectivity of customs systems leading to maximized efficiency in Customs Administrations and other agencies. This has also seen the progressive implementation of the SCT regimes with a view to full roll out by October 2021. The region has accredited 135 operators under the Regional Authorized Economic Operator Programme, contributing 11 percent of revenue collected at regional level.

The region is also developing a regional customs bond, which will facilitate Partner States to secure customs duties and taxes for goods not accounted for while being transferred through the Partner States.

Establishment of One-Stop Border Posts

The region has established One-Stop Border Posts (OSBPs) as one of the initiatives to facilitate trade. As a trade facilitation measure applied at borders, the OSBP concept promotes a coordinated and integrated approach to facilitating trade, movement of people, and improved security. In an OSBP, border crossing formalities are undertaken at one place, through coordinated action by the regulatory agencies of adjoining jurisdictions. An OSBP eliminates the need for travellers and goods to stop twice at borders for border-crossing formalities, hence a significant reduction in border-crossing time and associated costs.

Thirteen (13) of the 15 borders earmarked to operate as OSBPs are complete, and 10 are operational. The operationalisation of OSBPs has resulted in a 79 percent saving in border crossing clearance time, from 14 hours to 1 hour 18 minutes (source: surveys conducted on 8 OSBPs by TMEA).

The region has identified 10 additional borders to operate as OSBPs. It has developed and started digitizing the OSBP Performance Measurement Tool to enhance collection and analysis of data for performance measurement purposes and dissemination of the findings to stakeholders

Trade Information Portals

As a means of facilitating trade and increasing transparency, EAC developed and launched a Trade Information Portal (TIP). TIP gives access to step-by-step guides on licenses, pre-clearance permits and clearance formalities for the most traded goods within, to and from the EAC.

The TIP is linked with national trade portals that present step-by-step the national import and export procedures in Burundi, Kenya, Rwanda, Tanzania and Uganda. For each step, the trade portal tells the user where to go, who to see, what documents to bring, what forms to fill, what costs to pay, what law justifies the step, and where to lodge a complaint in case of a problem. A central part of the TIP is the Trade Facilitation Index (TFI), which enables institutions engaged in trade facilitation to measure and compare the ease of importing and exporting, and the related administrative burden between EAC Partner States. The EAC trade information portal and trade information portals (TIPs) in Partner States are accessible at: <https://tradehelpdesk.eac.int/>.

Elimination of NTBs

EAC has in place mechanisms to report and resolve Non-Tariff Barriers (NTBs) through National Monitoring Committees established at the national level, and Regional Monitoring Committees which meet quarterly to deliberate and resolve NTBs in the Region. An EAC Time Bound Programme on the elimination of NTBs is embedded into the COMESA-EAC-SADC Tripartite web-based NTBs Monitoring System; and was operationalised in 2007. To date 230, NTBs have been resolved cumulatively.

Promotion of E-Commerce and MSMEs

E-commerce is a vital accelerator of economic growth and a great facilitator of trade through reduced cost of doing business, increased efficiency and increased access to foreign markets. In East Africa, however, e-commerce implementation and adoption is hampered by challenges such as low digital literacy, inadequate ICT infrastructure, lack of or inadequate policies and regulatory frameworks, among others. This notwithstanding, it is notable that most of the EAC Partner States are making efforts to address these barriers, enabling them to exploit the e-commerce potential for socio-economic development.

The EAC recognises the potential of ICT through a dynamic and functioning digital economy in contributing to socio-economic growth in the region. The EAC further recognises the

complexity of issues that need to be addressed to unlock and nurture e-commerce potential in the region, as well as the need to coordinate and harness capabilities of diverse stakeholder groups. EAC Secretariat also considers the need for an institutional coordination mechanism of regional e-commerce matters as vital for the success of e-commerce initiatives.

In this regard, the EAC Secretariat has conducted a comprehensive assessment of the Intra-EAC ecosystem in all the Partner States, covering e-commerce from the perspective of various stakeholders: government (policy makers and regulators), private sector (logistics and online marketplaces), and the postal sector, as key facilitators of e-commerce. The objective of this comprehensive assessment was to determine the status of Intra-EAC e-commerce in EAC, and generate actionable recommendations to guide further development of e-commerce in the region, with emphasis on Intra-EAC e-commerce. On the basis of the assessment, an EAC E-Commerce Strategy is being developed to address gaps and opportunities in key policy areas that have Intra-EAC effects such as regulatory frameworks, trade logistics/facilitation, payment systems, skills development, SMEs and gender issues.

The EAC, with support from GIZ, is developing the EAC E-Commerce Strategy based on the Comprehensive Assessment of the Intra-EAC E-Commerce Ecosystem in the EAC. The strategy will improve legal and regulatory frameworks, increase trust in digital trade, and contribute to enhanced capacities for growth.

Furthermore, the EAC Secretariat, in collaboration with Partner States, is developing an EAC Online Buyer-Seller Platform to bring to light products that are generated within the Region. It is envisaged that this Platform will contribute to the growth of intra-EAC trade, since it will increase the visibility of products by creating awareness and market for them. It will also provide the necessary space and conditions for the MSMEs to virtually showcase and sell their products.

COMESA-EAC-SADC Tripartite Free Trade Area Agreement

The Agreement establishing the COMESA-EAC-SADC Tripartite Free Trade Area (TFTA) was signed and launched by the 3rd Tripartite Summit of Heads of State and Government in June 2015.

To date, 22 of the 29 Tripartite Member States have signed the TFTA, the pending seven countries being Ethiopia, Eritrea, Lesotho, Mozambique, South Sudan, Tunisia and Somalia. The TFTA Agreement will come into force once ratified by 14 Member States. So far, 11 countries, including Egypt, Eswatini, Kenya, South Africa, Rwanda, Burundi, Uganda, Botswana, Namibia, Zambia and Zimbabwe have ratified it.

Negotiations are ongoing to conclude outstanding Phase I issues on tariff offers and product specific rules of origin. Phase II negotiations on Trade in Services and Competition Policy commenced in 2019, with the development of a draft Tripartite Protocol on Trade in Services and a draft Protocol on Competition Policy.

Negotiations on African Continental Free Trade Area

The Agreement establishing the African Continental Free Trade Area (AfCFTA) was signed and launched by the AU Assembly on 21st March, 2018 in Kigali, Rwanda. The Agreement contains Protocols on Trade in Goods, Trade in Services and Rules, and Procedures on the Settlement of Disputes. The AfCFTA Agreement aims at further deepening the integration of African economies, thereby enhancing industrialisation, intra-African trade, and the sustainable development of the continent as outlined in the African Union's Agenda 2063.

The EAC Partner States negotiated as a bloc and are among the 54 AU Member States that have signed the Agreement. The AfCFTA Agreement came into force on 30th May 2019, 30 days after 22 countries deposited their instruments of ratification. Thirty-Seven (37) countries had deposited instruments of ratification, including Kenya, Rwanda and Uganda.

Operationalisation of the Agreement was to commence on 1st January 2021. AfCFTA negotiations are ongoing to finalise the outstanding Phase I issues (tariff offers, rules of origin, schedules of services commitment and regulatory cooperation framework for trade in services). The agreement has an in-built mechanism for negotiations on Phase II issues (Competition Policy, Intellectual Property Rights and Investment, E-Commerce) which have commenced.

Private Sector Development

The Treaty establishing the East African Community prioritizes harmonization and rationalization of Partner States' investment initiatives and incentives aimed at promoting the Community as a single investment destination. The Treaty further provides for Partner States to undertake measures to improve the business environment through promulgation and implementation of appropriate investment policies and codes, alongside protecting property rights, removing barriers to investment, and developing the private sector. In that regard, the EAC Council of Ministers adopted an EAC Investment Policy to improve the EAC investment climate, attract investments, and promote the region as a single investment destination. The Policy provides for a regional investment promotion agenda that leverages the Community for competition for investors from Africa and the world. This is a key ingredient for economic growth in the region.

The Community also adopted an EAC Private Sector Development Strategy (PSDS) that aims at ensuring that the private sector plays a leading role in accelerating regional growth and development of EAC economies, and provides for interventions that strengthen and promote the role of the private sector as an effective force for the development of their respective economies.

Response to COVID-19 Pandemic

When the COVID-19 pandemic hit the region, the Secretariat in collaboration with Partner States allowed free movement of goods, especially essential goods and pharmaceutical products. This was in addition to Partner States imposing COVID-19 containment measures to reduce the spread of the pandemic. Trade had, however, been disrupted at the beginning of the pandemic due to lack of a coordinated approach to handling COVID-19 cases among cargo truck drivers at EAC borders. Witnessed at some border posts were long queues of trucks, extensive periods of waiting for COVID-19 results by truck drivers, as well as denial of entry into neighbouring Partner States for drivers testing positive for COVID-19.

To ease trade in spite of the pandemic, the Secretariat in collaboration with Partner States undertook the following initiatives:

- i. The establishment of the East Africa Regional Coordinatiolkikon Committee (EARCC) on COVID-19 to harmonise and develop regional approaches for handling the pandemic;
- ii. The development of EAC COVID-19 Administrative Guidelines to facilitate movement of goods and services in the Community;
- iii. Convening of a joint consultative Multi-Sectoral Meeting of Ministers of Health, Trade and Transport to resolve issues that affected smooth movement of goods in the Community;
- iv. The development of a COVID-19 Economic Recovery Plan to be adopted and implemented by Partner States;
- v. Development of a Regional Electronic Cargo and Drivers Tracking System to allow easy movement of cargo truck drivers; and
- vi. Planned development of an EAC Pass to be linked to national systems to avail real-time data for EAC members cleared as COVID-19-free and for traveling within the Region.



1.3 Macroeconomic Development

1.3.1 Global Economic Outlook

The COVID-19 pandemic has deeply shocked the world economy and global investment plummeted accordingly. However, a deeper look at the data published in the FDI Report, 2021 reveals the different nuances of the narrative, and provides valuable guidance for years to come.

The Global Foreign Direct Investment (FDI) flow decreased by 37 percent in 2020 from US\$1.54 trillion in 2019 to below US\$1 trillion for the first time since 2005. In 2020, both the number of FDI projects and capital investment in FDI declined by a third from 2019 levels. FDI Markets recorded 11,223 projects compared with 16,816 recorded in 2019. They mobilised US\$528.2 billion, down by 34 percent from the previous year, while the number of jobs created fell by 40 percent to 1.36 million in the period (FDI report, 2021). Likewise, the global economy contracted to 3.5 percent in 2020 compared with a 2.8 percent growth rate achieved in 2019 (IMF, 2021). Although vaccine approvals have raised hopes of a turnaround in the pandemic, changing waves and new variants of the virus pose concerns for the outlook.

FDI inflow to North America declined by 46 percent to US\$166 billion in 2020, with Intra-EAC mergers and acquisitions dropping by 43 percent. Greenfield investment projects also fell by 29 percent, and project finance deals tumbled by 2 percent. FDI inflows to the USA amounted to US\$61 billion, down from US\$ 246 billion in 2019 (-503.2%), though it retained its spot as the top destination country (UNCTAD's World Investment Report 2020).

Asia-Pacific was the top destination for FDI worth US\$162.2 billion in 2020, despite a 37 percent decline compared to US\$222.2 billion in 2019. China was the largest recipient of FDI in 2020 as the coronavirus outbreak spread across the world during the year. However, India overtook China and emerged as the top destination for FDI in the Asia-Pacific region by project numbers, with a total of 372 projects in 2020 compared with 359 projects registered in China. India accounted for 15 percent of the regional market share (FDI report, 2021).

Foreign investors announced 5,102 projects in Europe in 2020, which represents a 30 percent decline from 2019. Capital investment also declined by 18 percent to US\$177.3 billion in the same period. FDI inflow to Western Europe was US\$221.5 billion. Likewise, FDI projects in Western Europe fell to 4,157 in 2020, down by 31 percent from 2019. The region attracted the highest number of FDI projects, accounting for 49 percent of FDI projects globally (FDI report, 2021). However, FDI projects in Japan decreased to 197 in 2020, a 14 percent decline from 2019 (FDI report, 2021).

The United Kingdom (UK) was the top destination for FDI in Europe in 2020, with a total of 868 projects. This represented an overall regional market share of 17 percent, despite a 35 percent decrease in the number of projects in 2019. Capital investment into the UK increased to US\$34.4 billion in 2020, up by 6 percent from 2019 (FDI report, 2021). Germany was the second most attractive destination in Europe for FDI in 2020, recording 733 projects, equating to 14 percent of the market share. Capital investment into Germany was US\$22.8bn in 2020, an increase of 2 percent since 2019 (FDI report, 2021).

The data show that all economies contracted, except China, which grew by 2.3 percent in 2020. Furthermore, global real GDP growth slipped by 2.5 percent in 2019 to US\$87.35 trillion. A substantial drop of the GDP growth rate to approximately 3 percent was experienced in 2020, at US\$84.54 trillion in the face of the COVID-19 pandemic.

Likewise, all developed economies experienced slower growth over the year, despite improvements in the China-US trade relations, and optimism over the economic impact of a no-deal Brexit. Emerging Markets and Developing Economies also shrank in economic growth in 2020 with China growing at the rate of 2.3 percent due to early containment measures taken to prevent the spread of the disease and quick resumption of economic activities after an economic shutdown. India's economy shrank by 7.3 percent.

Despite the slowdown in global economic growth, Sub-Saharan Africa countries including big economies such as South Africa, experienced a smaller economic shrink (1.8 percent) in 2020 compared with 3.2 percent in 2019. Key measures undertaken during the year to mitigate economic challenges included quantitative easing, boosting consumer spending and stronger regional integration, and reforming economic policy frameworks to enhance resilience and inclusiveness. Intra-EAC collaboration particularly on investment promotion and development of global value chains will support improved economic activity and a global rule-based trading system. Policy priorities that focus on mitigating climate change and strengthening resilience will also ensure that gains are widely shared, especially through access to education, health care and employment. Developing economies saddled with high debt would need to broaden the revenue base and reduce subsidies to achieve the objectives under the United Nations Sustainable Development Goals (SDGs [IMF, 2021]).

The communication sector Intra-EAC capital investment grew to US\$56 billion in 2020, a 41 percent increase from 2019. The biotechnology sector experienced a significant increase in capital investment of 88 percent from 2019 (FDI report, 2021). An estimated 12,852 jobs were created in this sector in 2020, rising from 8,086 in the previous year. Despite a drop-in capital investment and the number of projects announced, the medical devices sector created more jobs in 2020. The global hotels and tourism sector recorded 174 projects, which is a 67 percent decline in FDI projects, compared with 2019 when companies announced 522 projects.

The semiconductors sector saw a large increase in capital investment in 2020, with a rise of 70 percent from 2019. However, job creation more than halved, falling from 16,356 in 2019

to 7,967 in 2020. Capital investment in the global textiles sector dropped by 56 percent in 2020 from the previous year, while project activity and jobs created fell by 57 percent and 70 percent, respectively, in the period (FDI report, 2021). Surprisingly, the consumer products sector witnessed a 13 percent rise in capital investment in 2020. In stark contrast, the consumer electronics sector recorded a sharp decline. Globally, project activity in the latter sector dropped by 54 percent in 2020 from a year earlier.

The software and IT services sector attracted the most projects in 2020, with 2,226 investments secured, representing a market share of 20 percent. This was however a 28 percent decrease in projects from 2019. The sector also experienced a 28 percent fall in the number of jobs created during the period. In 2020, the global renewable energy sector replaced the coal, oil and gas sector in the top spot for capital investment. Whereas the renewable energy sector saw a drop of about 13 percent during the period, it still mobilised US\$101 billion in FDI. On the other hand, the coal, oil and gas sector experienced a 62 percent drop from a year earlier. The number of FDI projects in the healthcare sector dropped by 79 percent in 2020 (US\$1,260) from US\$6,000 in 2019. Capital expenditure and job creation also fell by 68 percent and 82 percent respectively during the period.

The aerospace sector faced turbulence in 2020. Measured by project activity, the sector experienced its worst year since 2004. The automotive Original Equipment Manufacturer (OEM), automotive components, and non-automotive transport OEM all experienced similar project declines, drops in capital investment levels and the number of jobs created (FDI report, 2021).

Table 1.1: Summary of Global Output Growth 2015-2020 (percentage change)

Economic Group or Region	2015	2016	2017	2018	2019	2020
Global	3.1	3.1	3.8	3.6	2.8	-3.5
Developed Economies	1.9	1.7	2.3	2.2	1.6	-4.9
USA	2.4	1.6	2.3	2.9	2.2	-3.4
Euro Area	1.7	1.7	2.4	1.9	1.3	-7.2
United Kingdom	2.2	1.8	1.7	1.4	1.4	-10.0
Japan	0.5	1.0	1.8	0.3	0.3	-5.1
Emerging Market and Developing Economies	4.0	4.1	4.7	4.5	3.6	-2.4
China	6.9	6.7	6.8	6.6	6.0	2.3
India	7.6	6.8	6.7	6.8	4.2	-8.0
Middle East and Central Asia	2.3	3.9	2.5	1.8	1.4	-3.2
Sub-Saharan Africa	3.3	1.4	2.7	3.2	3.2	-2.6
South Africa	1.3	0.3	0.9	0.8	0.2	-7.5

Source: IMF, World Economic Outlook, January 2021

1.3.2 Africa Economic Outlook

Economic activities in Africa were constrained in 2020 by the unprecedented COVID-19 pandemic. As such, the real GDP in Africa contracted by 2.1 percent. Projected recovery from the worst recession in more than half a century will be underpinned by resumption of tourism, a rebound in commodity prices, and the rollback of pandemic-induced restrictions. The outlook is however subject to great uncertainty from external and domestic risks (AfDB, 2021).

Although all economies in Africa were affected by the pandemic, tourism-dependent economies, oil-exporting economies, and other-resource intensive economies were the most significantly affected. Tourism-dependent economies are projected to recover from an 11.5 percent GDP decline in 2020. For the non-resource-intensive countries, output shrank by 0.9 percent in 2020 (AfDB, 2021). The average GDP declined by 2.1 percent in 2020, with projected recovery to 3.4 percent growth in 2021. East Africa seems to be the most resilient region, as it is relatively less reliant on primary commodities and has greater diversification.

GDP in West Africa grew at a constant rate of 3.6 percent in 2019 and 2020, which was better than 2018 at 3.3 percent. Central Africa's real GDP contracted by 0.1 percent in 2020 (AfDB, 2021)

Growth in East Africa was buoyed by strong growth in the Republic of Djibouti, Federal Republic of Ethiopia, Republic of Kenya, Republic of Rwanda, Republic of South Sudan, United Republic of Tanzania and Republic of Uganda. East Africa was the fastest growing region in Africa, although its real GDP slipped marginally from 5.2 percent in 2018 to 5 percent in 2019 due to the outbreak and continuing spread of COVID-19. The region's growth was driven by strong public spending in infrastructure, rising domestic demand, the benefits of improved stability, new investment opportunities and incentives for industrial development across countries.

1.3.3 EAC Macro Economic Performance

Republic of Burundi

The Republic of Burundi fell into a recession in 2020, largely due to the effects of the COVID-19 pandemic. Real GDP contracted by 3.3 percent, after growing at 4.1 percent in 2019. The pandemic hit the manufacturing industry hard, leading to a 4.5 percent decline in output and services, which fell by 1.8 percent compared with 2019. On the demand side, investment fell by approximately 3 percent. A decline in agricultural production combined with rising prices of imported products resulted in a sharp rise in domestic prices. Inflation rose by 8.5 points to 7.6 percent in 2020, compared to negative 0.7 percent in 2019. The budget deficit doubled to 8.7 percent of GDP in 2020, compared with 4.2 percent in 2019, as current expenditures shot up to about 4 percent. Because weak global demand caused a 4.4 percent decline in coffee export prices, and a 10.4 percent decline in tea export prices, trade and current account deficit shot

up. The current account deficit was 19.1 percent of GDP compared to a deficit of 17.8 percent in 2019. That resulted in a reduction in foreign exchange reserves, which could cover less than 30 days of imports at the end of 2020. The exchange rate between the Burundian Franc and the US dollar fell by 3.8 percent between May 2019 and May 2020 (AfDB, 2021)

The Republic of Burundi's public debt is 70 percent domestic and has risen sharply since 2015, when civil unrest caused external funding to dry up. In 2020, public debt represented around 63.7 percent of the GDP, while external debt was 18.4 percent of the GDP. The external debt was 36 percent in 2012 when Burundi satisfied the criteria for the full amount of debt relief available under the Heavily Indebted Poor Countries initiative (HIPC). Due to the structural trade deficit and the continued increase in domestic debt linked to persistent budget deficits, Burundi's risk of debt distress remained high. The implementation of a comprehensive reform of public finances aimed at achieving a balanced budget over time is a key priority for public debt sustainability.

Republic of Kenya

The economy of the Republic of Kenya was hit hard by the novel coronavirus pandemic. In 2020, GDP growth decelerated by 0.3 percent from the revised 4.9 percent in 2019. The agriculture sector strongly supported economic growth, while the services and industry sectors had diminishing effects. While domestic demand was restrained, external demand neither helped nor hurt growth. Expansionary fiscal, monetary and financial policy measures were introduced to mitigate the impact of the pandemic on businesses and households. Inflation eased to 5.4 percent because of lower aggregate demand.

The fiscal deficit widened to 8.3 percent of the GDP in 2020 as a result of revenue shortfalls and increased pandemic-related spending to deal with health issues and mitigate damage to household income and businesses. The current account deficit was narrowed to 4.6 percent of the GDP, supported by a sharp reduction in the oil import bill.

Foreign exchange reserves declined to US\$8.3 billion, a 5.1 months of import cover at the end of December 2020 from US\$9.1 billion, which is a 5.5 months of import cover at the end of December 2019. The local currency weakened by 7.7 percent to KSh 109.17 to the US dollar at the end of December 2020, from KSh 101.34 to the dollar as at the end of December 2019. Similarly, on average, the local currency weakened by 4.4 percent to KSh 106.47 to the US dollar in 2020, from KSh 101.99 to the dollar in 2019. The financial sector was affected by spill-over effects from major sectors; with the capital market hardest hit. The Nairobi Securities Exchange share index reduced by 29.6 percent from 2,654 points as at December 2019 to 1,868 points as at December 2020, while market capitalization fell by 8.0 percent over the same period. The pandemic caused serious social damage as well.

Public debt surged by 57.7 percent of GDP in 2020 from 54.1 percent in 2019, driven mainly by public investment in infrastructure, debt management-related challenges, and the COVID-19

crises. The Republic of Kenya is at a high risk of debt distress as determined by the International Monetary Fund (AfDB, 2021). Addressing the emerging fiscal and debt vulnerability risks require growth-friendly reforms, soliciting external financial assistance, concessional credit, and debt refinancing and restructuring. The growth-friendly reforms could entail revenue-related steps to improve tax compliance, widening the tax net by reviewing the list of tax-exempt and zero-rated items, formalising the informal sector, ensuring that public expenditure reaches its intended targets, and deepening the domestic financial market to support private and public sector credit growth.

Republic of Rwanda

Due to the COVID-19 pandemic, real GDP in the Republic of Rwanda contracted by 2.3 percent in 2020, from a 9.4 percent growth in 2019. Sectors such as trade, transportation, and tourism services were the most affected by the global COVID-19 pandemic which also disrupted investments and exports. Rising food prices, stoked by disruptions to regional and domestic supply chains, contributed to a 6.6 percent increase in inflation in 2020. That was far higher than the 2.4 percent in 2019 and breached the central bank's 5 percent policy target. The National Bank of Rwanda reduced the key policy lending rate to 4.5 percent in April 2020 from 5.0 percent in 2019 to stimulate growth, but private sector credit remained subdued, expanding by 10.2 percent in 2020, compared with 12.6 percent in 2019.

Low tax yield and elevated health and social protection spending caused a fiscal deficit growth of 8.3 percent of the GDP in 2020, compared with 7.3 percent in 2019. The deficit was financed by COVID-19 budget support loans and grants from cooperating partners. Low exports and reduced foreign direct investment resulted in a current account deficit equivalent to 16.5 percent of the GDP in 2020, compared with 9.3 percent in 2019. Gross reserves shrank in 2020 and could cover 2.4 months of imports, compared with a cover of 4.5 months in 2019. Low external inflows contributed to a 4.6 percent depreciation of the Rwandan Franc against the US dollar.

The financial sector remains stable and well capitalised, with a capital adequacy ratio of 23.7 percent in June 2020, above the 15 percent regulatory threshold. The latest available data shows an unemployment rate of 22.1 percent in May 2020, compared with 15 percent a year earlier. Unemployment growth reflects the virtual shutdown of major industries like transport, food and hospitality during the lockdown, and is likely to increase the country's poverty level.

The COVID-19 crisis caused an increase in health-related spending and a decline in tax revenues, resulting in an increase in public debt to 66 percent of the GDP in 2020. An urgent fiscal adjustment to a safe debt ratio of 65 percent of the GDP is required to avoid the risk of slipping into high debt distress. The planned transition to the private sector-led growth, the use of blended finance and de-risking strategies to fund infrastructure projects, drawing on reserves, and renegotiating debt will help avoid overburdening the public balance sheet. Capacity building in the management of fiscal risks from private-public partnerships should be prioritised to support a fiscal consolidation strategy.

The Republic of South Sudan

The nascent economic recovery of the Republic of South Sudan driven by the 2018 Revitalized Peace Agreement, rising oil prices, and a resumption in oil production was derailed in 2020 by locust invasions, floods and the COVID-19 pandemic. Economic activities were disrupted by measures to contain the spread of the pandemic, such as social distancing, restrictions on movement of people and business operating hours. The service sector, which accounts for 6.1 percent of the GDP, was particularly hard hit. The oil sector, which accounts for 70 percent of the GDP, and more than 90 percent of public revenue, was damaged by the collapse of global oil prices. Public and private consumption, the key growth drivers of demand in 2019, were also hurt by the pandemic (AfDB, 2021).

On the other hand, floods and locusts hammered the agriculture sector, which accounts for 15 percent of the GDP and employs 80 percent of the population. The real GDP growth declined by 3.6 percent in 2020 after expanding by 7.4 percent in 2019. The impact of the above problems, coupled with monetisation of the government budget deficit and currency depreciation, increased inflation to about 31.1 percent in 2020 from 24.5 percent in 2019.

The South Sudan Pound (SSP) depreciated by 10 percent in November 2020, from SSP 176 per US dollar in November 2019. Falling global oil prices have reduced government revenue by 40 percent, increasing the fiscal deficit to 4.9 percent of the GDP in 2020 from 2.5 percent in 2019. Reduced oil export receipts and a slowdown in financial inflows, mainly remittances and FDI, widened the current account deficit to 4.5 percent of the GDP in 2020 from 2.7 percent in 2019. Similarly, banking, which dominates the financial sector, was affected by COVID-19 containment measures. Credit to the private sector, which fell by 20 percent in 2019, dropped another 40 percent in 2020, reflecting subdued economic activity and high cost of finance. The economic slowdown is also expected to aggravate poverty and unemployment, with disproportionate effects on youth and women. A peace dividend and the projected rebound in oil production and exports will support partial economic recovery, with real GDP expected to grow by 0.1 percent in 2021.

The debt risk rating of the Republic of South Sudan improved from debt distress to high risk in October 2020. This was due to the restructuring of the country's commercial debt with Qatar National Bank, which accounts for 46 percent of external debt. Debt restructuring and clearance of arrears owed to Sudan also helped reduce external debt to an estimated 28.3 percent of the GDP in 2020 from 38 percent in 2019. Commercial loans accounted for 81 percent of the total external debt as of June 2020, followed by multilateral (8 percent) and bilateral (11 percent) loans. While focusing on domestic resource mobilisation is important, the government should also expand the fiscal space by enhancing fiscal transparency, accountability and reporting. Improving the transparency of resource-backed loans, and building the capacity to design and implement prudent macroeconomic policies will support debt sustainability in the medium to long term. Reforms to accelerate economic diversification and reduce reliance on oil are equally important. Institutional and capacity limitations are the key challenges to implementing such reforms. Gross reserves were equivalent to less than one month of imports in 2020, and too low to be an alternative source of financing in the short term (AfDB, 2021).

United Republic of Tanzania

GDP grew by 4.8 percent in 2020 compared with a growth rate of 7.0 percent in both 2019 and 2018. The slow growth largely reflects the impact of COVID-19 pandemic. The decrease is much less severe due to measures taken of not locking down economic activities in the country. Growth was mainly driven by construction, agriculture, transport and storage, and manufacturing activities.

Monetary policy has been accommodative to support credit and economic growth, with a reduction in the policy rate from 7 percent in August 2019 to 5 percent in May 2020. Inflation fell to 3.3 percent in 2020 from 3.5 percent in 2019, due to a steady decline in food prices. Exchange rates remained stable, partly due to the Bank of Tanzania's interventions to ensure stability in the foreign exchange market.

The government's fiscal consolidation has helped to reduce recurrent expenditures, but the adverse effect of COVID-19 on revenues increased the fiscal deficit slightly from 2.0 percent of GDP in 2019 to 2.3 percent of GDP in 2020—which is still lower than the government's target of 5 percent. The deficit was financed largely by domestic borrowing.

The external sector exhibited modest performance during 2020, despite challenges of global spillover effects of COVID-19. The current account deficit improved to 1.8 percent of the GDP from 2.9 percent in 2019 due to good performance in exports, particularly gold exports and manufactured goods. During the same period, imports declined by 6.0 percent to US\$ 8,516.5 million in 2020 from US\$ 9054.7 in 2019, supported by low oil prices in the world market. Foreign exchange reserves amounted to US\$ 4,767.7 million as at end of December 2020, sufficient to cover 5.6 months of projected imports of goods and services. The import cover was above the country benchmark of not less than 4.0 months and convergence criterion of at least 4.5 months for EAC.

The quality of assets of banks improved as indicated by a decline in the ratio of non-performing loans (NPLs) that reached 9.3 percent in 2020, from 9.8 percent in the corresponding period of 2019. The country continued to implement measures to reduce NPLs towards the desired level of 5 percent including enforcement of risk-based prudential requirements and requiring banks to improve credit underwriting standards using credit information reports from Credit Reference Bureaus, among others. Mainly because of liquidity constraints in the private sector and the effect of COVID-19 on sectors with high employment potential, notably tourism, agriculture and manufacturing (AfDB, 2021). Despite the challenges, the country managed to attain middle income status.

The total public debt stood at 39.2 percent of the GDP in October 2020, with external debt accounting for 73.0 percent. Domestic public debt increased slightly to 27 percent in October 2020, partly because of increasing financing needs. Increased public spending requirements and a reduction in grants increased the financing needs to 2.8 percent of the GDP in 2020.

Large financing needs increased non-concessional debt to 1.7 percent of the GDP in 2020. Also, the risk of external public debt distress is low, but the pandemic is likely to increase vulnerabilities caused by reduced public revenue and decreased capacity for concessional borrowing. Maintaining debt sustainability will require that debt financing costs be kept low, increasing exports and improving domestic resource mobilisation to substitute expensive commercial debt. Furthermore, the government can benefit from innovative development financing mechanisms such as equity financing of public investments, creation of an asset class for public projects, and increased use of public-private partnerships. Gross reserves at US\$4.5 billion, or 5.6 months of imports in November 2020, were below the EAC target of 6 months.

Republic of Uganda

The COVID-19 pandemic and subsequent lockdowns to prevent the spread of the virus damaged Uganda's economy. Real GDP declined by 0.5 percent in 2020, after growing by 7.5 percent in 2019. The tourism and hospitality sector was severely hurt by global travel restrictions and local containment measures. Other sectors that were adversely affected include manufacturing, retail and wholesale trade, and education.


The Bank of Uganda reduced to 8 percent the policy lending rate in April, then to 7 percent in June, to provide stimulus to businesses. Nevertheless, the Central Bank kept inflation at 3.8 percent, well under the 5 percent medium-term target. The fiscal deficit widened to 6.6 percent in 2020 from 5.2 percent in 2019 as the government directed spending towards public health, including increased testing and Intra-EAC surveillance of COVID-19.

The government also provided support to business, but overall, the economy remained subdued, reducing tax revenues. Government borrowing increased to cover revenue shortfalls. The nominal debt-to-GDP ratio rose to 46.2 percent in 2020 from 35.6 percent in 2019. The financial sector has come under increasing pressure as a result of the decline in economic activities. Non-performing loans rose, and private sector credit slowed. Non-performing loans increased to an average of 5.5 percent of gross loans in 2020 from 4.2 percent a year earlier. Between May and October, credit expansion grew by 8 percent, compared with 15 percent between January 2018 and May 2019.

Although debt levels continue to rise, Uganda has prudently managed its debt, currently classified as low risk of debt distress. However, with the slowdown in the economy in 2020, the government increased its financing needs. The stock of total public debt grew from US\$ 13.57 billion at the end December 2019 to US\$ 18.22 billion by the end of December 2020, representing an increase of 34.2 percent. Of this, external debt was US\$ 11.73 billion, while domestic debt was US\$ 6.49 billion. Measured in present value terms, the stock of public debt amounted to 42.0 percent of GDP, up from 26.9 percent the previous financial year.

These levels are sustainable but leave little room to accommodate adverse shocks. A key concern is the rise in interest payments, 22 percent of domestic revenues in 2020–2021, driven

by an increase in non-concessional borrowing. To maintain debt sustainability, Uganda must prioritize concessional financing and limit non-concessional financing to high-return projects. In the medium term, authorities will need to strengthen domestic resource mobilization and continue to improve the business environment to make the country attractive to foreign and local investors.



**TEMPORARILY
CLOSED**
COVID 19

CHAPTER 2: TRENDS AND PROSPECTS



2.1 Global Merchandise Trade Trends

Merchandise trade generally slowed down in 2020 due to the impact of the COVID – 19 pandemic that hit the whole world. However, trade had slowed down even before the virus struck. The world merchandise export value fell from US\$19.01 billion in 2019 to US\$17.58 billion in 2020, which in terms of volumes was a 5 percent decline. World merchandise imports declined from US\$19.28 billion in 2019 to US\$17.81 billion in 2020. The decline in volume terms was from 110 tonnes in 2019 to 103.9 tonnes in 2020.

Figure 2.1: World Merchandise Trade (in US\$ billion)



Source: WTO, 2021

2.2 Africa Export and Imports of Goods

Total trade in Africa in 2020 decreased by 16 percent to US\$885.97 million compared to US\$1054.68 in 2019. Almost similar to the world trend of merchandise trade performance, Africa had a noticeable decline in exports for 2020, at 20.31 percent to US\$375.34 million from US\$471.01 million in 2019. Imports declined by 12.51 percent to US\$510.63 million in 2020 compared with US\$583.67 million in 2019. There has been a trade balance deficit since 2014, with a record low in 2020. The decline in trade was generally due to measures taken by different economies to contain COVID-19 pandemic.

Table 2.1: Merchandise Trade in Africa (US\$ million)

Product/ Sector	Partner Economy	2015	2016	2017	2018	2019	2020	% Change
Export	World	394.33	361.86	429.38	498.25	471.01	375.34	-20.31
Import	World	563.69	498.84	521.39	586.42	583.67	510.63	-12.51
Total Trade	World	958.02	860.7	950.77	1,084.67	1,054.68	885.97	-16
Balance	World	-169.35	136.98	-92	-88.17	-112.67	135.29	20.08

Source: WTO, 2021

2.3 EAC Regional Trade in Goods

The East African Community offers a large market for merchandise with a remarkably big population of consumers. The Region has a high demand for intra-regional and extra-regional trade in goods with the rest of the world. The EAC has undertaken a number of measures to boost trade. The Customs Union Protocol aims at furthering liberalisation of trade in goods within the region, promoting intra-regional production efficiency, enhancing investment, and promoting economic development and industrial diversification. In this regard, Partner States agreed to cooperate in implementing trade facilitation measures by simplifying, standardising and harmonising trade information and documentation.

In 2020, the total trade for the EAC region fell by 6.08 percent to US\$51,915 million from US\$55,278.2 million in 2019. In the same period, total EAC exports rose by 3.15 percent to US\$16,257 million from US\$15,938 million in 2019. The increase was caused by the rise in EAC exports to UAE (United Arab Emirates) and UK. The total intra-EAC exports decreased by 7.37 percent in the same year. Conversely, total EAC imports decreased by 9.77 percent to US\$35,658 million in 2020 from US\$39,517.5 million in 2019. The relative decline in imports between 2019 and 2020 resulted from the COVID-19 pandemic, which reduced import trading activities with partners, especially China, India, and the EU, which were mostly affected by the pandemic.

Total EAC imports, and intra-EAC imports (transfers) in 2020 decreased by 9.77 percent and 3.71 percent, respectively. Import from blocs like SADC and COMESA declined adversely. In the year under review, imports from the rest of Africa drastically dropped by 55.65 percent. EAC Partners States imported goods mainly from the USA, UAE, UK, India and China. Total intra-EAC trade (transfers) and total trade decreased by 5.55 percent and 6.08 percent respectively. The relative decline in imports in 2020 was a result of the COVID-19 pandemic which reduced trading activities with import partners, especially China, India and the EU.

Notably, EAC exports to the United Kingdom and United Arabs Emirates amidst the pandemic increased by 12.29 percent and 58.43 percent respectively. The increase was attributed to the eased access to these markets on specified products, and the bilateral strategic approaches adopted by Partner States. Export trade with major African regional trading blocs such as SADC and COMESA was adversely affected in 2020 due to COVID-19 containment measures. Likewise, total exports to the rest of the world declined by 46.82 percent accounting for US\$3,445.80 in 2020, from US\$6,476.50 million in 2019.



Table 2.2: EAC-Total Trade Flows, 2015-2019 (US\$ million and percentage change)

Trade Flow	Destination/Origin	2015	2016	2017	2018	2019	2020	% Change	
								2019	2020
Exports	Total EAC Exports	16,819.60	13,877.20	14,143.50	14,213.80	15,760.80	16,257	10.88	3.15
	Intra-EAC Total Exports	2,823.00	2,631.40	2,977.40	3,170.50	3,162.80	2,929.60	-0.24	-7.37
	COMESA	2,335.50	2,579.30	2,624.80	2,523.00	1,538.20	1,230.20	-39.03	-20.02
	SADC	1,496.50	1,843.40	2,105.70	2,192.10	2,193.30	78.6	0.05	-96.42
	Rest of Africa	606	799.6	328.5	268.9	260.6	42.5	-3.09	-83.69
	EU	2,398.80	2,347.90	2,378.00	2,450.70	2,280.90	1,918.80	-6.93	-15.88
	UK					446	500.8		12.29
	UAE					2,164.70	3,429.60		58.43
	India					978.6	664.4		-32.11
	China					422.6	420.8		-0.43
	Japan					125.2	106		-15.34
	USA	521.9	667.4	751.2	600.1	623.6	573.4		-8.05
	Total Exports to Rest of the World	6,054.10	5,932.10	5,394.90	5,282.80	6,479.50	3,445.80	(2.1)	46.82
	Intra-EAC % share to Total Exports	20.26	16.83	21.05	22.31	20.07	18.02		
	COMESA % share to total exports	13.89	14.88	18.56	17.75	9.76	7.57		
	SADC % share to total exports	8.9	10.37	14.89	15.42	13.92	0.48		
	Rest of Africa % share to total exports	3.6	4.93	2.32	1.89	1.65	0.26		
	EU % share to total exports	14.26	14.42	16.81	17.24	14.47	11.8		
USA % share to total exports	3.1	4.11	5.31	4.22	3.96	3.53			
Total exports to Rest of the World % share to total exports	35.99	34.46	38.14	37.17	41.11	21.2			
Imports	Total EAC Imports	36,632.80	30,462.30	34,230.10	37,066.40	39,517.50	35,658	6.61	-9.77
	Intra-EAC Total Imports	2,524.4	2,181.0	2,484.4	2,843.0	3,175.8		14.4	11.7
	COMESA	1,038.3	1,068.9	1,540.0	1,598.6	1,401.4		3.8	(12.3)
	SADC	2,527.8	1,648.0	2,075.5	2,015.7	2,451.8		(2.9)	21.6
	Rest of Africa	84.7	103.0	91.5	206.3	338.9		125.6	64.3
	EU	5,287.8	4,061.1	4,138.2	4,302.3	4,445.6		4.0	3.3
	USA	1,794.9	868.9	922.5	940.7	1,142.7		2.0	21.5
	UAE					3,460.50	2,432.10		-29.72
	UK					506.5	402.6		-20.51
	India					4,211.30	4,118.40		-2.21
	China					7,702.30	7,165.80		-6.97
	Japan					1,804.10	1,572.60		-12.83
	Total Imports to Rest of World	23,492.20	21,115.10	24,114.50	25,997.70	26,822.00	8,400.40	3.1	-219.3
	Intra-EAC % Share to Total Imports	6.6	8.1	7.3	7.7	8	8.6		
	COMESA % Share to Total Imports	2.8	4	4.8	4.3	3.5	3.8		
	SADC % Share to Total Imports	6.9	6.1	7.5	5.4	6.2	3.8		
	Rest of Africa % Share to Total Imports	0.2	0.4	0.3	0.6	0.9	0.4		
	EU % Share to Total Imports	14.4	15.1	12.9	11.6	11.2	11.2		
USA % Share to Total Imports	4.9	3.2	2.9	2.5	2.9	2.7			
Total imports from Rest of World % Share to Total Imports	64.1	63.1	64	70.1	67.9	23.6			
Total intra EAC Trade	5,347.40	4,812.40	5,461.80	6,013.50	6,338.60	5,987.60	5.41	-5.54	
Total Trade	53,452.30	43,161.40	46,892.80	51,280.30	55,278.20	51,915.00	7.8	-6.08	

Source: National Statistics Offices and Revenue Authorities of Partner States

Notes: (1) COMESA excludes Burundi, Kenya, Rwanda and Uganda (2) SADC excludes Tanzania

2.4 Country Specific Trade in Goods



2.4.1 Republic of Burundi

Burundi's International Trade

The mainstay of the economy of the Republic of Burundi is the Agricultural Sector. The country's main export crops are coffee and tea, the production and export of which the country is encouraging privatisation. Moreover, Burundi has a variety of mineral resources with nickel being the most dominant. The country is moving towards a competitive and diversified economy with enhanced opportunities for productive employment and improved standards of living. Apart from being a member of the EAC, it is also a member of COMESA and the Economic Community of Central African States (ECCAS); hence her trade policy is inclined towards increasing access to markets, especially through regional integration.

Burundi's Total Trade in Goods

In 2020, Burundi's total trade decreased by 7.9 percent to US\$840.1 million from US\$913.2 million in 2019. This decline is attributed to the impact of COVID-19.

Burundi's Export Trade in Goods

In 2020, total exports in trade in goods showed a decrease of 24.25 percent to US\$154.1 million from US\$203.4 million in 2019. The decline was due to the slowdown of trading activities in the global market as a result of the COVID-19 pandemic. Burundi's main exports in goods include coffee, tea, cotton, hides and skins.

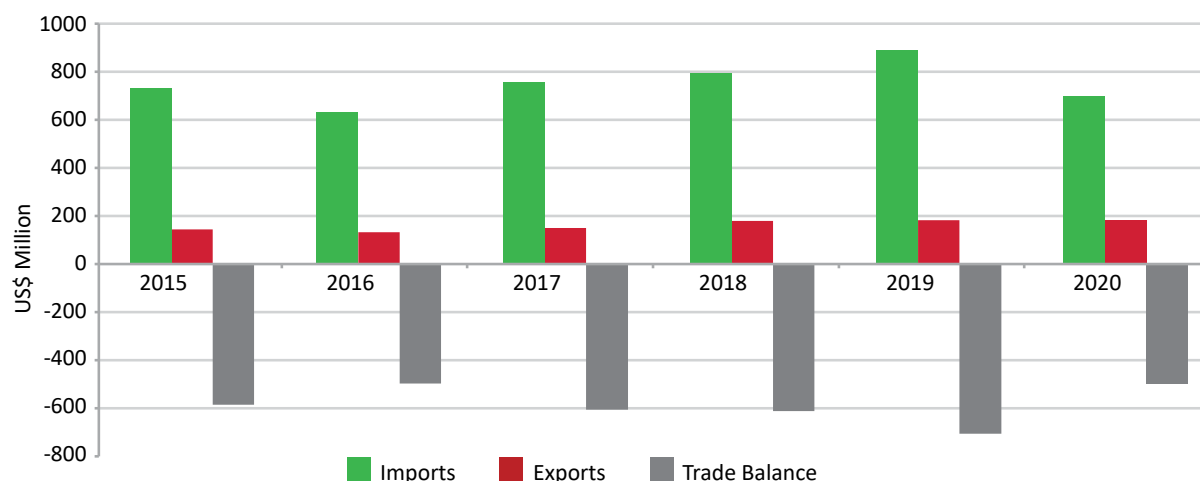
Burundi's Main Export Partners

The main export partners for Burundi are Switzerland and Pakistan. Other export markets include Belgium, United Kingdom, Rwanda, Uganda and Egypt.

Burundi's Imports

In 2020, Burundi's total imports slightly decreased by 2.59 percent, at US\$909.81 million, from US\$934.00 million recorded in 2019. The main imports into Burundi included refined petroleum, packaged medicaments, cement, raw sugar and automobiles.

Figure 2.2: Burundi's Imports/ Exports and Trade Balance, 2015-2019 (US\$ million)



Source: Burundi National Bureau of Statistics, 2021

Burundi's Exports to EAC Partner States

Burundi's exports to the EAC declined by 16.41 percent from US\$14.6 million in 2019 to US\$12.2 million in 2020. Most of the country's exports in the region went to Tanzania at US\$6.65 million and Kenya to the tune of US\$3.9 million.

Table 2.3: Burundi's Exports to EAC Partner States 2015-2020 (US\$ million)

Country	2015	2016	2017	2018	2019	2020	% Change
Kenya	1.40	2.50	3.30	2.20	2.60	3.90	49.82
Uganda	3.90	3.50	3.90	3.70	6.30	1.64	-74.03
Tanzania	2.10	1.10	0.90	2.00	3.20	6.65	107.88
Rwanda	5.20	5.20	1.40	2.30	2.50	0.02	-99.18
TOTAL EAC	12.60	12.30	9.50	10.20	14.60	12.20	-16.41

Source: Burundi National Bureau of Statistics, 2021

Domestic Exports by Destination

The overall domestic export earnings for Burundi decreased by 24.57 percent to US\$153.42 million in 2020, from US\$203.40 million in 2019. The decrease was attributed to a decline in coffee production. Table 2.4 is a summary of the relevant statistics.

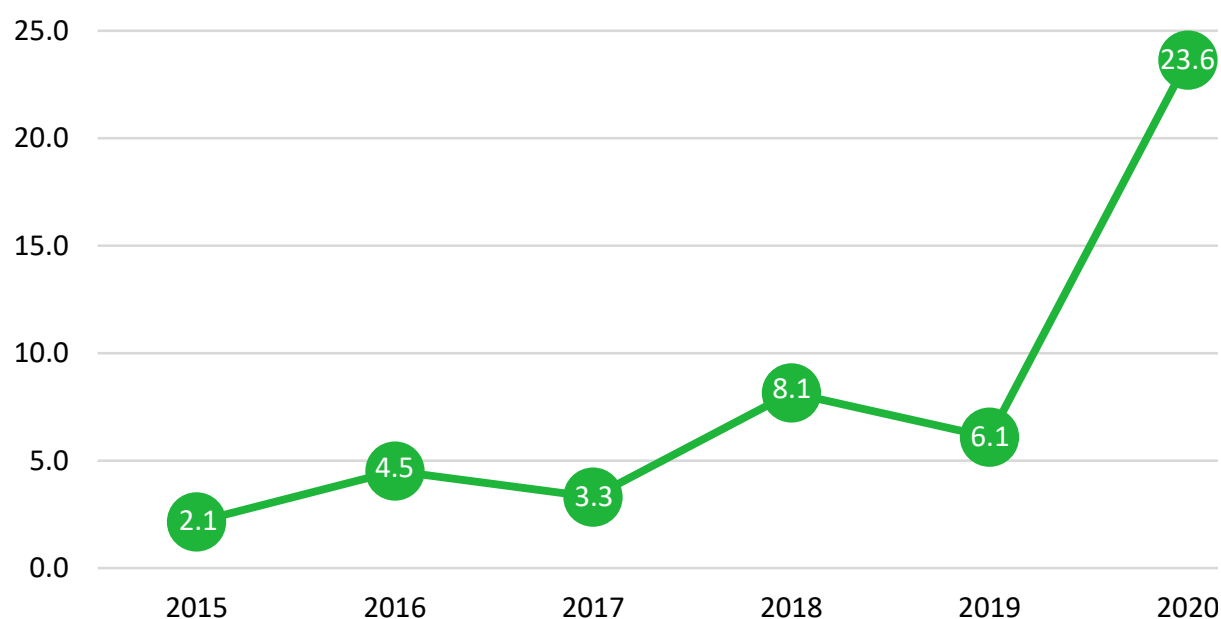
Table 2.4: Burundi's Domestic Exports by Destination, 2015-2020 (US\$ Million)

Country	2015	2016	2017	2018	2019	2020	% Change
Kenya	1.40	2.50	3.30	2.20	2.60	3.90	49.82
Uganda	3.90	3.50	3.90	3.70	6.30	1.64	-74.03
Tanzania	2.10	1.10	0.90	2.00	3.20	6.65	107.88
Rwanda	5.20	5.20	1.40	2.30	2.50	0.02	-99.18
TOTAL EAC	12.60	12.30	9.50	10.20	14.60	12.20	-16.41
COMESA	40.60	34.50	37.90	27.10	31.70	43.09	35.94
SADC	0.00	1.10	0.10	0.10	0.10	0.03	-65.05
Rest of Africa	1.40	0.20	0.00	0.10	22.50	0.04	-99.81
EU	14.80	30.60	23.00	27.00	18.90	17.85	-5.58
USA	1.40	2.30	2.10	2.00	2.00	0.85	-57.31
UAE	15.70	14.60	38.30	60.80	70.50	51.56	-26.86
China	2.00	1.00	2.20	4.70	5.60	1.87	-66.64
India	0.20	0.20	0.20	0.30	0.30	0.03	-88.69
Japan	0.40	0.10	0.20	0.20	0.30	0.01	-96.33
ROW	52.10	29.40	31.20	32.90	36.90	25.87	-29.89
Total Exports	141.20	126.30	144.70	165.40	203.40	153.42	-24.57

Source: Burundi National Bureau of Statistics, 2021

Re-Exports

In 2020, Burundi's total re-exports to the rest of the world fell by 197.63 percent. Data show that in 2020 re-exports from Burundi fell from the total value to US\$ 11.1 million to 3.71 percent. However, the share of re-exports to total exports rose from 6.1 percent in 2019 to 23.6 percent in 2020. This implies that in 2020 the total share of re-exports from Burundi increased by 74.2 percent compared with that of 2019. This drastic decline in re-exports might be the result of the COVID-19 pandemic.

Figure 2.3: Shares of Burundi's Re-exports to total exports, 2015 - 2020

Source: Burundi National Bureau of Statistics, 2021

Table 2.5: Burundi's Re-exports to the Rest of the World, 2015 -2020 (US\$ millions)

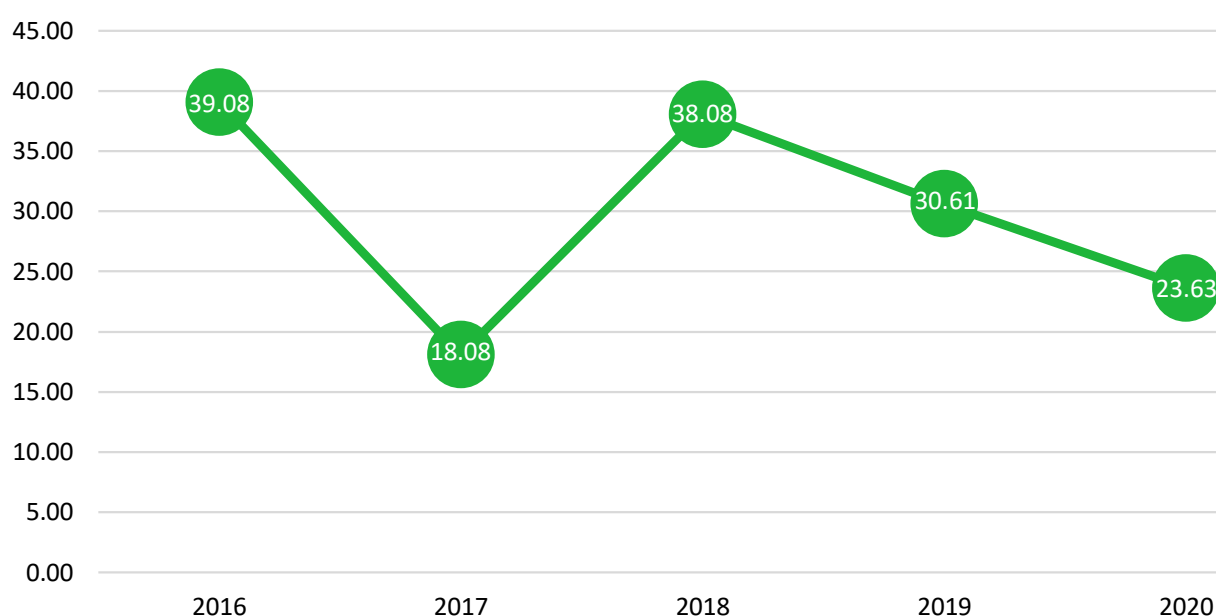
Year	2014	2015	2016	2017	2018	2019	2020	% Change
Re-exports	6.5	3.1	6.0	4.9	14.7	11.1	3.71	-197.63
Domestic exports	158.4	141.2	126.4	144.6	165.5	170.2	12.00	-1,318.37
Exports	164.9	144.3	132.4	149.5	180.2	181.2	15.71	-1,053.51
% share	3.9	2.1	4.5	3.3	8.1	6.1	23.6	74.1979

Source: Burundi National Bureau of Statistics, 2021

Burundi's Intra-EAC Re-exports

In 2020, Burundi's Intra-EAC re-exports fell by 18.6 percent, from US\$ 202 million in 2019 to US\$ 724.6 million in 2020. Similarly, the share of Burundi's re-exports to her EAC partner states decreased by 29.53 percent, from 30.61 percent in 2019 to 23.63 percent in 2020.

Figure 2.4: Share of Burundi's Re-exports to total Exports, 2015 – 2020



Source: Burundi National Bureau of Statistics, 2021

Table 2.6: Burundi's Intra-EAC Re-exports, 2015 -2020 (US\$ millions)

Years	2016	2017	2018	2019	2020	% Change
Intra EAC Re-Exports	5.07	2.09	6.32	4.42	3.71	-18.96
Domestic Intra-EAC Re -exports	7.90	9.46	10.27	10.01	12.00	16.55
Total Intra EAC Exports	12.97	11.55	16.59	14.43	15.71	8.16
% Share	39.08	18.08	38.08	30.61	23.63	-29.53

Source: Burundi National Bureau of Statistics, 2021

Burundi's Imports from EAC Partner States (US\$ million)

Burundi's imports from the EAC increased by 22.23 percent to US\$172.23 in 2020 compared with US\$140.9 million in 2019. Most imports for 2020 came from Tanzania, valued at US\$77.8 Million, followed by Kenya at the value of US\$46.98 million, and Uganda at US\$45.36 million. Generally, the country's imports from Tanzania surged in 2020 compared with 2019 due to good bilateral trade relation and increase in demands for goods from Tanzania. Meanwhile, the country recorded increased total trade volumes with the EAC Partner States from US\$189.14 in 2020 to US\$155.40 million in 2019, a 21.46 percent increase. The trade deficit increased by 29.12 percent to -155.32 in 2020 from -126.20 in 2019.

Table 2.7: Burundi's Imports from EAC Partners 2015-2020 (US\$ million)

Years	2015	2016	2017	2018	2019	2020	% Change
Kenya	48.00	47.80	42.50	39.20	47.10	46.98	-0.26
Tanzania	54.00	51.60	58.80	49.80	48.80	77.88	59.60
Uganda	41.30	45.30	42.40	40.80	37.10	45.36	22.26
Rwanda	7.80	12.60	7.30	4.50	7.90	2.01	-74.62
Total EAC	151.10	157.30	151.00	134.30	140.90	172.23	22.23

Source: Burundi National Bureau of Statistics, 2021

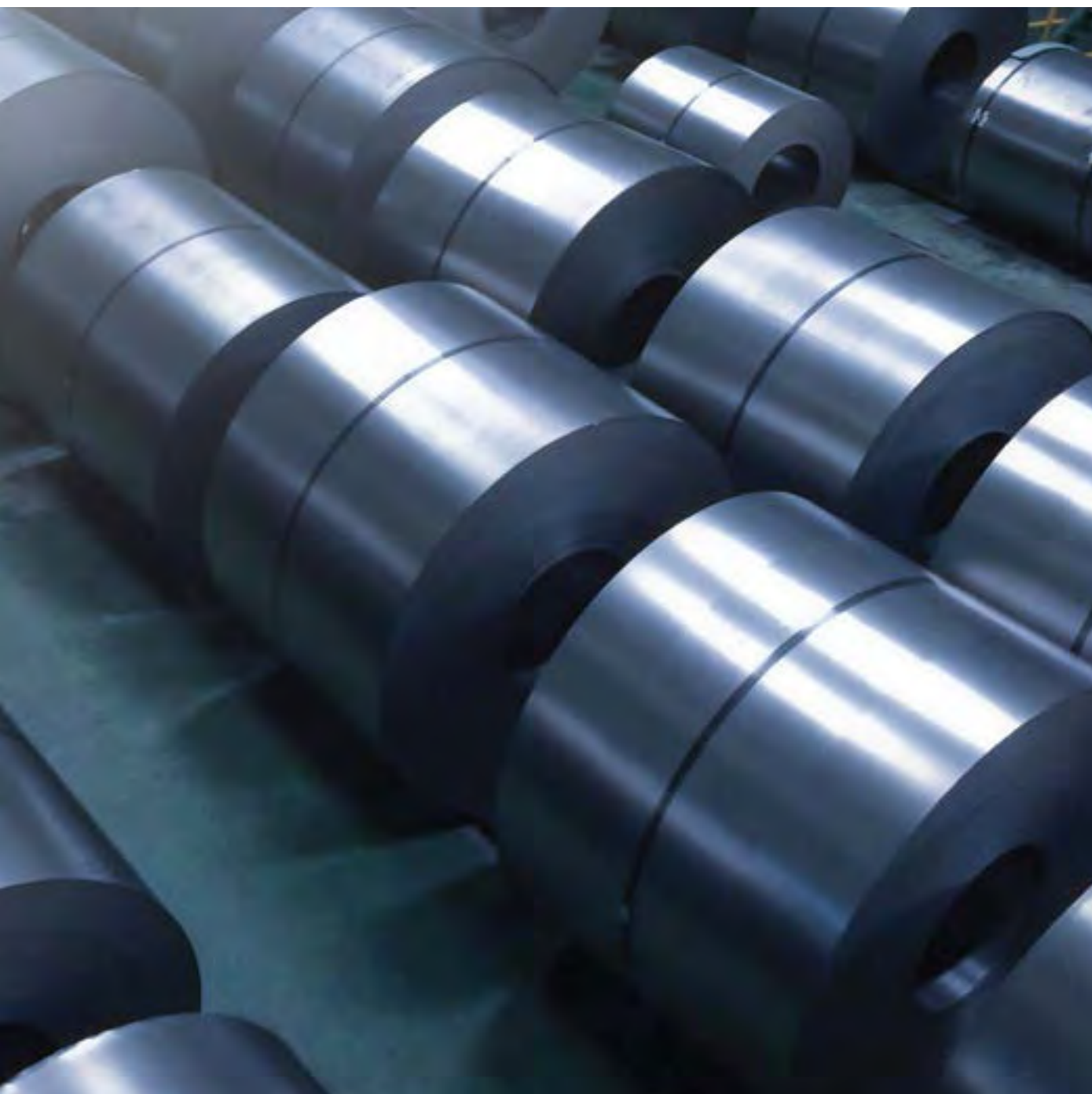


Table 2.8: Burundi's Intra-EAC Trade by Partner States, 2015-2020 (US\$ million)

Country		2015	2016	2017	2018	2019	2020
Kenya	Imports	48.00	47.70	42.50	39.20	47.10	46.98
	Exports	2.40	2.50	3.60	4.20	2.60	8.60
	Total trade	50.40	50.20	46.20	43.40	49.70	55.58
	Trade Balance	-45.60	-45.30	-38.90	-35.00	-44.50	-38.38
Rwanda	Imports	7.80	12.60	7.30	4.50	7.90	2.01
	Exports	5.90	5.20	2.40	5.40	2.50	0.02
	Total trade	13.70	17.80	9.80	10.00	10.00	2.03
	Trade Balance	-1.80	-7.40	-4.90	0.90	-5.30	-1.99
Uganda	Imports	54.00	51.60	58.80	49.80	48.80	77.88
	Exports	2.30	1.10	1.30	2.50	3.20	6.65
	Total trade	56.30	52.70	60.10	52.30	52.30	84.53
	Trade Balance	-51.70	-50.40	-57.50	-47.30	-45.60	-71.23
Tanzania	Imports	41.30	45.30	42.40	40.80	37.10	45.36
	Exports	4.20	3.50	4.20	4.40	6.30	1.64
	Total trade	45.50	48.80	46.60	45.20	45.20	47.00
	Trade Balance	-37.20	-41.80	-38.20	-36.30	-30.80	-43.72
Intra-EAC Trade in Goods	Imports	151.10	157.20	151.00	134.30	140.80	172.23
	Exports	14.80	12.30	11.50	16.60	14.60	16.91
	Total trade	165.90	169.50	162.60	150.90	155.40	189.14
	Trade Balance	-136.30	-144.90	-139.50	-117.80	-126.20	-155.32

Source: Burundi National Bureau of Statistics, 2020

Burundi's Main Exports Partners in the World

In 2020, the UAE was the biggest export destination for Burundi, accounting for 41.9 at US\$ percent of the total domestic exports. Other notable export destinations outside the EAC included COMESA and the EU, accounting for 21.0 percent and 11.1 percent, respectively.

Burundi's Imports from Main Partners in the World

Global import partners for Burundi include the EU, United Arab Emirates and China. In 2020, China was the leading source of imports for Burundi amounting US\$142.65 million, followed by the EU which amounted to US\$134.69 million and India accounting for US\$86.25 million. Imports from China, EU and India accounted for 4.66 percent, 6.56 percent and 23.03 percent of her total imports, respectively. Most of the imports from China consisted of flat-rolled iron or non-alloy steel products, cold roll, and rice, while imports from EAC mainly consisted of iron or non-alloy steel products, cement, and pharmaceutical products.

Table 2.9: Burundi's Domestic Imports by Destination, 2015-2020 (US\$ Million)

	2015	2016	2017	2018	2019	2020	% Change
Kenya	48.00	47.80	42.50	39.20	47.10	46.98	-0.26
Tanzania	54.00	51.60	58.80	49.80	48.80	77.88	59.60
Uganda	41.30	45.30	42.40	40.80	37.10	45.36	22.26
Rwanda	7.80	12.60	7.30	4.50	7.90	2.01	-74.62
Total EAC	151.10	157.30	151.00	134.30	140.90	172.23	22.23
COMESA	22.80	28.10	42.40	38.90	59.10	74.28	25.69
ECOWAS	0.30	0.70	0.60	1.10	1.80	1.16	-35.73
SADC	24.20	7.70	12.20	18.10	74.60	17.36	-76.73
Rest of Africa	0.70	0.90	8.30	2.70	7.30	1.43	-80.40
EU	168.90	114.60	116.80	116.20	126.40	134.69	6.56
USA	10.60	9.30	19.30	9.60	14.50	11.19	-22.80
United Arab Emirates	39.80	42.80	53.60	69.80	60.60	62.35	2.89
India	74.50	88.40	98.60	56.00	70.10	86.25	23.03
China	99.40	104.50	106.40	102.90	136.30	142.65	4.66
Japan	21.10	19.90	27.50	30.60	37.20	37.16	-0.09
Rest of the world	116.50	54.20	119.20	213.20	205.20	169.06	-17.61
Total Imports	729.90	628.40	755.90	793.40	934.00	909.81	-2.59

Source: Burundi National Bureau of Statistics, 2020



2.4.2 Republic of Kenya

Kenya is a member of the African, Caribbean and Pacific Group of States, the Africa Union, Common Market for Eastern and Southern Africa (COMESA), the Commonwealth, Indian Ocean Rim Association, and World Trade Organization (WTO). This gives the country access to the world market.

In 2020, Kenya's total trade in goods decreased by 8.8 percent, from US\$23,483 million in 2019 to US\$21,427 million in 2020. The exports trade increased by 3.1 percent with her total exports to the rest of the world valued at US\$6,021 million compared with that of 2019 at US\$5,838 million. The country's imports declined by 12.7 percent, from US\$17,646 million in 2019 to US\$15,406 million in 2020. In the same period, Kenya's trade deficit narrowed by 20.5 percent. In actual values, the trade deficit moved from US\$11,808 million in 2019 down to US\$9,385 million in 2020. This improvement in trade balance was the result of increase in Kenya's exports and decline in imports of goods.

Table 2.10: Kenya's Exports, Imports and Trade Balance, 2015-2020 (US\$ million)

Year	2014	2015	2016	2017	2018	2019	2020	% Change
Export (F.O.B)	5,893	5,695	5,745	6,051	5,838	6,021	3.14	-197.63
Import (C.I.F)	16,000	14,105	16,687	17,378	17,646	15,406	-12.69	-1318.37
Total Trade	21,893	19,800	22,432	23,429	23,483	21,427	-8.76	-1053.51
Trade Balance	-10,107	-8,410	-10,942	-11,327	-11,808	-9,385	-20.52	74.1979

Source: KRA, KNBS and CBK, 2021

Kenya's Trade within the EAC

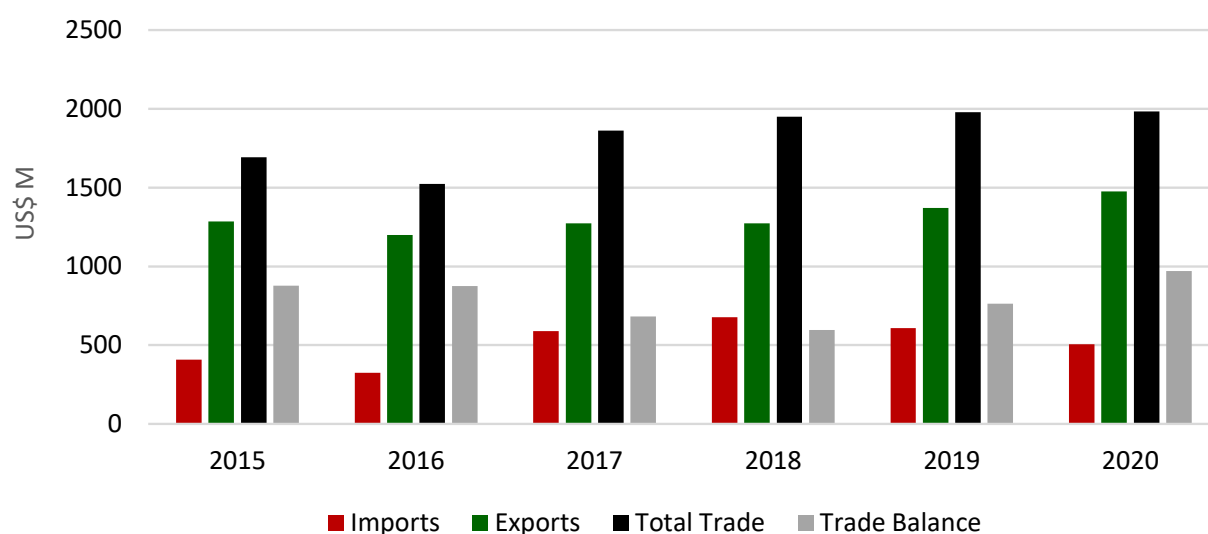
Kenya's total trade with other EAC Partner States slightly increased by 0.3 percent, with a total value of US\$1,982.8 million in 2020 compared with US\$1,978.1 million in 2019. Trade balance increased from a surplus of US\$762.3 million in 2019 to US\$970.4 million in 2020. In the same period, total exports increased from US\$1,370.2 million, in 2019 to US\$1,476.6 million in 2020. Kenya's re-exports to EAC Partner States increased from US\$200.6 million in 2019 to US\$223.7 million in 2020.

Table 2.11: Kenya's Intra-EAC trade, 2015 – 2020 (US\$ million)

		2015	2016	2017	2018	2019	2020
Intra-EAC	Imports	407.8	324.4	589.8	676.5	607.9	506.2
	Exports	1,285.9	1,199.0	1,272.5	1,273.8	1,370.2	1,476.6
	Total Trade	1,693.7	1,523.4	1,862.3	1,950.3	1,978.1	1,982.8
	Trade Balance	878.1	874.6	682.8	597.3	762.3	970.4

Source: KRA, KNBS and CBK, 2021

Figure 2.5: Kenya's intra- EAC trade, 2015 – 2020 (US\$ million)



Source: KRA, KNBS and CBK, 2021

Kenya's Trade with other EAC Partner States

Kenya's total trade generally dropped in 2020, with the top trading Regional Partner being the Republic of Uganda whose total trade value dropped from US\$960.8 million in 2019 to US\$898.5 million in 2020. However, during the same period, her total trade with South Sudan increased by 19.1 percent to US\$216.0 million in 2020 from US\$122.8 million in 2019, due to a growing exports and imports merchandise market opportunities in the country and South Sudan respectively.

Table 2.12: Kenya's Intra-EAC Trade by Partner State, 2015-2020 (US\$ million)

		2015	2016	2017	2018	2019	2020	% Change 2020
Burundi	Imports	2.3	0.7	0.6	0.7	0.6	3.3	423.0
	Exports	66.9	71.3	71.4	65.1	65.9	55.2	-16.3
	Total Trade	69.2	72.0	72.0	65.8	66.6	58.6	-12.1
	Trade Balance	64.6	70.7	70.8	64.4	65.3	51.9	-20.6
Rwanda	Imports	8.0	7.6	16.3	11.7	13.8	19.2	39.2
	Exports	182.1	172.4	165.6	176.1	227.2	236.8	4.2
	Total Trade	190.1	180.0	181.9	187.9	241.0	256.0	6.2
	Trade Balance	174.0	164.8	149.3	164.4	213.5	217.6	2.0
Uganda	Imports	226.0	189.9	406.5	488.1	336.2	225.1	-33.0
	Exports	695.5	612.4	597.8	610.9	624.6	673.4	7.8
	Total Trade	921.5	802.3	1,004.3	1,098.9	960.8	898.5	-6.5
	Trade Balance	469.5	422.5	191.2	122.8	288.4	448.2	55.4
Tanzania	Imports	171.5	126.2	166.1	175.9	269.8	258.2	-4.3
	Exports	341.4	342.8	275.8	293.7	329.5	294.8	-10.5
	Total Trade	512.9	469.0	441.9	469.6	599.3	553.0	-7.7
	Trade Balance	170.0	216.6	109.7	117.8	59.7	36.6	-38.7
South Sudan	Imports			0.2	0.2	0.1	0.4	191.5
	Exports			162.0	128.0	122.9	216.4	76.1
	Total Trade			162.2	128.1	123.1	216.8	76.2
	Trade Balance			161.8	127.8	122.8	216.0	76.0
Intra EAC	Imports	407.8	324.4	589.8	676.5	607.9	506.2	-16.7
	Exports	1,285.9	1,199.0	1,272.5	1,273.8	1,370.2	1,476.6	7.8
	Total Trade	1,693.7	1,523.4	1,862.3	1,950.3	1,978.1	1,982.8	0.2
	Trade Balance	878.1	874.6	682.8	597.3	762.3	970.4	27.3

Source: KRA, KNBS and CBK, 2021

On regional exports, most of Kenya's exports were to Uganda (US\$673.4 million), Tanzania (US\$294.8 million) and Rwanda (US\$236.8 million), in 2020. Exports to Uganda increased by 11.43 percent to US\$673.4 million in 2020 compared to US\$624.6million in 2019. During the same period, the leading source for Kenya's imports were Tanzania (US\$258.2 million) and Uganda (US\$225.1 million). Although the least amount of imports into Kenya came from South Sudan, data shows that Kenya's imports from South Sudan grew significantly from US\$0.1million in 2019 to US\$0.4 million in 2020.

Kenya's imports from the EAC Region recorded a total value of US\$506.2 million in 2020, a decrease of 16.7 percent compared with 2019. Specifically, Kenya's imports for 2020 in the region came from Tanzania (US\$258.2 million) and Uganda (US\$225.1million).

Table 2.13: Kenya's Imports from EAC Partner States 2016-2020 (US\$ million)

EAC Partners	2016	2017	2018	2019	2020
Tanzania	126.2	166.1	175.9	269.8	258.2
Uganda	189.9	406.5	488.1	336.2	225.1
Rwanda	7.6	16.3	11.7	13.8	19.2
Burundi	0.7	0.6	0.7	0.6	3.3
South Sudan		0.2	0.2	0.1	0.4
Total EAC	324.4	589.8	676.5	607.9	506.2

Source: KRA, KNBS and CBK, 2021

Kenya's Exports to Various Blocs in Africa

Kenya's trade data shows that her domestic exports to the EAC in 2020 increased modestly by 7.12 percent compared with 12.0 percent in 2019. This makes the EAC Kenya's largest market for her exports, followed by COMESA and ECOWAS, respectively. Therefore, Kenya should maintain her good relations with the EAC Partner States so as to continue reaping the benefits from trade within the region.

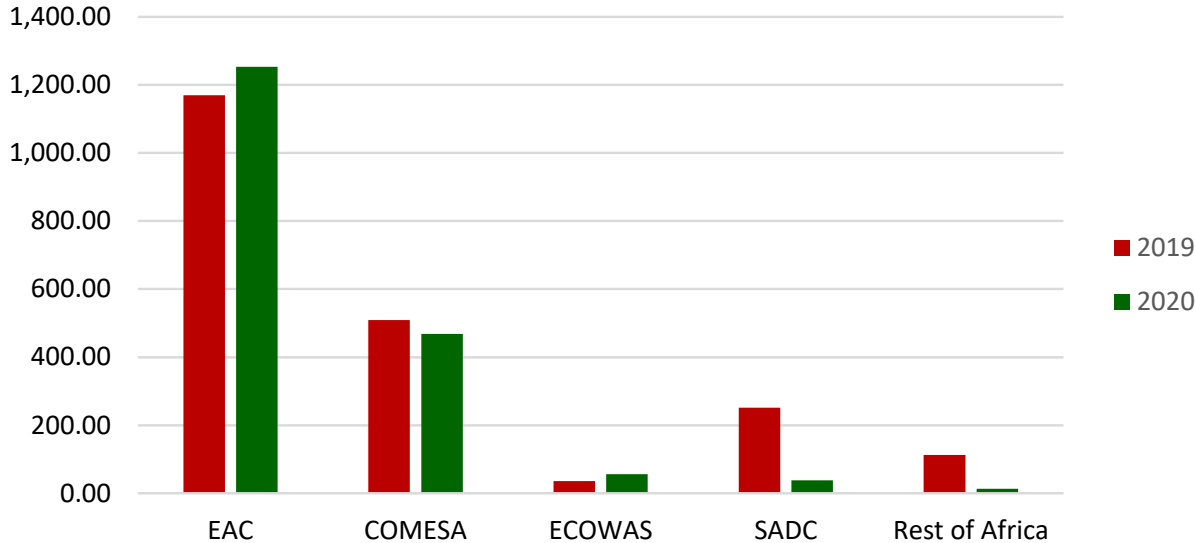
Table 2.14: Kenya's Domestic Exports to Regional Blocs, 2017-2020 (US\$ million)

Blocs	2017	2018	2019	2020
EAC	1,006.4	1,044.3	1,177.7	1,253.9
COMESA	431.9	434.6	509.5	468.0
ECOWAS	34.7	34.0	35.9	55.8
SADC	35.6	34.0	251.2	37.9
Rest of Africa	175.4	144.6	112.3	12.7

Source: KRA, KNBS and CBK, 2021 Source: KRA, KNBS and CBK, 2021



Figure 2.6: Kenya’s Domestic Exports to Regional Blocs for 2019-2020 (US\$ million)

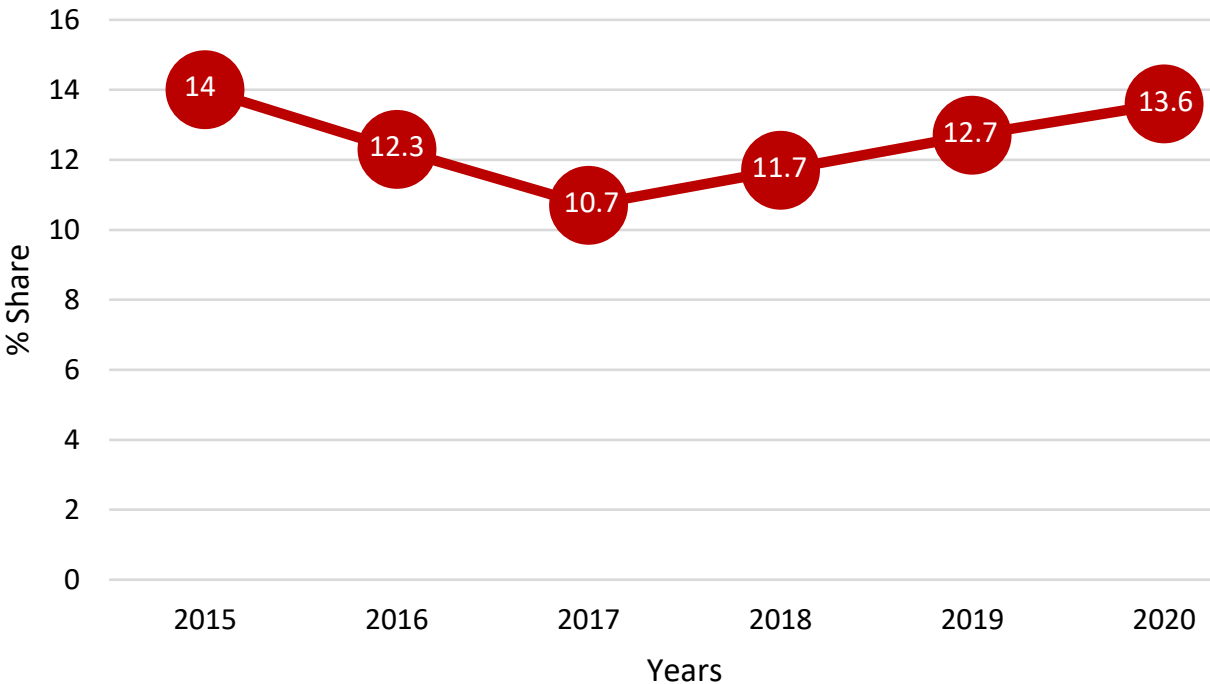


Source: KRA, KNBS & CBK 2020

Re-Exports

In 2020, Kenya’s re-exports fell by 3.39 percent to US\$ 724.6 million from US\$ 749.2 million recorded in 2019. However, the share of her re-exports to total exports rose by 6.62, from 12.7 percent in 2019 to 13.6 percent in 2020. The key re-export products from Kenya to the rest of the world included petroleum products, animal fats and motors.

Figure 2.7: Share of Kenya’s Re-exports to total Exports, 2015 – 2020



Source: KRA, KNBS & CBK 2021

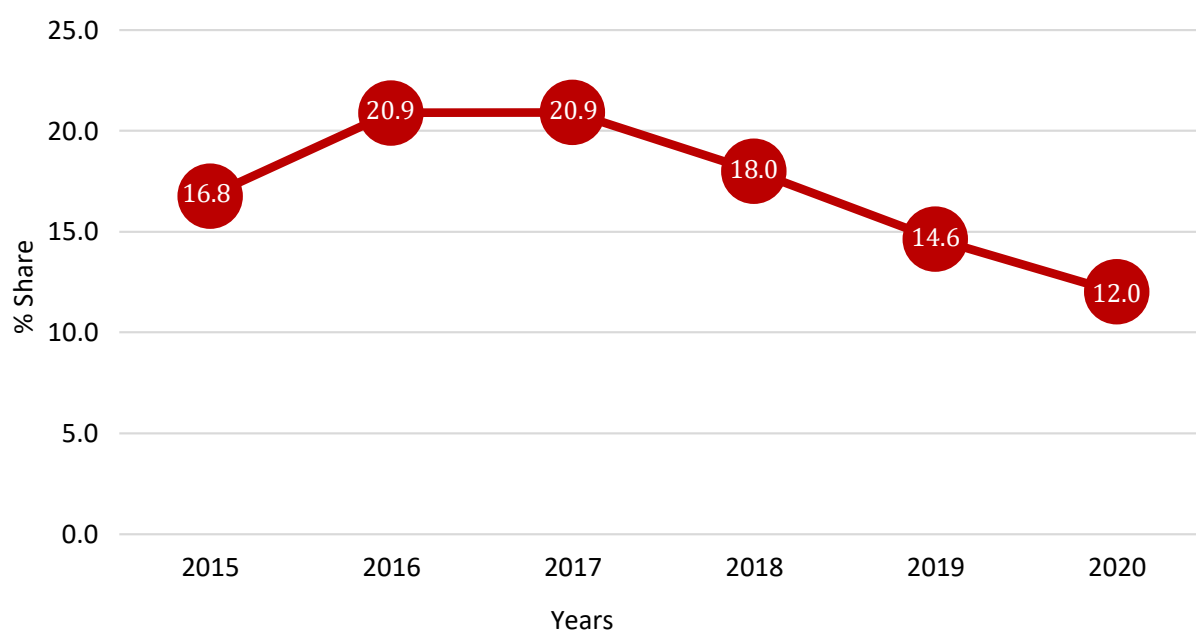
Table 2.15: Share of Kenya's Re-exports to Total Exports, 2015 – 2020 (US\$ millions)

Intra-EAC Export Flows	2015	2016	2017	2018	2019
Intra-EAC Domestic Exports	1,070.2	948.5	1,006.4	1,044.3	1,177.7
Intra-EAC Re-Exports	215.7	250.5	266.1	229.5	202.0
Total Intra-EAC Exports	1,285.9	1,199.0	1,272.5	1,273.8	1,379.7
Percent Share of Intra-Re-Exports	16.8	20.9	20.9	18.0	14.6

Source: KRA, KNBS & CBK 2020

Kenya's Intra-EAC re-exports

In 2020, Kenya's Intra-EAC re-exports grew by 72 percent, from US\$ 202 million in 2019 to US\$ 724.6 million in 2020. However, the share of re-exports to EAC partner states decreased by 21.91 percent, from 14.6 percent in 2019 to 12 percent in 2020. The main re-exports to EAC partner states included mineral fuels and motor vehicles, while the main re-export destinations were Tanzania and Uganda.

Figure 2.8: Kenya's share of re-exports to EAC partner States, 2015 – 2020

Source: KRA, KNBS & CBK 2020

Table 2.16: Kenya's share of re-exports to EAC partner states, 2015 -2020 (US\$ millions)

Year	2015	2016	2017	2018	2019	2020	% Change
Intra-EAC Domestic Exports	1,070.2	948.5	1,006.4	1,044.3	1,177.7	5,309.2	77.82
Intra-EAC Re-exports	215.7	250.5	266.1	229.5	202.0	724.6	72.13
Total Intra-EAC Exports	1,285.9	1,199.0	1,272.5	1,273.8	1,379.7	6,033.8	77.13
Percent Share of Intra-Re-exports	16.8	20.9	20.9	18.0	14.6	12.0	-21.91

Source: KRA, KNBS & CBK 2021

Kenya's Imports from African Trading Blocs

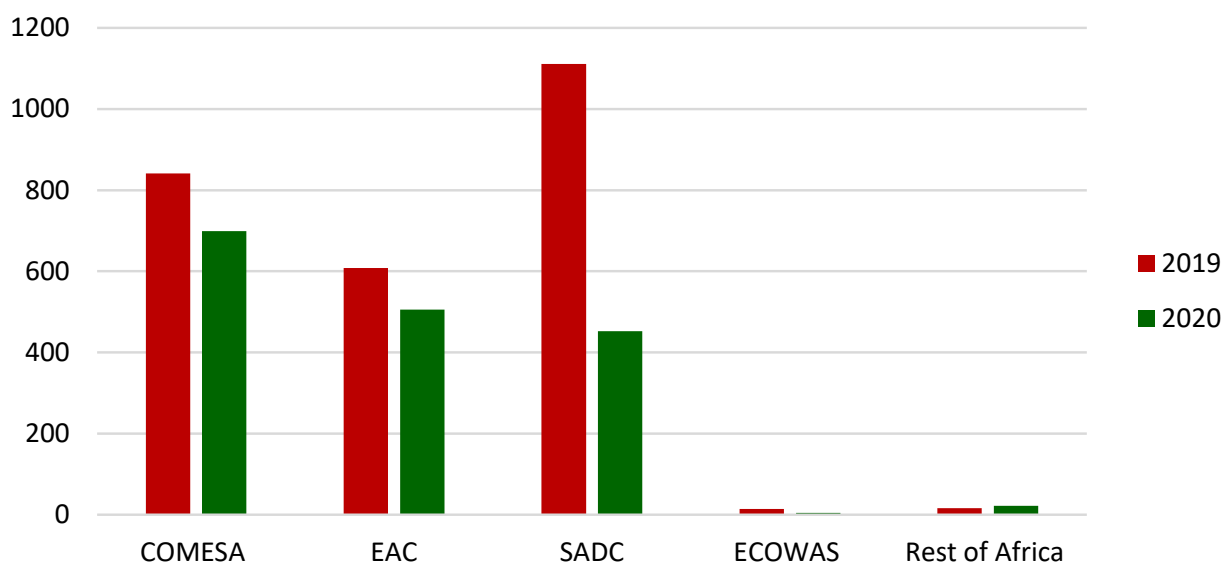
In 2020 Kenya recorded the highest value of imports from COMESA over other Africa trading blocs, followed by the EAC. Although not a member of SADC, she imported substantial quantities from this bloc amounting to US\$452.6 million. However, annual comparisons indicate that her imports from SADC in 2020 declined by 59.2 percent from 2019. Therefore, while the country should continue to maintain her good trading relations with EAC and COMESA, she can think of expanding her regional network, especially with SADC.

Table 2.17: Kenya's Imports from Regional Blocs, 2016-2020 (US\$ million)

Blocs	2016	2017	2018	2019	2020	% Change 2020
COMESA	488	693.1	639.7	841.5	699.2	-16.91
EAC	324.4	589.8	676.5	608	506	-16.78
SADC	515.2	630	676	1,111.4	452.6	-59.28
ECOWAS	9	11	19.5	13.8	5	-63.77
Rest of Africa	45	15.5	21.5	16.1	21.9	36.02

Source: KRA, KNBS & CBK, 2020



Figure 2.9: Kenya's Imports from Regional Blocs 2019-2020 (US\$ million)

Source: KRA, KNBS & CBK 2021

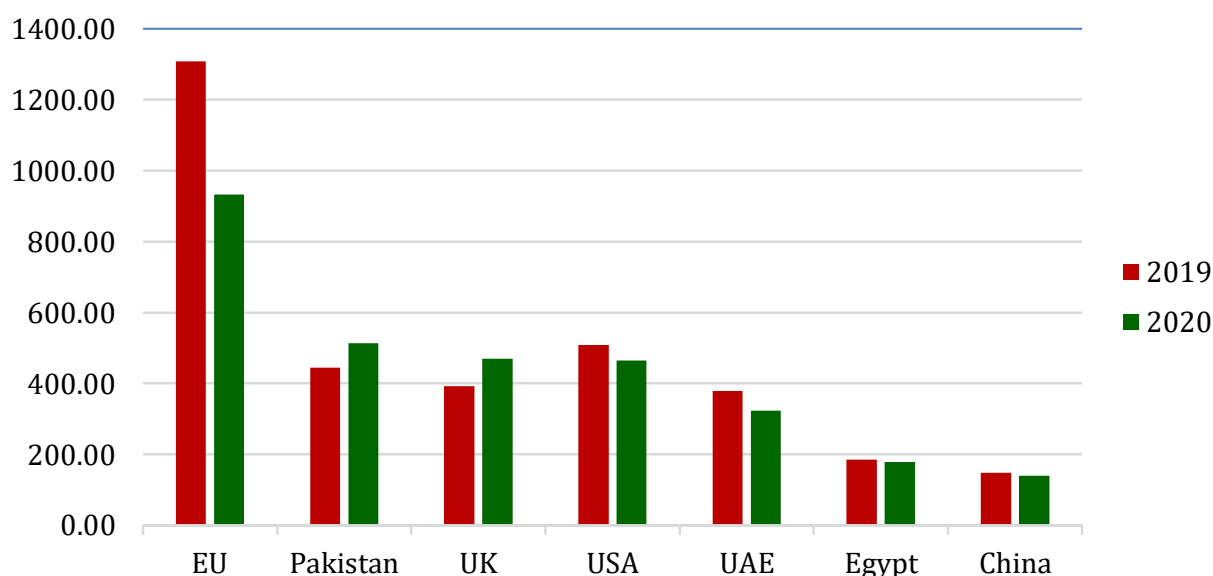
Kenya's Main Merchandise Exports to the Rest of the World for 2020

Kenya's main merchandise exports include coffee, tea, live trees and other plants; articles of apparel and clothing accessories; edible vegetables and certain roots and tubers; edible fruits and nuts; ores, slag and ash; animal or vegetable fats and oils and their cleavage products, prepared edible fats, animal or vegetable waxes; iron and steel; titanium ores and concentrates; and tobacco and tobacco manufactures.

Kenya's Top Export Destinations in the World

In 2020, Kenya's total export value was US\$6,020.9 million, with the top markets for her exports being the EAC (US\$1,476.6 million), EU (US\$932.5 million), Pakistan (US\$513.4 million), the UK (US\$468.9 million), USA (US\$463.8 million), UAE (US\$323.4 million), Egypt (US\$178.3 million) and China (US\$139 million).

Figure 2.10: Kenya's Top Ten Export Destinations in the World, 2019-2020 (US\$ million)



Source: KRA, KNBS and CBK, 2021

Kenya's Main Imports from the World in 2020

Main imports into Kenya comprise petroleum oils and oils obtained from bituminous minerals, other than crude; motor cars and other motor vehicles for transport of persons; animal/vegetable fats and oils; wheat and meslin; medicaments; flat rolled products of iron or non-alloy steel; cane or beet sugar; rice; semi-finished products; and industrial machinery.

Kenya's Top Import Partners in the World

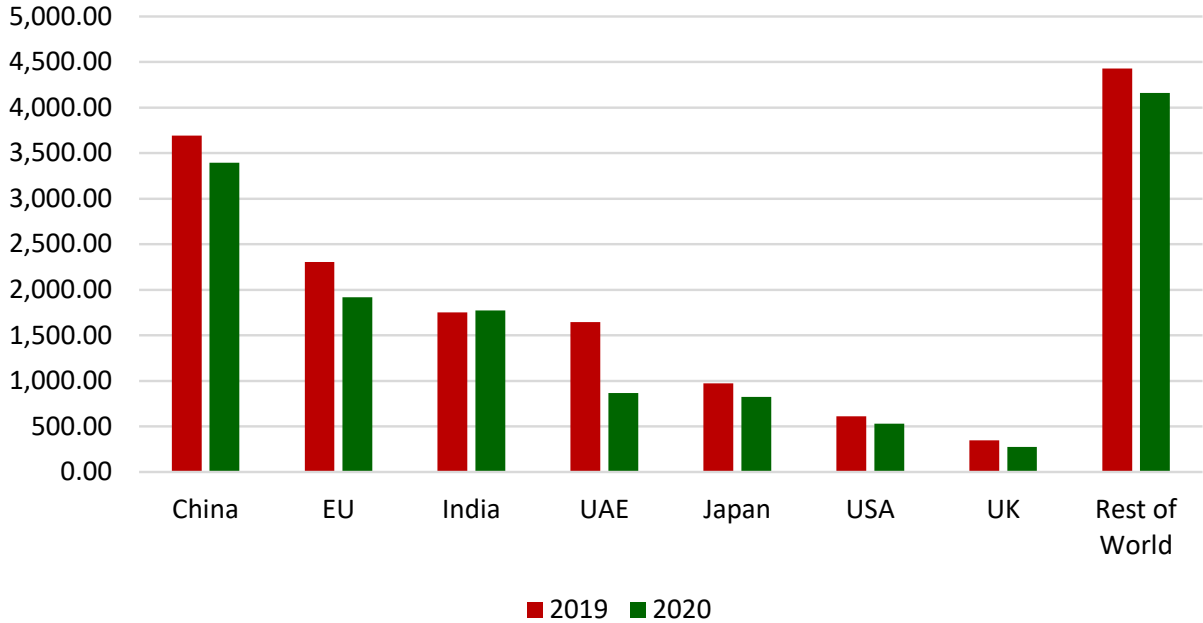
Kenya's top import partners for 2020 were China (US\$3.39 billion), the EU (US\$1.92 billion), India (US\$1.77 billion), UAE (US\$866.8 million), Japan (US\$822.7 million), USA (US\$528.8 million), and the UK (US\$274.2 million). An illustration of the country's imports for 2016-2020 period by global partners is provided in Table 2.18 and Figure 2.11.

Table 2.18: Kenya's Imports from Global Partners, 2016-2020 (US\$ millions)

Global Partners	2016	2017	2018	2019	2020
China	3,324.5	3,777.4	3,661.0	3,693.7	3,394.1
EU	2,086.0	1,988.5	2,168.1	2,307.2	1,917.4
India	2,024.5	1,647.9	1,828.9	1,753.8	1,771.3
UAE	901.3	1,338.0	1,455.4	1,646.0	866.8
Japan	811.9	789.7	985.5	974.9	822.9
USA	471.1	554.8	525.7	610.6	528.8
UK	329.7	290.6	311.5	345.8	274.2
Rest of World	3,104.2	4,651.7	,720.2	4,428.2	4,162.7

Source: KRA, KNBS & CBK, 2021

Figure 2.11: Kenya's Imports from Global Partners from 2019-2020 (US\$ million)



Source: KRA, KNBS & CBK, 2021





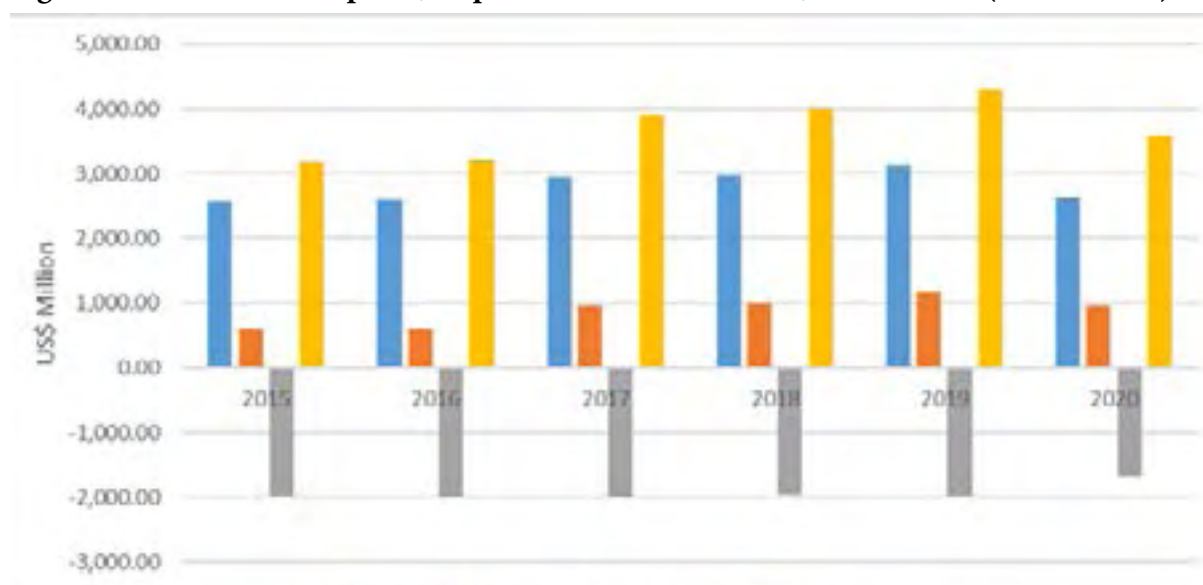
2.4.3 Rwanda

Rwanda's International Trade

Just like other countries in Africa, Rwanda depends on a subsistence economy consisting of tea, coffee and tourism, with tea and coffee dominating exports. As the main economic activity, agriculture employs about 62 percent of the country's population. The industrial sector is directly linked with agriculture, processing primary agricultural products. The Government of Rwanda supports the private sector and her economic policy is open to foreign trade. However, the country's "Made in Rwanda" programme aims to promote local production to reduce imports and increase exports. This accounts for Rwanda's good performance in international trade and investment despite setbacks such as the COVID-19 pandemic.

Rwanda's Trade Trends

In 2020, total trade in goods increased by 13.17 percent, from US\$3,173.2 million in 2015 to US\$3,591.26 million in 2020. In the same period, Rwanda's exports declined by 6.17 percent to US\$ 1,095.3 million compared with US\$ 1,166.7 million in 2019. Similarly, her imports rose by 37.01 percent, from US\$ 2,574.2 million in 2015 to US\$ 3,525.8 million in 2020. Notably, Rwanda's trade deficit has decreased in five years by 15.25 percent, from US\$1,975.1 million in 2015 to US\$1,674.4 million in 2020.

Figure 2.12: Rwanda's Exports, Imports and Trade balance, 2015 – 2020 (US\$ million)

Source: NISR, 2021

Rwanda's Intra-EAC Trade

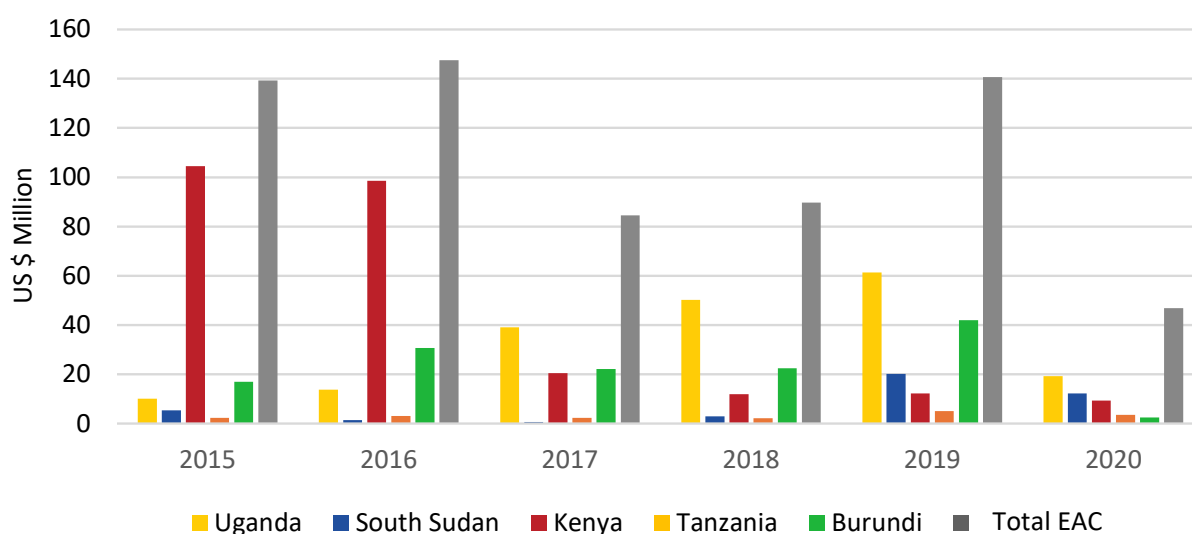
Rwanda's export trade with her EAC partners in 2020 is as follows: Uganda (US\$19.2 million), South Sudan (US\$ 12.3 million), Kenya (US\$ 9.4 million), Tanzania (US\$ 3.5 million) and Burundi (US\$ 2.4 million). Uganda was her leading export partner.

Table 2.19: Rwanda's Export Trade with EAC Partners 2015-2020 (US\$ million)

EAC Partners	2015	2016	2017	2018	2019	2020
Uganda	10.1	13.8	39.1	50.2	61.3	19.2
South Sudan	5.4	1.4	0.7	2.9	20.2	12.3
Kenya	104.5	98.5	20.4	12.0	12.2	9.4
Tanzania	2.3	3.1	2.3	2.1	5.0	3.5
Burundi	16.9	30.7	22.2	22.5	41.9	2.4
Total EAC	139.3	147.5	84.6	89.7	140.7	46.9

Source: NISR, 2020

Figure 2.13: Rwanda's Export Trade with EAC Partners 2015-2020 (US\$ million)



Source: NISR, 2021

Re-exports

Rwanda's total re-exports to the rest of the world grew by 60.20 percent, from the total value of US\$ 196.39 in 2019 to US\$ 314.14 million in 2020. On the other hand, the total share of re-exports from Rwanda fell by 58.44 percent, from 16.83 percent in 2019 to 10.62 percent in 2020. The main re-exports from Rwanda included mineral fuels and cereals.

Table 2.20: Share of Rwanda's re-exports to total Exports, 2015 – 2020 (US\$ millions)

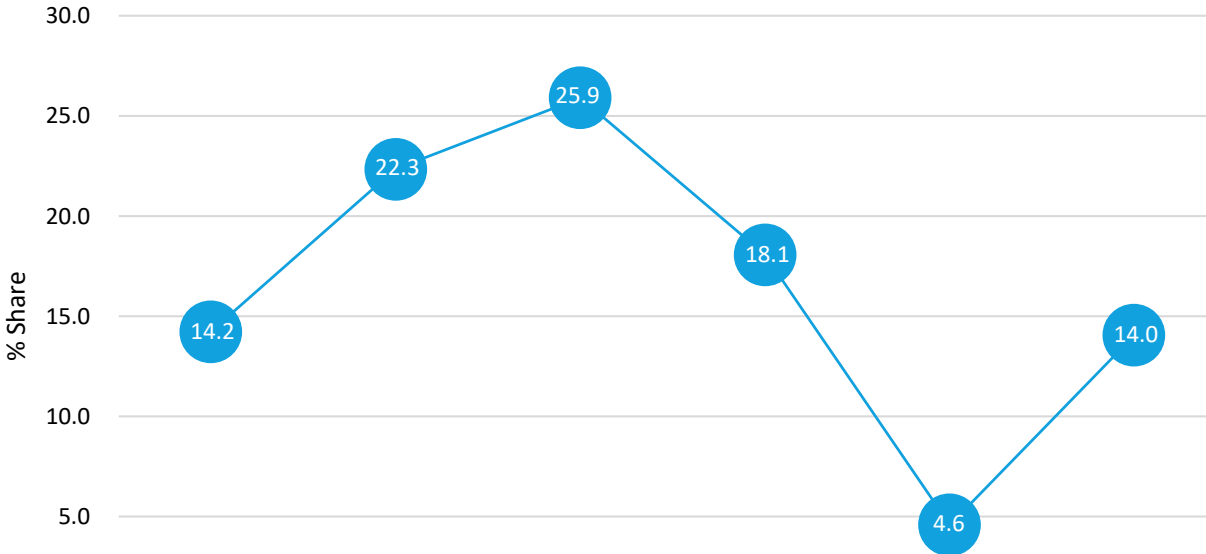
Year	2015	2016	2017	2018	2019	2020	% Change
Domestic Exports	428.5	407.3	681.5	691.1	970.27	1,095.3	48.56
Re-exports	170.5	203.6	268.1	327.6	196.39	314.1	12.42
Total exports	599.05	610.88	949.57	1,018.8	1,166.7	1,409.4	44.72
% share of re-export	28.46	33.33	28.23	32.16	16.83	22.30	

Source: NISR, 2021

Rwanda's Re-exports to EAC

In 2020, Rwanda's re-exports to EAC partner states increased by 2.89 percent. In actual figures, Rwanda's re-exports to other EAC partner states rose from US\$ 6.4 million in 2019 to US\$ 7.5 million in 2020. The main EAC re-export destination for Rwanda were Burundi, Uganda, and Tanzania respectively. The main re-export products included mineral fuels, vehicles, starch and milk

Figure 2.14: Rwanda’s Intra-EAC Percentage Shares of Re-exports, 2015 – 2020



Source: NISR, 2021



Table 2.21: Rwanda’s intra-EAC Re-exports, 2015-2020 (US\$ million)

Year	2015	2016	2017	2018	2019	2020	% change
Intra-EAC Domestic Exports	119.4	114.6	62.7	73.5	134.3	46.9	69.90
Intra-EAC Re-exports	19.8	32.9	21.9	16.2	6.4	7.5	2.85
Total Intra-EAC Exports	139.3	147.5	84.6	89.7	140.7	54.42	66.58
Percent Share of Intra-Re-exports	14.2	22.3	25.9	18.1	4.6	17.02	

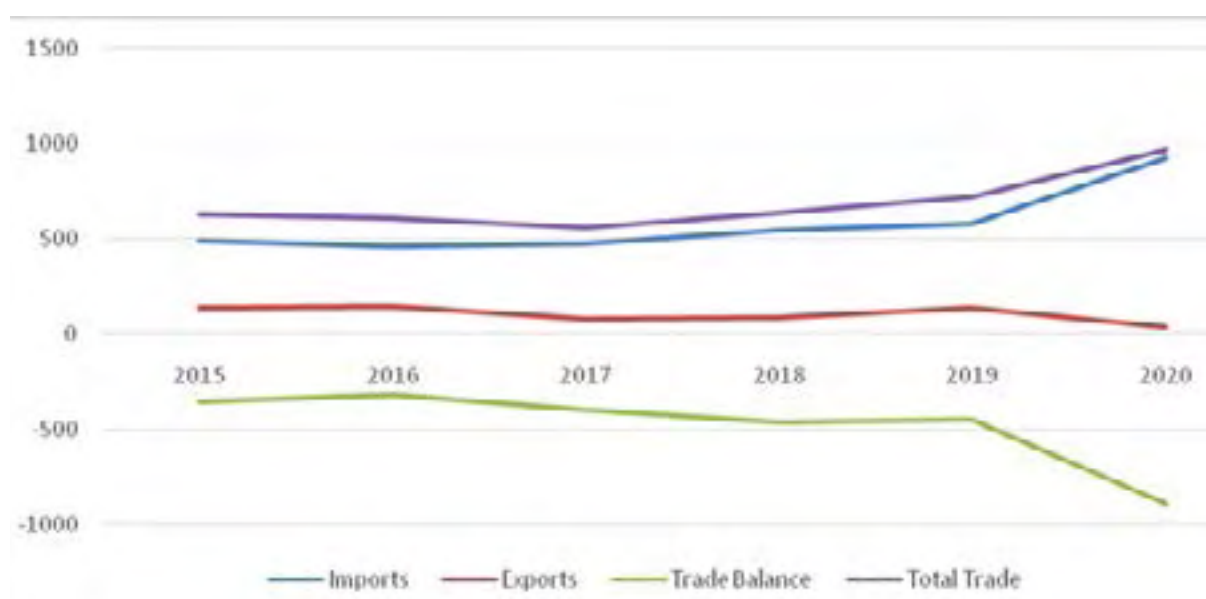
Source: RRA and NISR, 2021

Table 2.22: Rwanda’s Total Intra-EAC Trade, 2015 – 2020 (US\$ million)

Year	2015	2016	2017	2018	2019	2020
Imports	492.7	466.2	478.6	549.1	586.6	905.1
Exports	139.3	147.5	84.6	89.7	140.2	54.42
Trade Balance	-353.5	-318.6	-393.9	-459.4	-446.5	-850.7
Total Trade	632.0	613.7	563.2	638.8	726.8	959.5

Source: NISR, 2021

Figure 2.15: Rwanda’s Intra-EAC trade, 2015 – 2020 (US\$ Million)



Source: NISR, 2021

Table 2.23: Rwanda's EAC Intra Trade by Partner State, 2015-2020 (US\$ million)

		2015	2016	2017	2018	2019	2020
Burundi	Imports	8.8	5.5	3.0	6.5	1.7	0.0
	Exports	17.2	36.2	22.2	22.5	41.9	2.4
	Total Trade	26.0	41.7	25.2	29.0	43.6	2.4
	Trade Balance	8.4	30.7	19.3	16.0	40.3	2.4
Kenya	Imports	159.4	160.2	158.5	164.3	277.6	391.1
	Exports	105.1	100.4	20.4	12.0	12.2	9.4
	Total Trade	264.5	260.6	178.9	176.3	289.9	400.5
	Trade Balance	-54.3	-59.8	-138.2	-152.3	-265.4	-381.7
South Sudan	Imports	0.0	0.0	0.0	0.0	0.1	0.0
	Exports	5.3	1.2	0.7	2.9	20.2	12.2
	Total Trade	5.3	1.2	0.7	2.9	20.3	12.2
	Trade Balance	5.3	1.2	0.7	2.9	20.1	12.2
Tanzania	Imports	83.5	96.0	106.2	134.7	268.6	513.3
	Exports	2.4	6.1	2.3	2.1	5.0	3.5
	Total Trade	85.9	102.1	108.4	136.8	273.6	516.8
	Trade Balance	-81.1	-89.9	-103.9	-132.6	-263.6	-509.83
Uganda	Imports	241.0	204.4	210.9	243.6	41.3	0.6
	Exports	10.5	14.7	39.1	50.2	61.3	19.2
	Total Trade	251.5	219.1	250.0	293.7	102.6	19.8
	Trade Balance	-230.5	-189.7	-171.8	-193.4	20.0	18.6
Intra EAC	Imports	492.7	466.2	478.6	549.1	589.2	905.1
	Exports	140.5	158.6	84.6	89.7	140.7	54.4
	Total Trade	633.3	624.8	563.2	638.7	729.9	959.5
	Trade Balance	-352.2	-307.5	-393.9	-459.4	-448.6	-850.8

Source: NISR, 2021

Rwanda's Imports from EAC Partner States

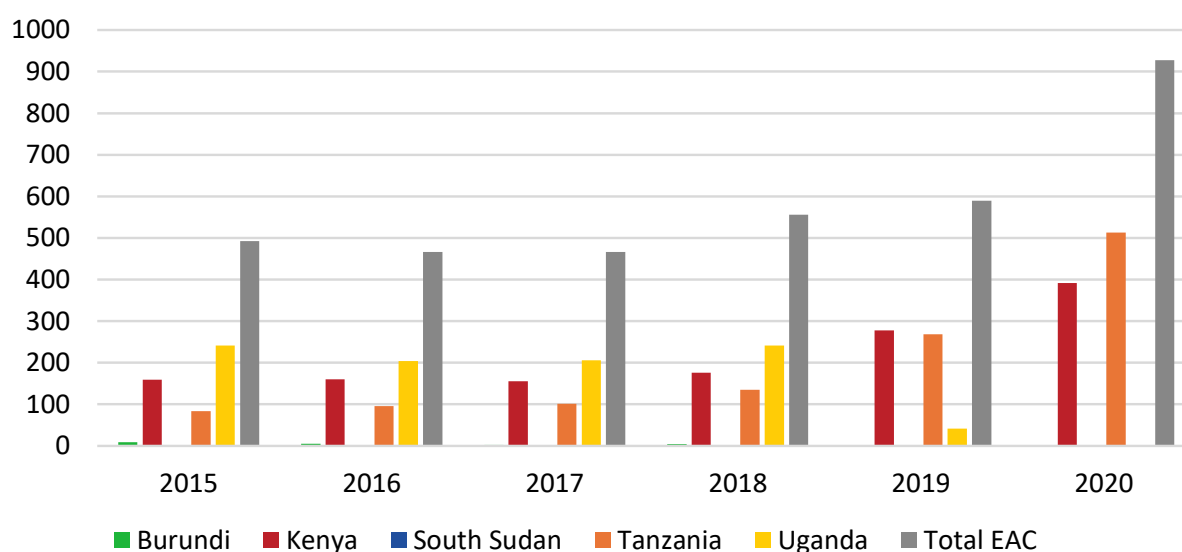
Rwanda's Imports comprise of transport equipment, petroleum, fertilizers, machinery, industrial raw materials, food and other consumer goods. The country's top import origins from EAC Partner States in 2020 were Kenya (US\$ 391.4 million), Tanzania (US\$ 513.3 million) and Uganda (US\$ 0.6 million).

Table 2.24: Rwanda’s Imports from EAC Partner States 2015-2020 (US\$ millions)

Destination	2015	2016	2017	2018	2019	% change
Burundi	8.8	5.5	2.6	3.9	1.7	0.0
Kenya	159.4	160.2	155.6	175.9	277.6	391.4
South Sudan	0.0	0.0	0.0	0.0	0.1	0.0
Tanzania	83.5	96.0	101.6	134.8	268.6	513.3
Uganda	241.0	204.4	206.2	241.7	41.3	0.6
Total EAC	492.7	466.2	466.0	556.3	589.3	927.6

Source: NISR, 2021

Figure 2.16: Rwanda’s Imports from EAC Partners 2015-2020 (US\$ millions)



Source: NISR, 2021

Rwanda’s Exports with African Regional Blocs

Rwanda’s trade with other Africa trading blocs shows that the bulk of the country’s exports were to COMESA at US\$ 87.2 million, and EAC at US\$40.4 million. This demonstrates the significance of joining regional blocs.

Table 2.25: Rwanda's Export Trade with Regional Blocs 2015-2020 (US\$ million)

Destination	2015	2016	2017	2018	2019	2020
COMESA	64.0	47.6	304.3	351.9	266.1	87.2
EAC	139.3	147.5	84.6	89.7	140.7	40.4
ECOWAS	1.4	0.2	1.1	0.8	2.3	1.1
SADC	62.6	45.0	281.4	339.6	270.0	0.8
Rest of Africa	14.5	0.1	0.6	5.2	0.2	0.0

Source: NISR, 2021

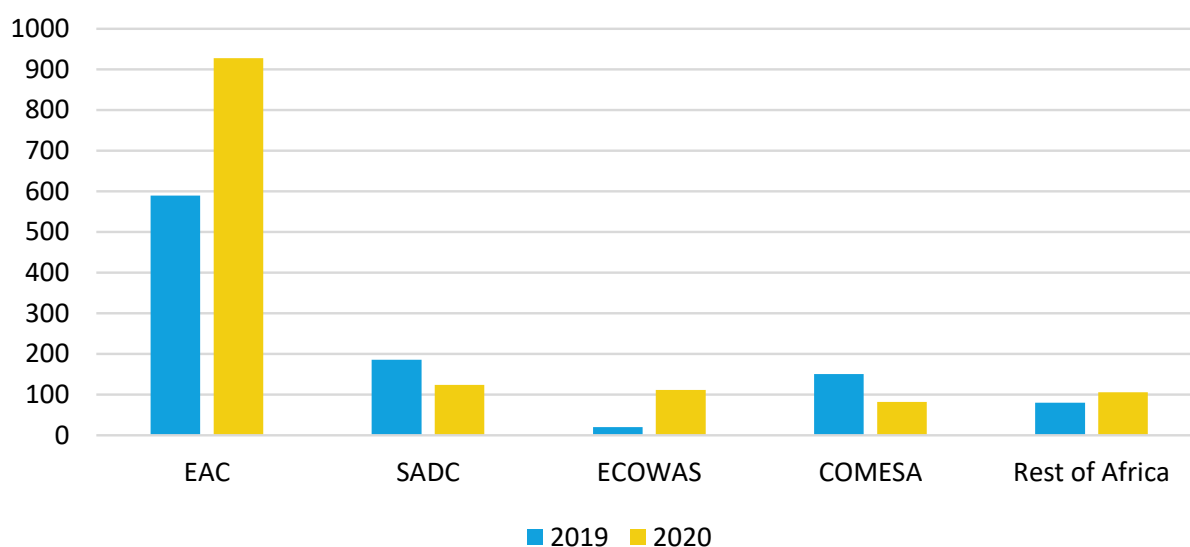
Rwanda's Imports from Regional Blocs

Rwanda's top import partner from other Africa trading blocs in 2020 was SADC (US\$124 million), coming a distant second after the EAC (US\$927.6 million). Other blocs included ECOWAS (US\$111.6 million) and COMESA, (US\$81.1 million). Rwanda's membership to the EAC is quite important as she receives most of her imports from this region.

Table 2.26: Rwanda's Imports from Regional Blocs 2015-2020 (US\$ million)

Destination	2015	2016	2017	2018	2019	2020
EAC	492.7	466.2	466.0	556.3	589.3	927.6
SADC	113.2	125.6	140.9	126.6	186.2	124.0
ECOWAS	1.4	2.1	3.9	2.1	20.6	111.6
COMESA	61.3	97.7	106.5	49.4	150.3	81.8
Rest of Africa	1.4	6.0	20.6	10.2	80.1	106.3

Source: NISR, 2021

Figure 2.17: Rwanda's Imports from Regional Blocs 2019-2020 (US\$ million)

Source: NISR, 2021

Rwanda's Merchandise Trade Partners in the World

In 2020, Rwanda's total export value was US\$958.44 million. The world's top export markets for Rwanda in 2020 included UAE (US\$597.28 million), COMESA (US\$87.23 million), EU (US\$29.78 million), UK (US\$20.15 million), USA (US\$14.12 million), India (US\$9.16 million) and China (US\$7.38 million).

Rwanda's main merchandise exports include gold, petroleum oils, coffee, tea and minerals such as tin, coltan, wolfram and cassiterite.

Rwanda's global trade statistics indicates that the country's top export partners in 2020 were UAE at US\$597.3 million, which was a big increase of 74.5 percent compared with US\$342.2 million in 2019. Exports to the EU totalled US\$29.8 million, a decrease of 31.96 percent compared with US\$43.8 million in 2019; to the UK at US\$20.1 million, a decline of 47.79 percent from US\$38.5 million in 2019; to USA at US\$14.1 million, an increase of 11 percentage from US\$12.7 million in 2019. To India, total exports were valued at US\$9.2 million, an increase of 35.29 percent compared with US\$6.8 million in 2019; and to China the value was US\$7.4 million, an increase of 10.45 percent compared with US\$6.7 million in 2019.

Table 2.27: Rwanda's Export Trade with Global Partners 2015-2020 (US\$ million)

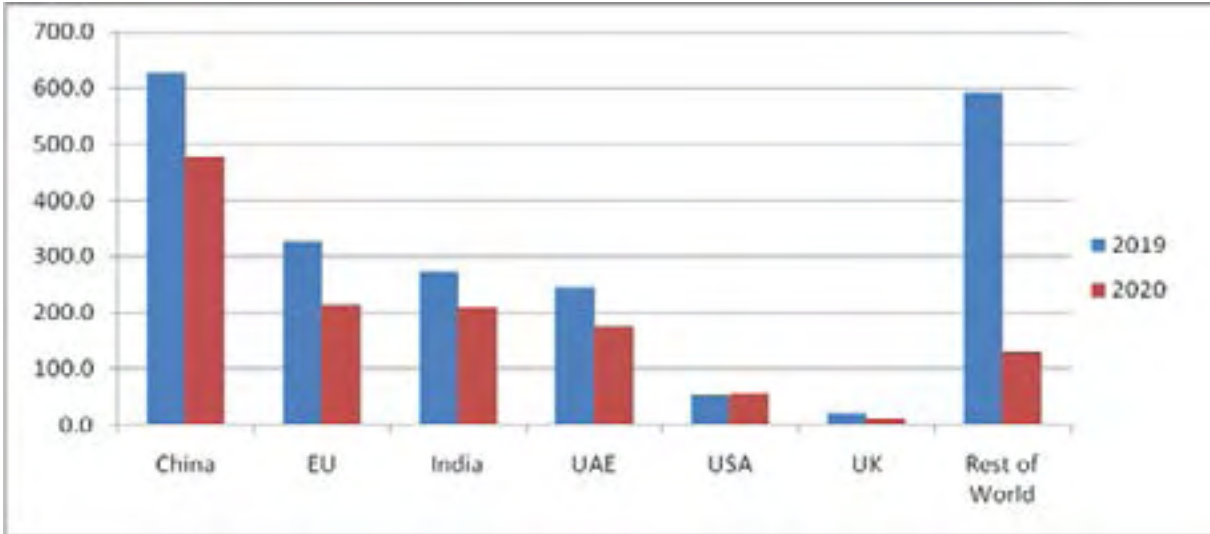
	2015	2016	2017	2018	2019	2020	% Change
UAE	25.90	58.00	259.70	155.40	342.20	597.30	74.55
EU	50.90	33.20	94.10	95.40	43.80	29.80	-31.96
UK	6.90	4.80	36.90	40.50	38.50	20.10	-47.79
USA	23.80	18.50	25.30	26.30	12.70	14.10	11.02
India	0.90	0.70	2.10	4.70	6.80	9.20	35.29
China	15.10	11.00	3.40	9.50	6.70	7.40	10.45
Rest of World	43.00	73.60	166.50	271.10	35.80	151.00	321.79

Source: NISR, 2021

Rwanda's Imports from Global Partners

The global sources of Rwanda's imports in 2020 were mainly from China (US\$477.4), the EU (US\$215 million), India (US\$209.9 million), UAE (US\$177.8), USA (US\$56.9 million) and the UK (US\$11.9 million).

Figure 2.18: Rwanda’s Imports from Global Partners 2019-2020 (US \$ Millions)



Source: NISR, 2021





2.4.4 Republic of South Sudan

South Sudan's economy largely depends on the oil sector, which generates about 70 percent of the country's GDP. Agriculture contributes 15 percent of the GDP. The country is the youngest Partner State of the EAC and has great potential to benefit from the region in terms of market access and sources of import.

South Sudan's Exports Trade

South Sudan's total exports in 2020 declined slightly to US\$6.76 million from US\$6.8 million in 2019. The country exported goods to Uganda (US\$3.56 million), Kenya (US\$3.14 million) and Rwanda (US\$0.06 million).

Table 2.28: South Sudan's Trade Exports, 2015-2020 (US\$ millions)

	2015	2016	2017	2018	2019	2020
Burundi					0.01	0
Kenya	0.1	0.2	0.2	0.01	0.07	3.14
Rwanda	12	12.07	12.07		0	0.06
Tanzania	0	0.88	0		0	0
Uganda	0.8	2.5	5.61	1.99	6.7	3.56
Total EAC	13	15.7	17.9	2	6.8	6.76

Source: SSNBS, 2021

South Sudan's Imports Trade

South Sudan's US\$4.44 million import value from its Partner States in 2020 mainly originated from Uganda. The country has imported goods from other Partner States since 2015 through to 2019.

Table 2.29: South Sudan's Trade Imports, 2015-2020 (US\$ millions)

	2015	2016	2017	2018	2019	2020
Kenya	175.0	169.0	162.0	267.7	75.6	0.00
Rwanda	8.5	1.4	0.6	4.3	4.5	0.00
Tanzania	0.1	0.0	0.0	0.2	0.4	0.00
Uganda	392.6	239.6	299.9	104.8	145.5	4.44
Total EAC	576.2	410.0	462.5	376.9	225.9	4.44

Source: SSNBS, 2021

South Sudan's Intra-EAC Trade

South Sudan's total trade with EAC Partner States recorded a total of US\$11.2 million in 2020, which was a decline from US\$232.7 million in 2019. Most of the country's total export markets in the region accounted for US\$6.76 million in 2020 from US\$6.8 million in 2019, while the total imports declined to US\$4.44 million from US\$225.9 million in 2019. The huge decline was due to non-importation of goods from Burundi, Kenya, Rwanda and Tanzania. South Sudan's trade balance with EAC improved to US\$2.32 million which implied that the country exported more goods to her Partner States than it imported.

Table 2.30: South Sudan Total Intra-EAC EAC Trade, 2015-2020 (US\$ million)

	Trade/Year	2015	2016	2017	2018	2019	2020
Intra-EAC Trade	Imports	576.2	410	462.5	376.9	225.9	4.44
	Exports	13	15.7	17.9	2	6.8	6.76
	Total Trade	589.2	425.7	480.4	378.9	232.7	11.2
	Trade Balance	-563.2	-394.3	-444.6	-374.9	-219.1	2.32

Source: SSNBS, 2021

Table 2.31: South Sudan's Intra-EAC EAC Trade per Partner State, 2015-2020 (US\$ millions)

		2015	2016	2017	2018	2019	2020
Burundi	Imports					0	0
	Exports					0.01	0
	Total trade					0.01	0
	Trade Balance					0.01	0
Kenya	Imports	175	169	162	267.68	75.58	0
	Exports	0.1	0.2	0.2	0.01	0.07	3.14
	Total trade	175.1	169.2	162.2	267.68	75.65	3.14
	Trade Balance	-174.9	-168.8	-161.8	-267.67	-75.50	3.14
South Sudan	Imports	8.5	1.42	0.64	4.26	4.46	0
	Exports	12.04	12.07	12.07		0	0.06
	Total trade	20.54	13.49	12.71	4.26	4.46	0.059
	Trade Balance	3.54	10.65	11.43	-4.26	-4.46	0.059
Tanzania	Imports	0.10	0	0	0.18	0.36	0
	Exports	0	0.88	0		0.0011	0
	Total trade	0.10	0.88	0	0.1779	0.363	0
	Trade Balance	-0.10	0.88	0	-0.178	-0.361	0
Uganda	Imports	392.55	239.56	299.88	104.80	145.48	4.44
	Exports	0.84	2.5	5.61	1.99	6.70	3.56
	Total trade	393.39	242.06	305.49	106.79	152.18	7.9978
	Trade Balance	-391.71	-237.06	-294.27	-102.81	-138.78	-0.8822
Intra EAC	Imports	576.2	410	462.5	376.9	225.9	4.44
	Exports	13	15.7	17.9	2	6.8	6.76
	Total Trade	589.2	425.7	480.4	378.9	232.7	11.2
	Trade Balance	-563.2	-394.3	-444.6	-374.9	-219.1	2.32

Source: SSNBS, 2021

South Sudan's Trade with the Rest of the World

In 2020 South Sudan's exports declined by 69.04 percent as her total exports to the rest of the world were valued at US\$0.63 million compared with 2019 at US\$2.02 million. The country's imports also dropped by 93.50 percent to US\$35.84 million in 2020 from US\$551.19 million in 2019. During the same period, South Sudan's trade deficit decreased by 93.59 percent, dropping from US\$549.17 million in 2019 down to US\$36.47 million in 2020. Further, total trade in goods declined by 93.41 percent; in actual values it declined from US\$553.22 million in 2019 to US\$36.47 million in 2020.

Table 2.32: South Sudan’s Trade with the Rest of the World, 2019 - 2020 (US\$ million)

Trade	2019	2020	% Change
Total Trade Exports	2.02	0.63	-69.04
Total Trade Imports	551.19	35.84	-93.50
Total Trade	553.22	36.47	-93.41
Total Trade Balance	-549.17	-35.21	-93.59

Source: SSNBS, 2021

South Sudan’s Merchandise Trade

South Sudan’s main merchandise exports include petroleum fuels, wood and metals, while the main imports into the country comprise vegetables, food products, fuels, chemicals, plastic or rubber, hides and skins, wood, footwear, stone and glass, metals and electricity.





2.4.5 United Republic of Tanzania

Tanzania's International Trade

Tanzania's external sector exhibited modest performance in 2020, amidst challenges associated with COVID-19. The effects were moderated by a diversified structure of the economy.

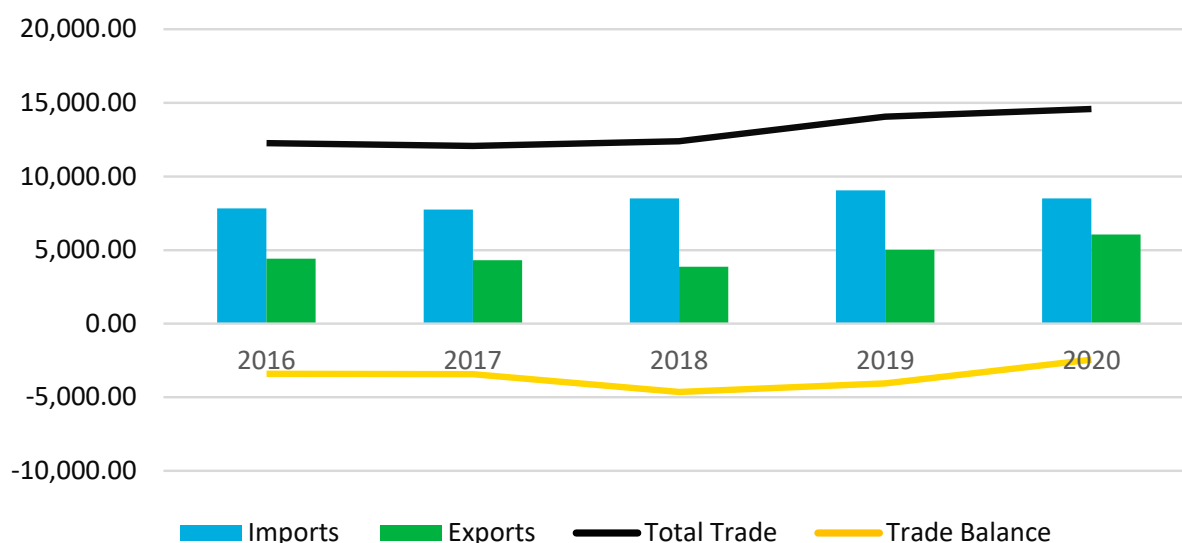
Tanzania's Total Trade

Tanzania's total trade increased marginally by 3.7 percent to US\$ 14,582.60 million in 2020, from US\$ 14,058.44 million in 2019. This development was attributed to significant increase in merchandise exports coupled with decrease in imports during the year. Overall trade deficit narrowed by almost 40 percent to US\$2,450.45 million in 2020 from 4,050.91 million in 2019, owing to good performance of non- traditional exports.

Table 2.33: Tanzania Exports, Imports and Trade Balance 2016-2020 (US\$ million)

Trade	2016	2017	2018	2019	2020
Total Trade Exports	7,835.70	7,759.13	8,516.19	9,054.67	8,516.52
Total Trade Imports	4,424.44	4,314.09	3,873.06	5,003.76	6,066.07
Total Trade	12,260.14	12,073.22	12,389.25	14,058.44	14,582.60
Total Trade Balance	(3,411.26)	(3,445.04)	(4,643.13)	(4,050.91)	(2,450.45)

Source: Tanzania National Bureau of Statistics, 2021

Figure 2.19: Tanzania Exports, Imports, Total Trade and Trade Balance 2016-2020 (US \$ million)

Source: Tanzania National Bureau of Statistics, 2021

Tanzania's Exports to EAC Partner States

In 2020, Tanzania's leading exports market in the EAC was Kenya, followed by Rwanda, Uganda and Burundi. Low, albeit increasing, exports were destined to South Sudan, reflecting the need to enhance trading relations.

Table 2.34: Tanzania's Export Trade with EAC Partner States 2016 – 2020 (US\$ million)

Trade	2015	2016	2017	2018	2019	2020
Kenya	793.9	168.4	291.5	214.1	269.9	230.2
Rwanda	41.3	57.4	60.5	79.7	190.9	208.2
Uganda	50.4	21.7	27.5	105.7	123.7	191.3
Burundi	39.2	52.5	50.8	48.0	87.9	179.5
South Sudan	-	-	0.2	1.1	2.0	3.4

Source: Tanzania National Bureau of Statistics, 2021

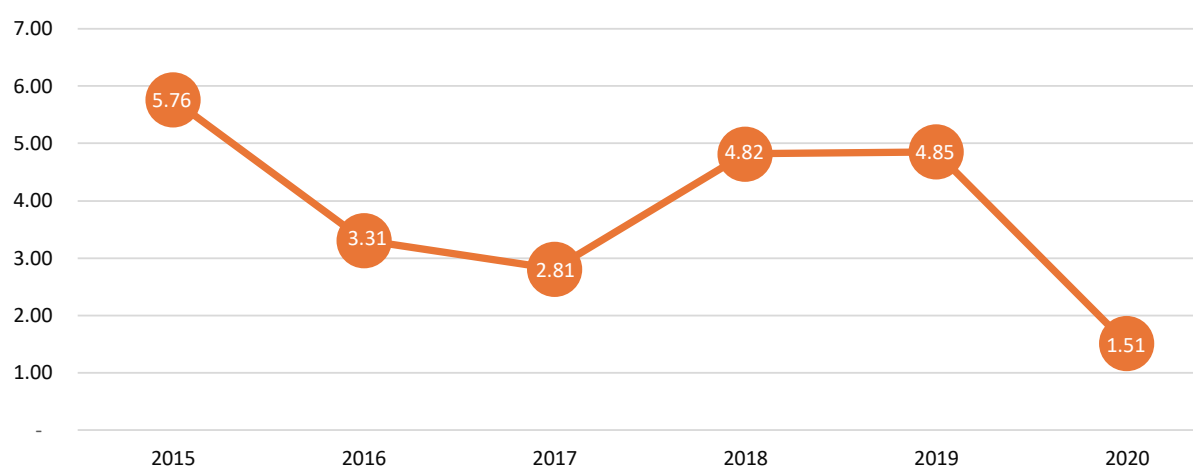
Re-exports

In 2020, Tanzania's re-exports decreased by 62.30 percent to US\$91.55 million in 2019 from US\$ 242.8 million in 2019. The share of re-exports to total exports decreased from 4.85 percent in 2019 to 1.51 percent in 2020. Most of the country's re-exports were destined to Rwanda, Zambia, South Africa and Uganda. The goods re-exported included motor vehicles, fertilizers, and machinery.

Table 2.35: Tanzania’s percentage share of re-exports, 2015 – 2020 (US\$ millions)

Year	2015	2016	2017	2018	2019	2020	% Change
Re exports	337.45	187.74	129.22	186.66	242.84	91.55	62.30
Domestic Exports	5,516.75	5,483.35	4,470.88	3,686.40	4,760.92	5,974.52	25.49
Total Exports	5,854.20	5,671.09	4,600.10	3,873.06	5,003.76	6,066.07	21.23
% Share	5.76	3.31	2.81	4.82	4.85	1.51	68.90

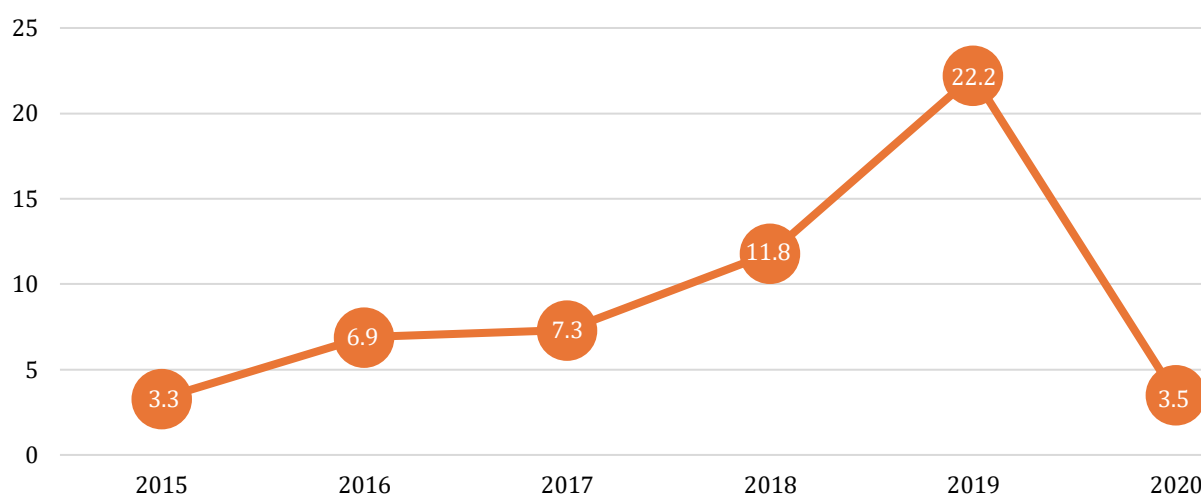
Source: Tanzania National Bureau of Statistics, 2021

Figure 2.20: Share of Tanzania’s Re-exports to total exports, 2015 – 2020 (in Percentage)

Source: National Bureau of Statistics, 2021

Tanzania’s Intra-EAC Re-exports

In 2020, Tanzania’s Intra-EAC re-exports fell by 412 percent to US\$ 29.22 million from US\$149.9 recorded in 2019. During the same period, the country’s shares of re-export in the region plunged by 534.29 percent, from 22.2 percent in 2019 to 3.5 in 2020. The major re-export goods in the EAC partner states included cosmetics, chemical products, motor vehicles, and mineral fuels. The main export destinations were Rwanda, Burundi and Uganda. The dramatic fall in re-exports from Tanzania could be attributed to the outbreak of the COVID-19 pandemic which slowed down international trade generally.

Figure 2.21: Tanzania's Share of Intra-EAC Re-exports, 2015 – 2020 (in percentage)

Source: National Bureau of Statistics, 2021

Table 2.36: Tanzania's Intra-EAC Re-exports, 2015 – 2020 (US\$ millions)

Year	2015	2016	2017	2018	2019	2020	% change
Intra-EAC Domestic Export	924	300.02	432.74	448.6	524.5	812.5	35.45
Intra EAC Re-exports	32.65	38.32	34.03	60.0	149.9	29.22	(412.96)
Intra EAC Total Exports	995.2	552.5	466.765	508.6	674.4	841.8	19.88
Percent Share of Intra-Re-exports	3.3	6.9	7.3	11.8	22.2	3.5	-534.29

Source: National Bureau of Statistics, 2021

Tanzania's Intra-EAC Trade

In 2020, Tanzania's total trade with her EAC Partner States amounted to US\$1,136.9 million, higher than the US\$1,003.6 million recorded in 2019. Cumulatively, the country has been recording trade balance surpluses since 2016, reflecting increase in exports to other Partner States. Most of the exports were destined to Kenya, followed by Rwanda and Uganda. Low, albeit increasing, exports were destined to South Sudan, reflecting the need to enhance trading relations. Main exports to other Partner States include cereals particularly rice and maize; cattle, edible vegetables (mostly onions); residues and waste, paper and paper products, and coffee, tea and spices.

On the import side, Tanzania's significant imports were from Kenya and Uganda. Most of the imported goods were soap and soap products, pharmaceutical products, plastic items, sugar, confectionery and electric equipment.

Table 2.37: Tanzania's intra-EAC Trade per Partner States, 2015 – 2020 (US\$ million)

Countries and Trade Details		2015	2016	2017	2018	2019	2020
Kenya	Imports	237.3	266.4	203.4	247.5	267.0	247.7
	Exports	812.0	189.7	308.9	224.5	269.9	230.2
	Total Trade	1,049.3	456.1	512.3	472.0	536.9	478.0
	Trade Balance	574.7	-76.7	105.5	-23.0	2.9	-17.5
Uganda	Imports	39.2	30.6	36.1	52.7	60.3	74.0
	Exports	55.9	28.1	33.0	118.9	123.7	191.3
	Total Trade	95.1	58.7	69.1	171.6	184.0	265.3
	Trade Balance	16.7	-2.5	-3.1	66.2	63.3	117.2
Burundi	Imports	1.00	0.8	0.2	1.0	0.4	0.3
	Exports	41.3	55.0	53.7	59.8	87.9	179.5
	Total Trade	42.3	55.8	53.9	60.8	88.3	179.7
	Trade Balance	40.3	54.2	53.5	58.8	87.6	179.2
Rwanda	Imports	1.1	1.1	1.3	1.4	1.5	2.2
	Exports	48.3	65.6	68.7	104.1	190.9	208.2
	Total Trade	49.4	66.7	70.0	105.5	192.4	210.4
	Trade Balance	47.2	64.5	67.4	102.7	189.4	205.9
South Sudan	Imports	1.1	0	2	0.2	0.0	0.0
	Exports	-	-	0.2	1.3	2.0	3.4
	Total Trade	-	-	2.27	1.5	2.0	2.0
	Trade Balance	-1.1	0.0	-1.9	1.1	2.0	3.4
Intra EAC**	Imports	279.7	298.8	243.2	302.7	329.2	324.3
	Exports	957.5	338.4	464.3	508.6	674.4	812.5
	Total Trade	1,237.2	637.2	707.5	811.3	1,003.6	1,136.9
	Trade Balance	677.8	39.6	221.2	205.9	345.2	488.2

Source: Partner States Revenue Authorities, Central Banks and National Statistics Offices, 2021

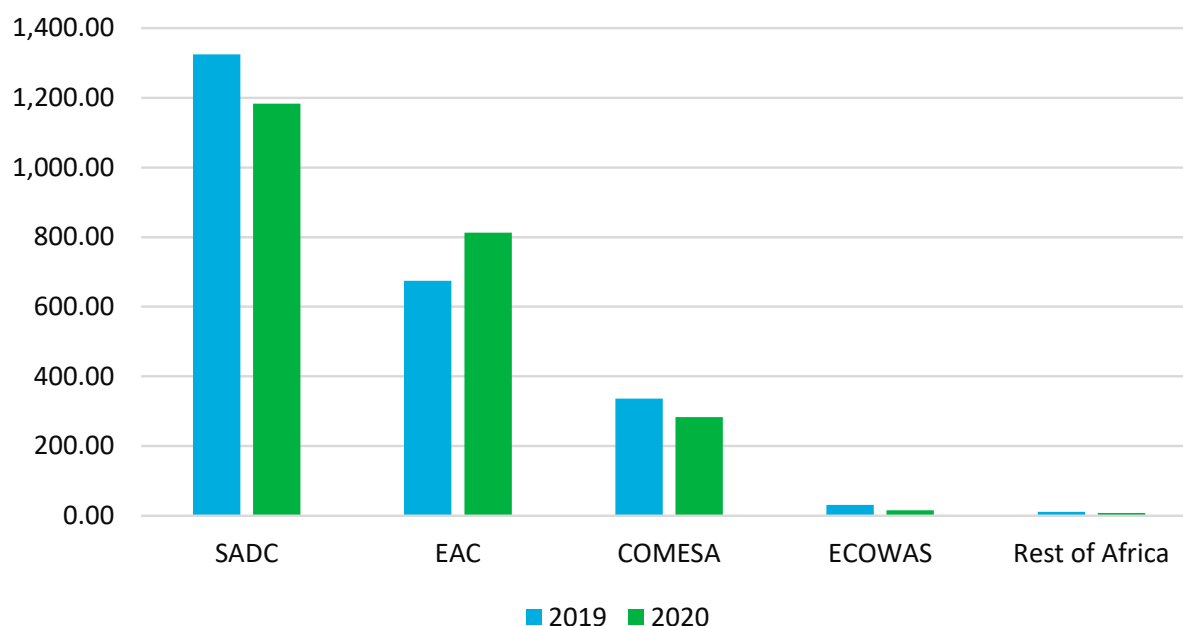
Tanzania's Export to Trading Blocs in Africa

Data on Tanzania's exports to various trading blocs in Africa show that her main export destination in 2020 was SADC, valued at US\$1,183.4 million, followed by the EAC at US\$812.6 million. Evidently, the country continues to benefit from regional integration of SADC and EAC.

Table 2.38: Tanzania's Export to Regional Blocs in Africa, 2015 – 2020 (US\$ million)

Regional Blocs	2015	2016	2017	2018	2019	2020
SADC	833.0	889.3	1,015.1	999.3	1,325.1	1,183.4
EAC	924.8	300.0	430.5	448.6	674.4	812.6
COMESA	342.3	226.3	378.0	264.8	336.8	282.9
ECOWAS	9.1	11.5	11.9	14.7	30.8	15.2
Rest of Africa	62.5	10.6	8.5	10.0	11.2	8.4

Source: National Bureau of Statistics, 2020

Figure 2.22: Tanzania's Export to Regional Blocs in Africa, 2019 – 2020 (US\$ million)

Source: National Bureau of Statistics 2020

Tanzania's imports from African Trading Blocs

Among the main trading blocs in Africa, Tanzania's top import partners include SADC (US\$355.46 million), EAC (US\$324.31 million) and COMESA (US\$127.47 million), with imports from ECOWAS (US\$2.20 million) being the lowest.

Table 2.39: Tanzania's Import Trade from Africa Regional Blocs, 2015 – 2020 (US\$ million)

Regional Blocs	2015	2016	2017	2018	2019	2020
SADC	665.60	618.48	597.97	604.32	585.75	355.46
EAC	278.60	298.81	237.00	302.73	329.20	324.31
COMESA	153.30	168.09	167.06	175.64	169.23	127.42
ECOWAS	24.00	10.77	5.73	4.95	2.52	2.20
Rest of Africa	18.00	18.50	22.29	34.23	21.16	22.15

Source: Tanzania National Bureau of Statistics, 2021

Tanzania's Merchandise Exports

Tanzania's main exports in goods include minerals, manufactured goods, crops, fish and fish products, and horticultural products. In 2020, goods exports increased by 21.9 percent to US\$ 6,066.1 million, owing to good performance in exports of gold, manufactured goods and horticultural products. Minerals account for the biggest proportion of exports, gold being the highest accounting for more than 50 percent of the total exports. During 2020, gold exports increased by 33.5 percent to US\$ 2,957.5 million, mainly on account of increase in price in the

world market and government’s initiatives to improve management of mineral resources. Other mineral exports from Tanzania include tanzanite, rubbies, diamonds, copper, sapphire, silver and others. Manufactured exports, rose by 6.7 percent to US\$ 908.6 from US\$ 850.8 million recorded in 2019, with significant increase registered in exports of iron and steel, cement, textiles, fertilizer and ceramics.

Tanzania’s Top exports Destinations in the World

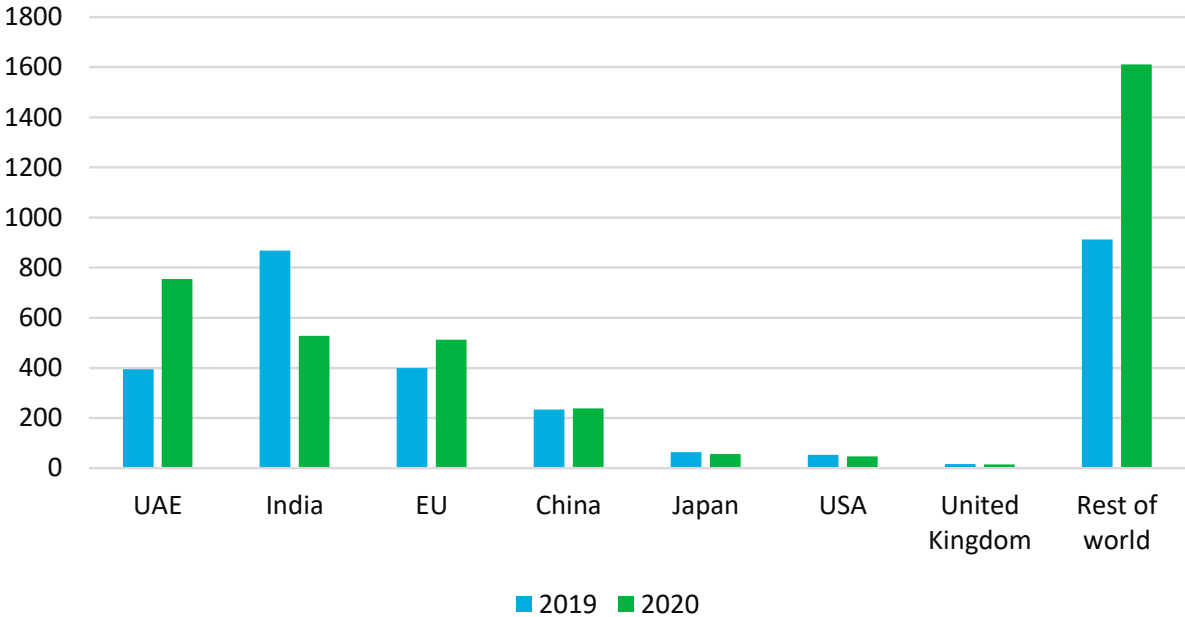
Tanzania’s top export markets for 2020 were the UAE, India, the EU and China. Other equally important markets include Japan, the US and the UK.

Table 2.40: Tanzania’s top Exports Markets, 2015 – 2020 (US\$ million)

Regional Blocs	2015	2016	2017	2018	2019	2020
UAE	64.3	87.9	85.8	395.1	754.9	355.46
India	760.6	982.9	734.3	867.8	528.7	324.31
EU	631.3	461.9	482.2	399.3	512.0	127.42
China	355.8	142.2	144.3	233.7	238.9	2.20
Japan	139.3	74.7	66.7	64.2	55.8	22.15
USA	56.9	62.2	60.4	52.4	47.0	-
United Kingdom	21.7	18.2	15.6	15.6	14.7	-
Rest of world	1,047.6	890.6	359.8	913.1	1,611.6	-

Source: Tanzania National Bureau of Statistics, 2021

Figure 2.23: Tanzania’s Exports to Global Markets, 2019 – 2020 (US\$ million)

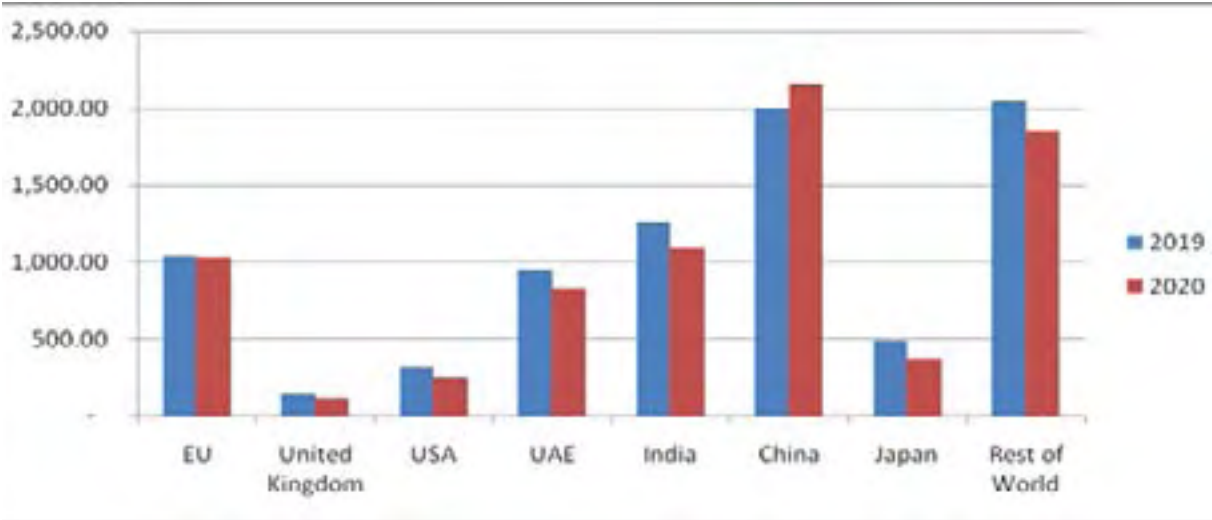


Source: Tanzania National Bureau of Statistics, 2021

Tanzania’s main Imports from the world

Imports in 2020 dropped by 5.94 percent at US\$ 8,516.52 million from US\$9,054.67 million in 2019, owing to a decrease in all imports save for industrial raw materials and other consumer goods. Tanzania’s top import partners (excluding EAC Partner States) were China (US\$2.15 billion), India (US\$1.09 billion), the European Union (US\$1.02 billion), United Arab Emirates (US\$824.32 million), Japan (US\$375.98 million), United States (US\$241.16 million) and the United Kingdom (US\$116.62 million). Tanzania’s main trading partners were China, India, South Africa, the United Arab Emirates and Switzerland.

Figure 2.24: Tanzania’s Import Trade with Main Partners (excluding EAC) 2019–2020 (US\$ million)



Source: Tanzania National Bureau of Statistics, 2021





2.4.6 Uganda

Uganda's economy largely depends on agriculture, industries and services sector due to available arable land, natural resources and quality human capital.

Uganda's International Trade

Uganda's Total Trade

Uganda's total trade increased by 4.6 percent from US\$11,849.45 million in 2019 to US\$12,398.33 million in 2020. The total exports increased by approximately 1.3 percent, jumping slightly from US\$4,095.66 million to US\$4,147.82 million. In the same period, imports rose by 6.4 percent from US\$7,753.79 million in 2019 to US\$8,250.51 million. This data demonstrates that the country's import bill has continued to increase at a higher rate than the export bill. The COVID-19 pandemic has slowed down Uganda's international trade performance.

Table 2.41: Uganda's Exports, Imports and Trade Balance, 2015 – 2020 (US\$ million)

Trade Flow	2015	2016	2017	2018	2019	2020
Total Exports	2,666.10	2,901.50	3,450.50	3,634.00	4,095.66	4,147.82
Total Imports	5,592.40	4,894.30	5,676.60	6,789.40	7,753.79	8,250.51
Total Trade	8,258.50	7,795.80	9,127.10	10,423.40	11,849.45	12,398.33
Trade Balance	2,926.30	1,992.80	2,226.10	3,155.40	3,658.14	4,102.69

Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

Uganda's Merchandise Exports

Top merchandise exports for 2020 included coffee, fish and fish products, tea, cotton, flowers and other horticultural products, and gold.

Uganda's Intra-EAC Exports

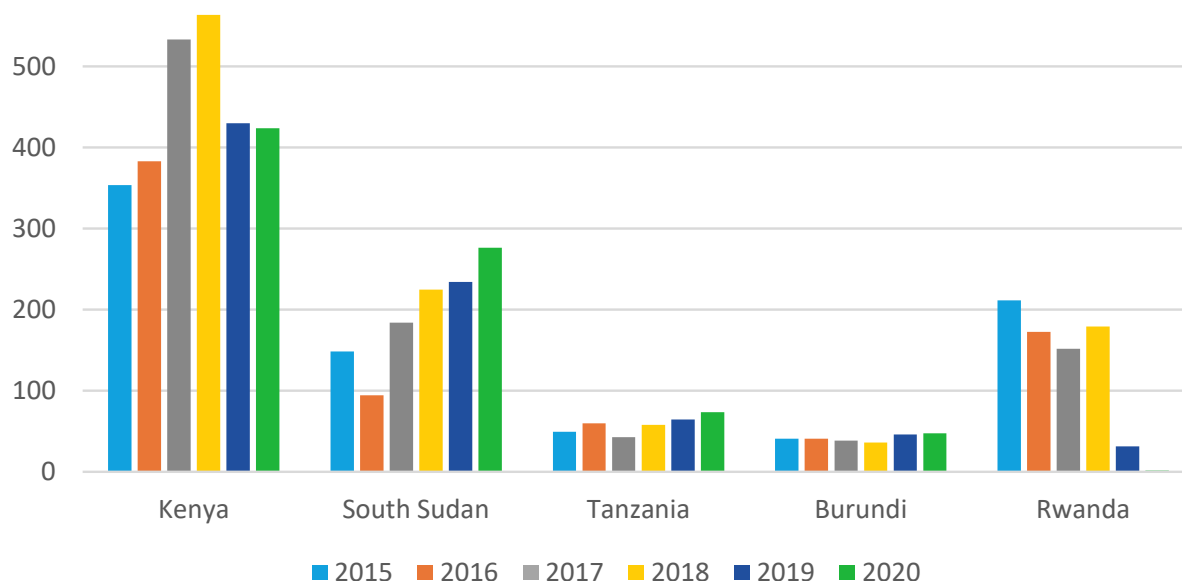
Uganda's exports to EAC Partner States in 2020 mostly went to Kenya at US\$423.7 million (a decrease of 1.4 percent), followed by South Sudan at US\$276.3 million (increase of 18.03 percent). Exports to Tanzania increased by 13.3 percent, at US\$73.3 million, to Burundi at US\$47.7 million, and to Rwanda at US\$1.6 million.

Table 2.42: Uganda's Total Intra-EAC Exports to Partner States 2015 – 2020 (US\$ million)

EAC Partners	2015	2016	2017	2018	2019	2020
Kenya	353.6	382.9	532.9	563.2	429.9	423.7
South Sudan	148.2	94.5	183.8	224.6	234.1	276.3
Tanzania	49.4	59.7	42.5	58.1	64.7	73.3
Burundi	41.0	40.8	38.6	36.3	46.0	47.7
Rwanda	211.4	172.4	151.9	179.2	31.5	1.6

Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

Figure 2.25: Uganda's Total Intra-EAC Exports from 2015 – 2020 (US\$ million)



Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

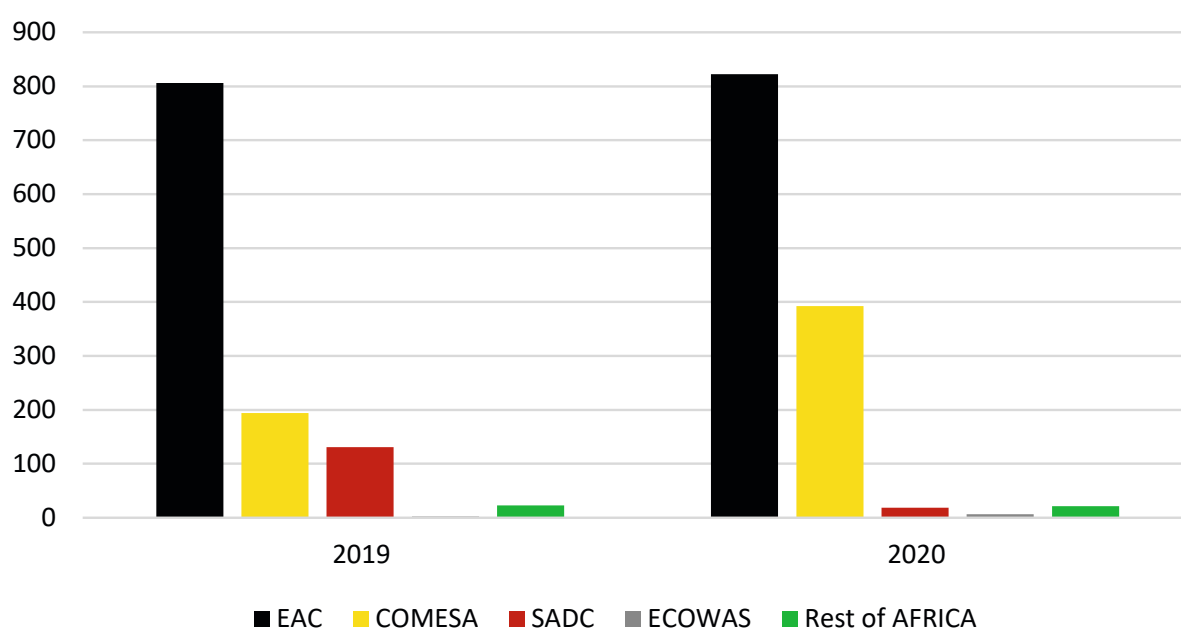
Uganda's five-year export trend with EAC was better than with other trading blocs in Africa. The country's exports (transfers) to EAC Partner States increased by 2.03 per cent between 2019 and 2020, and by a whopping 101.8 percent to COMESA, from US\$194 million to US\$392.1 million. Evidently, Uganda is benefiting from her membership in the EAC and COMESA.

Table 2.43: Uganda’s Exports to Regional Blocs in Africa, 2015 – 2020 (US\$ million)

Blocs	2015	2016	2017	2018	2019	2020
EAC	803.6	750.2	949.8	1061.4	806.3	822.7
COMESA	167.9	157.2	181.3	169.3	194.3	392.1
SADC	90.2	104.9	105.1	114.8	130.6	18.6
ECOWAS	2.9	1.0	0.6	2.1	2.5	6.8
Rest of Africa	9.4	16.7	63.0	24.8	23.1	21.4

Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

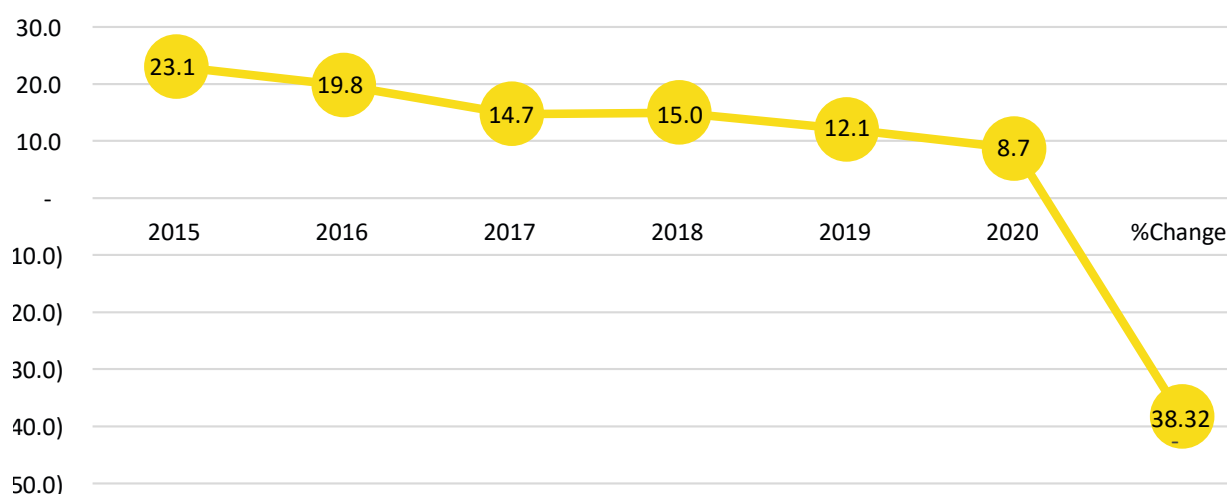
Figure 2.26: Uganda’s Exports to Regional Blocs 2019 – 2020 (US\$ million)



Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

Re-exports

In 2020, re-exports from Uganda fell by 18.85 percent to US\$ 361.97 million from US\$ 430.2 million recorded in 2019. Similarly, the share of the country’s re-exports to total exports decreased by 38.32 percent, from 12.1 percent in 2019 to 8.7 percent in 2020. The major re-export destination for Uganda were South Sudan and D.R. Congo, while the main re-export goods included fuel and sugar.

Figure 2.27: Share of Tanzania's Re-exports to total exports, 2015 – 2020 (in Percentage)

Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

Table 2.44: Uganda's share of Re-exports, 2015 – 2020 (US\$ million)

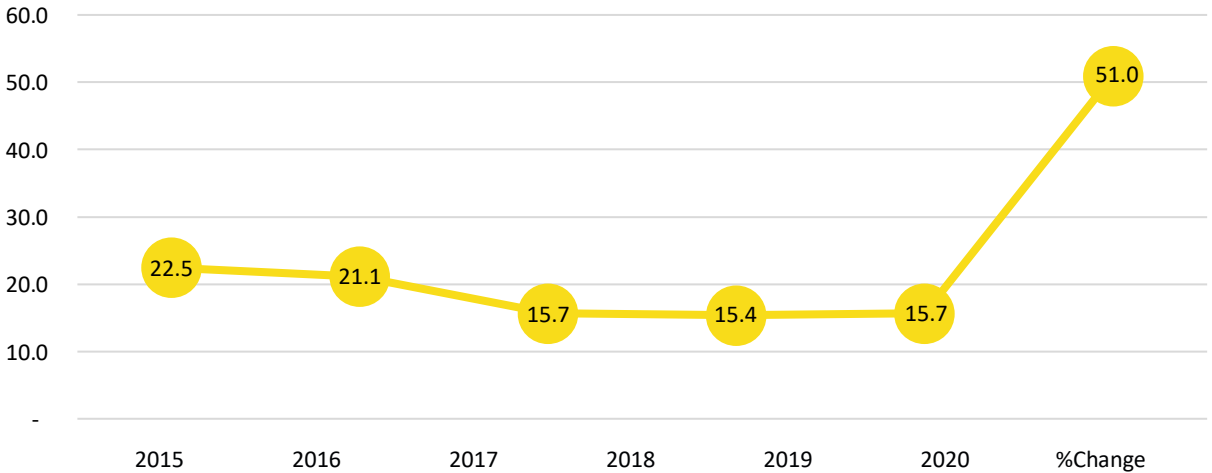
	2015	2016	2017	2018	2019	2020	%Change
Re- Exports-Value	522.6	490.6	427.9	463.0	430.2	361.97	-18.85
Domestic Exports	1,744.41	1,991.73	2,473.54	2,624.39	3,133.60	3,785.85	17.23
Total exports	2,267.0	2,482.3	2,901.5	3,087.4	3,563.8	4,147.82	14.08
Re- Exports %	23.1	9.8	14.7	15.0	12.1	8.7	-38.32

Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

Uganda's Intra-EAC Re-exports

In 2020, the intra-regional re-exports from Uganda fell increased by 82.46. The values of re-exports rose from US\$149.9 million in 2019 to 855.03 million in 2020. Similarly, in the same period, the share of re-exports to total exports increased by 69.23 percent, from 15.7 percent in 2019 to 51 percent in 2020. The main goods re-exported from Uganda to the EAC partner states included sugar, palm oil and motor vehicles. year from 15.0 percent in 2018. The key products re-exported from Uganda were fuel, sugar and rice. Major destinations for re-export were South Sudan and DRC, with the main goods being sugar, palm oil and motor vehicles.

Figure 2.28: Uganda’s share of Intra-EAC Re-Exports in share, 2015 – 2020 (in percentage)



Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

Table 2.45: Uganda’s Intra-EAC Re-exports, 2015 – 2020 (US\$ millions)

	2015	2016	2017	2018	2019	2020	% change
Re-Exports	233.0	200.7	176.5	193.1	149.9	855.03	82.46
Domestic Exports	803.6	750.2	949.8	1,061.4	806.3	822.70	2.00
Total Formal Exports	1,036.7	950.9	1,126.3	1,254.5	956.2	1,677.73	43.01
% share of re-export	22.5	21.1	15.7	15.4	15.7	51.0	69.23

Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

Uganda’s Intra-EAC Trade

Uganda’s total trade with her EAC Partner States in 2020 was valued at US\$2,463.6 million. Although she was the highest placed trading partner, Kenya recorded a decrease to a US\$1,197.0 million from US\$1,211.1 million in 2019. Trade with Tanzania rose to US\$817 million from US\$538.9 million; and declined from US\$56.2 million in 2019 to US\$5.1 million with Rwanda. In the EAC region, Uganda exported the most to Kenya (US\$423.7 million) and South Sudan (US\$276.3 million); while most of her imports came from Kenya at US\$773.2 million and Tanzania at US\$743.58 million.

Table 2.46: Uganda's Intra-EAC Trade per Partner State, 2015 – 2020 (US\$ million)

		2015	2016	2017	2018	2019	2020
Burundi	Imports	3.4	1.3	1.1	5.4	9.7	33.9
	Exports	46.3	45.1	43.0	40.7	51.4	47.75
	Total Trade	49.7	46.4	44.0	46.0	61.1	81.6
	Trade Balance	42.9	43.8	41.9	35.3	41.7	13.9
Rwanda	Imports	9.4	10.1	9.8	13.1	14.2	3.5
	Exports	237.6	193.3	181.6	211.6	41.9	1.6
	Total Trade	246.9	203.3	191.5	224.7	56.2	5.1
	Trade Balance	228.2	183.2	171.8	198.5	27.7	1.8
Kenya	Imports	554.5	459.0	457.2	515.9	768.7	773.2
	Exports	427.0	404.1	552.0	580.2	442.4	423.7
	Total Trade	981.5	863.1	1,009.2	1,096.0	1,211.1	1,197.0
	Trade Balance	127.5	54.9	94.8	64.3	326.3	349.5
South Sudan	Imports	0.8	2.5	5.6	3.2	6.5	86.7
	Exports	265.0	239.6	299.9	355.8	351.6	276.3
	Total Trade	265.9	242.1	305.5	359.0	358.1	363.0
	Trade Balance	264.2	237.0	294.3	352.5	345.1	189.5
Tanzania	Imports	62.9	59.7	91.8	258.8	470.9	743.68
	Exports	60.8	68.9	49.8	66.3	68.8	73.28
	Total Trade	123.7	128.6	141.6	325.0	539.8	817.0
	Trade Balance	2.1	9.2	42.0	192.5	402.1	670.4
Intra-EAC	Imports	631.0	532.6	565.5	796.3	1,270.1	1,641.0
	Exports	1,036.7	950.9	1,126.3	1,254.5	956.2	822.7
	Total Trade	1,667.7	1,483.5	1,691.8	2,050.7	2,226.3	2,463.6
	Trade Balance	405.6	418.3	560.8	458.2	313.9	818.3

Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

Uganda's Intra-EAC Imports

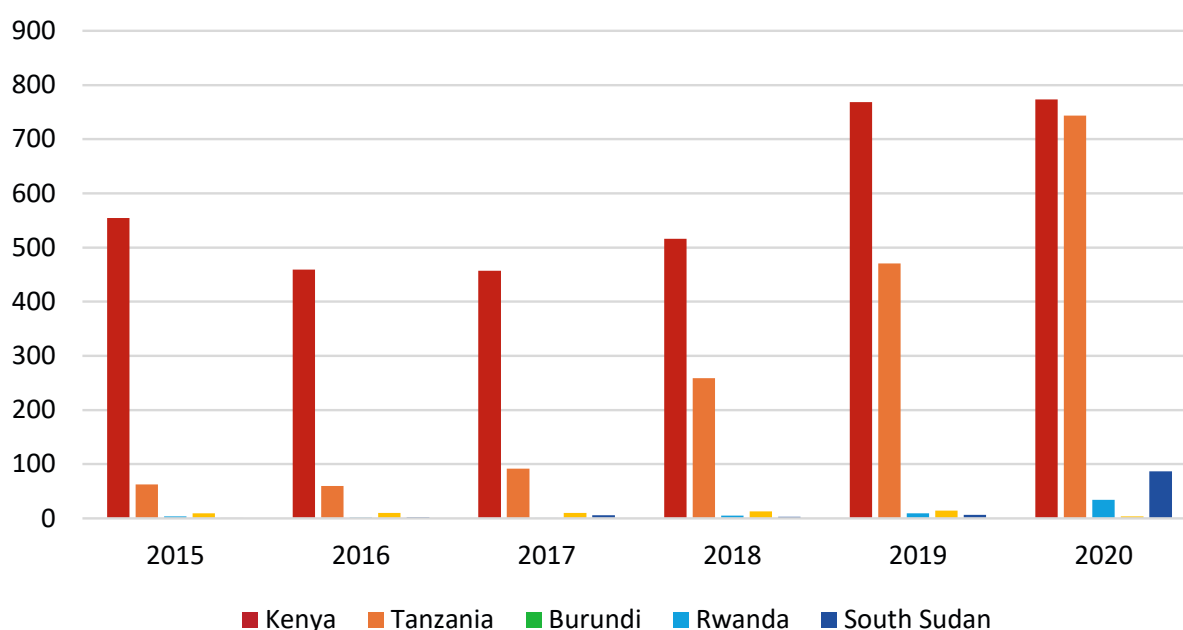
Uganda's top import partners in the region in 2020 were Kenya (US\$773.2 million), Tanzania (US\$743.68 million), Burundi (US\$33.9 million), and Rwanda (US\$3.5 million).

Table 2.47: Uganda Intra-EAC Imports 2015-2020 (US\$ million)

	2015	2016	2017	2018	2019	2020
Kenya	554.5	459.0	457.2	515.9	768.7	773.2
Tanzania	62.9	59.7	91.8	258.8	470.9	743.68
Burundi	3.4	1.3	1.1	5.4	9.7	33.9
Rwanda	9.4	10.1	9.8	13.1	14.2	3.5
South Sudan	0.8	2.5	5.6	3.2	6.5	86.7

Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

Figure 2.29: Uganda Intra-EAC Imports, 2019-2020 (US\$ million)



Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

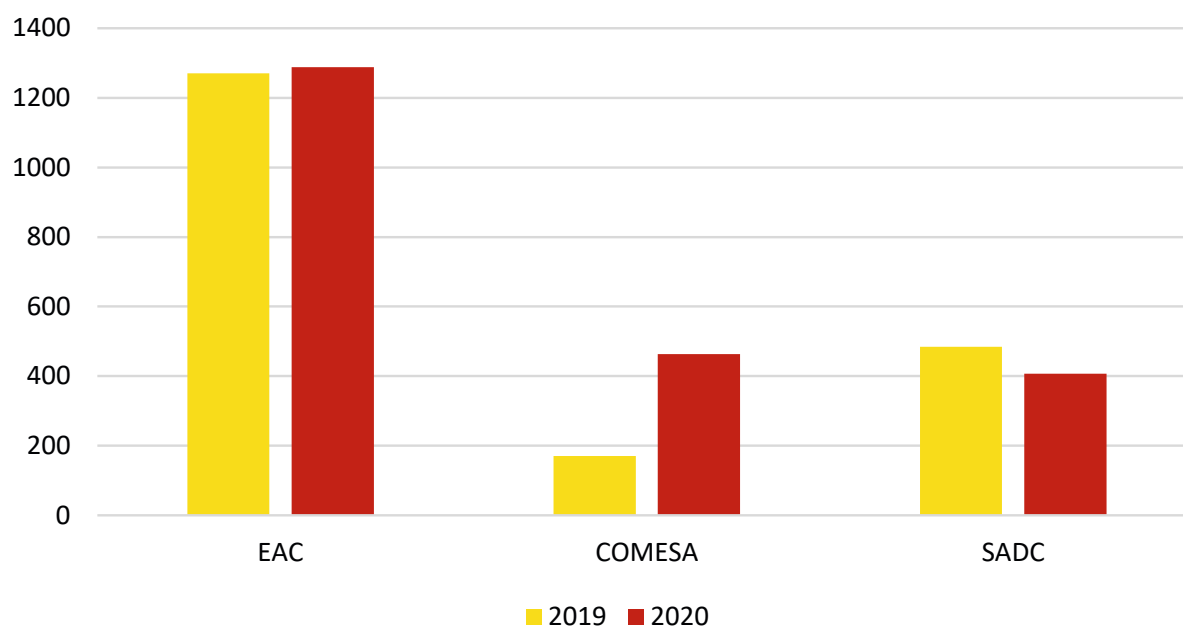
Uganda Imports from Africa Trading Blocs

Uganda's 2020 imports from EAC slightly increased to US\$1,288 million from US\$1270.1 million in 2019. Its imports from COMESA increased substantially by 172 percent to US\$463.3 million from US\$170.3 million in 2019; and from SADC declined by 16 percent to US\$407.0 million from US\$484.5 million in 2019.

Table 2.48: Uganda Imports from Africa Trading Blocs 2015-2020 (US\$ million)

Regional Blocs	2015	2016	2017	2018	2019	2020
EAC	631.0	532.6	565.5	796.3	1270.1	1,288.0
COMESA	112.6	88.8	112.3	182.8	170.3	463.3
SADC	303.4	254.9	302.3	396.0	484.5	407.0

Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

Figure 2.30: Uganda Imports from Regional Blocs 2019-2020 (US\$ million)

Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

Uganda's Exports to Main Global Partners

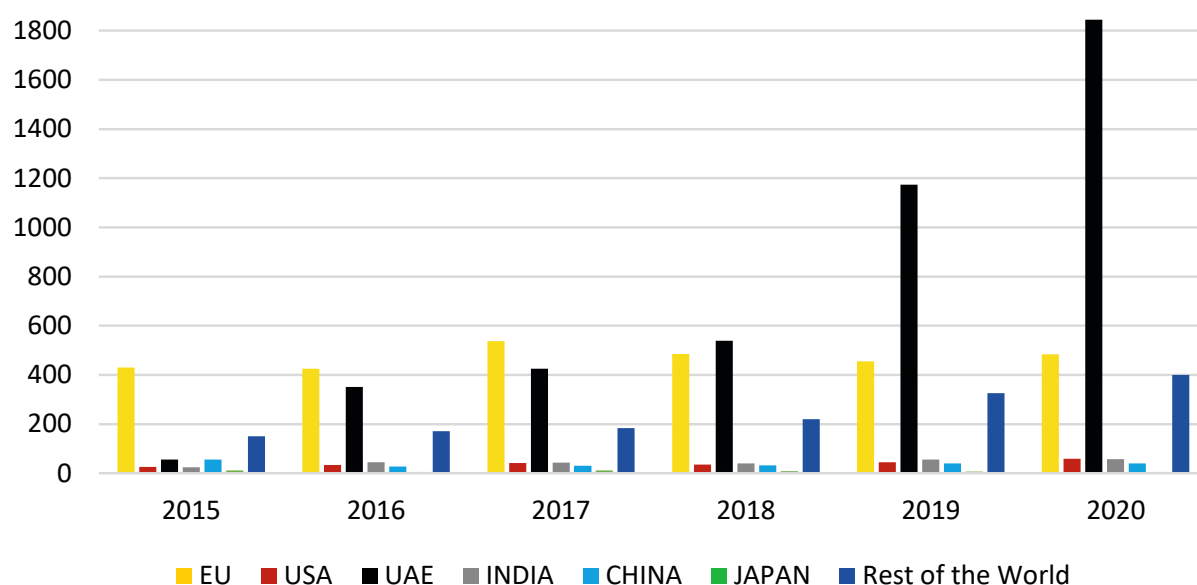
The biggest market for Uganda's exports between 2017 and 2020 was UAE and the EU. UAE saw a 57.18 percent increase to US\$1,844.8 from US\$1,173.7 million in 2019; while exports to the EU increased by 6.29 percent, at US\$483.5 from US\$454.9 million in 2019. Other top export partners in 2020 were the USA (US\$58.4 million), India (US\$57.0 million), China (US\$39.6 million) and Japan (US\$5.2 million).

Table 2.49: Uganda's Exports to Main Global Partners from 2015 – 2020 (US\$ millions)

Partners	2015	2016	2017	2018	2019	2020
EU	429.5	424.6	536.7	485.4	454.9	483.5
USA	26.0	33.3	41.3	35.1	44.0	58.4
UAE	55.5	351.4	425.1	539.1	1173.7	1,844.8
India	23.9	44.9	43.4	40.5	55.2	57.0
China	56.0	26.6	29.7	32.0	39.3	39.6
Japan	11.4	5.5	10.8	8.0	6.8	5.2
Rest of the World	150.7	171.5	184.1	219.1	326.2	399.5

Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

Figure 2.31: Uganda's Exports to Main Global Partners from 2015 – 2020 (US\$ million)



Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021

Uganda's Imports Trade

The main imports into Uganda comprise of transport equipment, petroleum, fertilizers, machinery, industrial raw materials, food and other consumer goods.

Uganda's Trade Import with Global Partners in the World

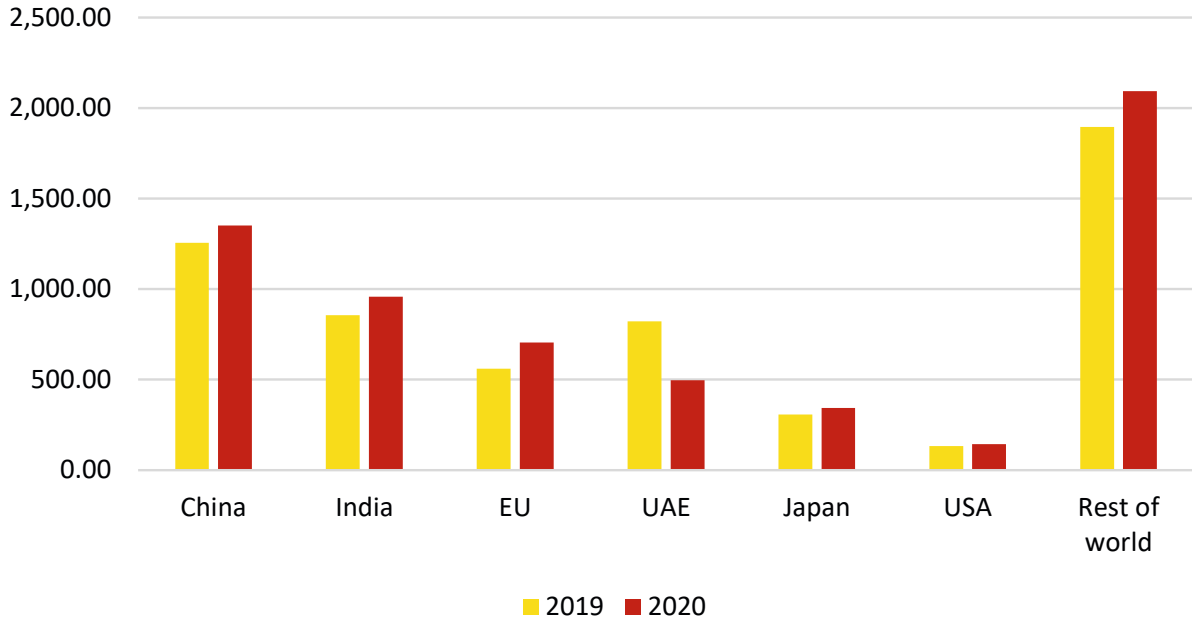
In 2020, Uganda's main markets in the world included UAE (US\$ 495.9 million) and the EU (US\$705.7 million). The major sources of Uganda's imports were China (US\$1,351.95) million and India at US\$959.11 million. Imports to Uganda from all partners around the world increased at varying percentages in 2020, except UAE's that declined by 39.70 percent. China's increased by 7.54 percent, India's by 12.16 percent, the EU's by 26.11 percent, Japan's by 11.77 percent, and USA's by 7.67 percent.

Table 2.50: Uganda Imports from Global Trade Partners, 2015-2020 (US\$ million)

Global Partners	2015	2016	2017	2018	2019	2020
China	875.0	886.2	986.0	1,184.4	1,256.6	1352.0
India	1,153.9	834.5	736.3	816.9	855.1	959.1
EU	637.0	552.8	529.4	600.5	559.5	705.7
UAE	405.9	413.2	659.7	784.1	822.4	495.9
Japan	346.8	245.5	370.1	316.9	306.8	342.9
USA	89.3	76.9	83.0	116.7	133.0	143.2
Rest of world	1,016.5	978.7	1,292.9	1,609.7	1,895.1	2,093.6

Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics 2021

Figure 2.32: Uganda Imports from Other Trade Partners, 2015-2020 (US\$ million)



Source: Uganda Bureau of Statistics, Bank of Uganda and URA Statistics, 2021



2.5 Special Category Considerations in the EAC Customs Union

The EAC implemented a Customs Union Protocol effective from January 2005, whereby a three-band Common External Tariff (CET) structure was established. The Customs Union Protocol also established a Common Customs Law, Rules of Origin and Exemption Regime. Following the challenges that were experienced during implementation of the Annexes to the Protocol, Partner States agreed to undertake a comprehensive review of the Common External Tariff, EAC Customs Management Act 2004, and other trade related instruments to promote trade, value addition and industrialisation in the region. The proposed reforms include adoption of a four-band CET structure reviewing the current list of sensitive products, amendment of some sections of the Customs Law in order to improve value chain development in the EAC Partner States, and promotion of industrialization.

2.5.1 EAC Imports of Goods under Exemption and Remission Schemes

Exemption and Remission Schemes, which are mechanisms for increasing industrialisation and trading in the region, have been operational since the establishment of the EAC Customs Union. Below is the summary of the value of imported goods under exemption among Partner States for 2019 and 2020.

The value for Burundi increased by 45.5 percent from US\$246.9 million to US\$359.2 million; while the value of revenue foregone increased by 36.9 percent from US\$89.3 million to US\$ 122.2 million.

The value for Kenya increased by 10.5 percent to US\$3,468.34 million from US\$3,139.7 million. The value of revenue foregone dropped by 13.3 percent from US\$740.8 million to US\$642.48 million.

For Rwanda, the value increased by 19.3 percent from US\$1,135.1 million to US\$1,353.65million. Revenue foregone increased by 23 percent from US\$321.5 million to US\$ 397.01 million.

South Sudan's total value dropped by 99.5 percent from US\$1,044.4 million to US\$1.1 million; while revenue foregone decreased by 99.9 percent from US\$1,037.4 to US\$0.7 million.

The value for the United Republic of Tanzania increased from US\$533 million to US\$1,330.7 million; while total trade taxes increased from US\$2,722.9 million to US\$6,680.4 million.

2.5.2. EAC Imports of Sensitive Products

The following is a summary of the value of imported sensitive goods from EAC Partner States for 2019 and 2020.

The value for Burundi decreased by 17.55 percent from US\$113.19 million to US\$93.33 million, and included wheat and meslin, rice and worn clothing.

Kenya's imports included milk and cream, not concentrated or sweetened (US\$44.4 million); rice (US\$34.85 million); maize (US\$20.89 million); milk and cream, concentrated or sweetened (US\$18.30 million); cane or beet sugar and chemically pure sucrose, in solid form (US\$18.30 million); and unglazed ceramic flags, paving, hearth or wall tiles, mosaic cubes, etc., (US\$15.5 million). This was a drop of 26.12 percent to US\$158.28 million from US\$214.26 million.

Rwanda's products included rice (US\$40.77 million) and maize (US\$22.18 million), registering an increase to US\$404.66 million from US\$353.29 million.

The value for South Sudan decreased to about 17.8 percent at US\$35.41 million from US\$43.08 million, and included wheat or meslin flour at US\$ 2.07 million and maize US\$ 0.36 million as well as cereal floors US\$ 0.22 million.

For the United Republic of Tanzania, the value from the EAC Partner States sharply increased by 186.02 percent to US\$13.24 million from US\$4.63 million, while the value from the rest of the world rose by 12.15 percent at 216.37 million from 192.93 million. Products from Partner States included powder, yoghurt, processed cheese, cigarettes, clothes and batteries; and from the rest of the world were powder, milk, rice, maize or meslin flour, sugar, worn clothes, lithium and batteries.

Uganda's imports increased by 69.4 percent, the products being rice (US\$77.6 million) and tobacco or tobacco substitutes, e.g., cigarettes, at US\$13.1 million.

2.5.3. EAC Imports of Excisable Goods

Summarised below is the value of EAC imports of excisable goods for 2019 and 2020. Kenya recorded an increase to US\$13,569.78 million from US\$1,571.47 million. The goods were mineral fuels, oils and waxes (US\$2196.17 million), nuclear reactor boilers (US\$1443.85 million), and vehicles, tramway rolling-stock and accessories thereof (US\$1135.65 million).

Rwanda's imports dropped by 26.7 percent to US\$486.3 million from US\$663.66 million. The goods included petroleum oils (excluding crude) (US\$355.4 million); motor cars and other motor vehicles for transport of persons (US\$86.3 million); beverages, spirits and vinegar (US\$25.2 million), and milk and cream, concentrated or sweetened (powdered milk) valued at US\$12.2 million.

The value for the United Republic of Tanzania declined by 9.08 percent from US\$154 million to US\$140.02 million. The commodities included mineral fuels, mineral oils and products of their distillation.

Uganda's imports declined by 14.1 percent from US\$1,218.1million to US\$1,046.7million. The main imports included petroleum oils (excluding crude); and beverages, spirits and vinegar.

2.5.4. EAC Imports Categorised by Tariff Bands

With the coming into force of the Customs Union, the EAC Partner States eliminated tariffs on intra-regional trade and adopted a three-band Common External Tariff structure, for imports into the Region. These are: 0 percent tariff for raw materials and capital goods; 10 percent tariff for intermediate goods; and 25 percent tariff for finished goods.

There are items classified as sensitive goods, which consist of locally manufactured products (and some agricultural goods) which are widely produced in the region; thus receiving special protection from imports. These attract rates higher than 25 percent, ranging from 35 percent to 100 percent.

A large percentage of imports is constituted of raw materials and capital goods due to the drive among Partner States to undertake industrialisation by importing machinery and raw materials.

The following is a summary of the effect of the special tariff bands on the imports of EAC Member Partners for 2019 and 2020.

Import of goods under the 0 percent tariff band for Burundi increased by 3.9 percent at US\$418.7 million from US\$403.44. A slight increase of 0.7 percent was recorded in the 10 percent tariff band at US\$135.15 million; while the 25 percent tariff band recorded an 8.03 percent increase at US\$286.41 million. There was a notable decline of 16.74 percent for commodities imported in the above 25 percent tariff band from US\$83.09 million to US\$69.41 million. In general, goods under the special tariff bands increased by 2.44 percent from US\$887.75 to US\$909.43 million.

For Kenya, imports of goods attracting 0 percent tariff increased by 12.76 percent to US\$894.98 million from US\$10,194.97 million. Goods under the 10 percent tariff band dropped by 8.68 percent to US\$1,933.39 million from US\$2,117.23 million. The value of goods imported in the 25 percent tariff band dropped from 4.01 percent at US\$3,537.8 million to 7.79 percent at US\$ 3,262.28 million. Goods attracting the tariff band above 25 percent dropped by 21.7 percent to US\$1,414.81 million from US\$1,806.98 million.

Goods imported under the 0 percent tariff band for Rwanda decreased by 47.24 percent to US\$1.074 billion from US\$2.035 billion. Goods imported under the 10 percent tariff band

decreased by 50.42 percent to US\$285.66 million from US\$576.17 million. Imports within the 25 percent tariff band increased by 61.60 percent to US\$853.11 million from US\$527.91 million.

In the United Republic of Tanzania, imports under the 0 percent tariff band decreased by 99 percent to US\$51.93 million from US\$5,669.59 million. Goods imported under the 10 percent tariff band decreased by 98.05 percent to US\$26.62 million from US\$1,363.76 million. Imports within the 25 percent tariff band decreased by 89.1 percent to US\$214.1 million from US\$1,963.52 million. Goods imported under the above 25 percent tariff band decreased by 53.86.

Uganda's imports under the 0 percent tariff band increased by 12.2 percent, recording US\$7.26 billion from US\$6.47 billion. Imports attracting tariff of 10 percent decreased by 8.6 percent to US\$475.99 million from US\$520.68 million. Goods subjected to the 25 percent tariff band decreased by 20.8 percent to US\$317.12 million from US\$400.22 million. Imports in the above 25 percent tariff band decreased by 37.1 percent to US\$182.56 million from US\$290.37 million.

As per the COMESA Preferential Tariff Treatment, imports under the 4 percent tariff band increased by 144 percent in 2020 (US\$7.92 million) from US\$3.24 million recorded in 2019. The same period saw imports under the 6 percent tariff band decrease by 51 percent to US\$4.72 million from US\$9.62 million.

2.5.5 Customs Revenue Performance

The total customs revenue for Burundi in 2020 increased by 11.6 percent to US\$247.12 million from US\$221.39 million in 2019. In the same period, excise duty and VAT increased by 7.9 percent to US\$46.64 million, and 6.61 percent to US\$103.45 million, respectively. The increase in total customs revenue was due to increased excise duty and import VAT.

For Kenya, total customs revenue decreased by 3.56 percent to US\$15,812.5 million from US\$16,429.88 million, due to the decline in import duty and other revenue in the year. Excise duty increased however by 1.3 percent to US\$909.5 million, while import VAT increased by 2.57 percent to US\$1838.8 million.

Rwanda's total customs revenue decreased by 4.76 percent to US\$479.77 million from US\$503.8 million. Excise duty and VAT on imports recorded a 6.71 percent and 8.8 percent decrease, respectively. The share of trade taxes to total revenue in Rwanda was 29.8 percent, slightly below 30.7 percent recorded in 2019.

The total customs revenue for South Sudan decreased by 95.96 percent to US\$21 million from US\$519.6 million. Excise duty and VAT declined by 94.33 percent to US\$3.93 million and 96.41 percent to US\$8.17 million, respectively. This was due to a decline in VAT and import excise duty collection.

Total customs revenue collected in Tanzania increased by 8.63 percent to US\$8.5 billion from US\$7.84 billion. The share of total taxes to total revenue increased at the previous rate of 38.6 percent. Excise duty increased by 8.12 percent to US\$605.64 million in 2020 from 68.22 percent which accounted for US\$560.18 million. VAT declined by 22.92 percent to US\$1,213.57 million from 62.08 percent of US\$1,574.37 million. The increase in total revenue was caused by an increase in import duty to US\$646.54 million from US\$517.97 million, and a sharp rise in other taxes from US\$51.14 million to US\$853.55 million.

Uganda's total customs revenue slightly declined to 4,930.07 million from 4,960 million, while the total trade taxes decreased by 5.8 percent to US\$1.81 billion from US\$1.97 billion. The decline was attributed to the fall of import duty and excise duty collections by 10.5 percent and 5 percent, respectively, as well as the decline of VAT collection by 10.81 percent to US\$671.28 million from 16.85 percent to US\$752.66 million.



CHAPTER 3: TRADE IN SERVICES IN THE EAC

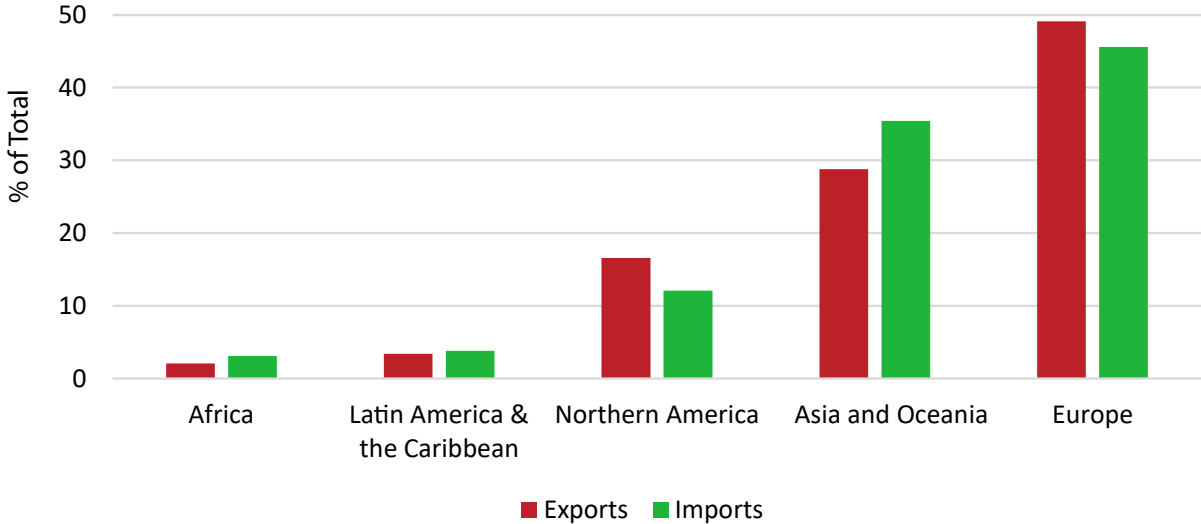


3.1. Trends and Prospects

3.1.1 Trends of Global Trade in Services

In modern economies, the importance of services is conspicuous due to its role in boosting economic growth and enhancing industrial performance (WB, 2021). Services such as finance, insurance, transport, logistics and communications deliver valuable inputs and offer crucial support to the globalised world’s economy. The decline in merchandise trade since 2019 has spread across all geographical regions while services kept increasing at a slower pace (UNCTAD, 2020). Although they still account for two-thirds of the value of services, a decline has been experienced in the relative importance of developed countries’ markets in international trade in services. The contribution of LDCs to the world’s services trade remains small, despite some increases in exports and imports being recorded over the past decade (WTO and OECD, 2021).

Figure 3.1: World Trade in Services (Percentage of Total)



Source: UNCTADSTAT, 2021

The value of global exports in services increased up to US\$6.1 trillion in 2019. Trends by the development status and region by the beginning of 2019 indicated a modest rise in exports of services in world economies. Europe had the highest exports, followed by Asia and America, while Africa had the lowest (UNCTAD, 2021). The developed and developing countries recorded 4.4 percent and 5.3 percent growth, respectively, whereas Africa recorded a 2.7 percent increase. However, in the first two quarters of 2020, worldwide export of services sharply dropped due to the COVID-19 pandemic. The sign of recovery started to emerge in the third quarter with a decline of 19.9 percent year-on-year now cast.

The performance of trade across main categories of services was uneven even as it greatly increased worldwide in the last decade. It was dominated in 2019 by transportation (US\$1 trillion) and travel (US\$1.5 trillion), with telecommunication, IT and professional services posting moderate growth in a number of sectors, while transport, insurance and construction decreased (UNCTAD, 2020).

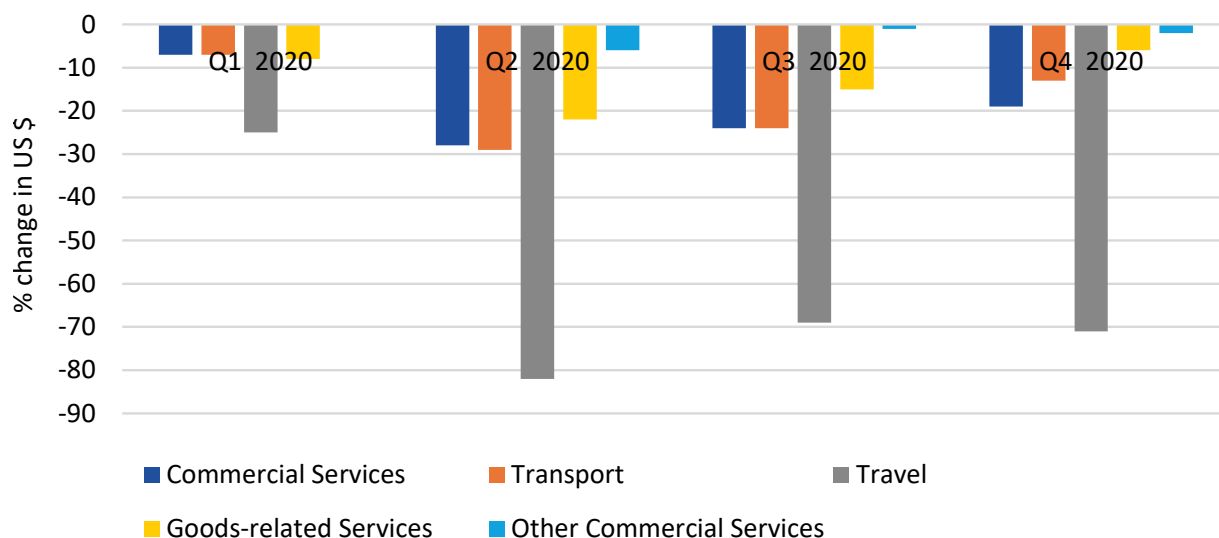
The developed countries are ranked at the top of the service sector as the major transporters, but not in construction. The shares and values of developing countries increased in the last decades, and are becoming important suppliers of insurance and professional services. Most services categories in 2019 grew to a significant level, except for insurance services, construction and transportation. A shift in market share has been noted from developed countries to developing countries despite the developed countries being the largest exporters of services.

Throughout the services modes, global trade in commercial services was worth US\$13.3 trillion in 2017 presenting a comprehensive picture of services in world trade according to the Trade in Services data by Mode of Supply (TISMOS) and General Agreement for Trade in Services (GATS). The commercial presences (mode 3) are the dominant mode for global services, accounting for 58.9 percent. Financial and distribution services combined, account for about half of the value of mode 3. The Intra-EAC services transactions (mode 1) accounted for US\$3.7 trillion in 2017, which is a 27.7 percent share and cuts across different sectors, including transport; professional and business services; distribution services; communications services; and computer services and related activities. Consumption of services abroad (Mode 2) contributes US\$1.4 trillion and 10.4 per cent of total trade in services, with tourism accounting for more than 60 percent of the value, and movement of natural persons (Mode 4) accounted for only US\$0.4 trillion at 2.9 percent (WTO, 2019).

3.1.2. Trade in Services During COVID-19 Pandemic

Most services sectors have been underperforming due to COVID-19 containment measures, which affected tourism, food services, retail and healthcare industries in 2020 (Benjelloun and Ricketts, 2020). Before that, trade in services in developing countries had been increasing at a fast rate of about 50 percent of the GDP, except for travel services that were down by 63 percent. Other services were affected much in 2020, and are not expected to fully recover until the pandemic wanes (WTO, 2021).

Figure 3.2: Trend of Growth in World Commercial Services Trade 2020, (Percentage Change in US\$ Value)



Source: WTO-UNCTAD-ITC, 2021

3.1.3. Trends of Africa's Trade in Services

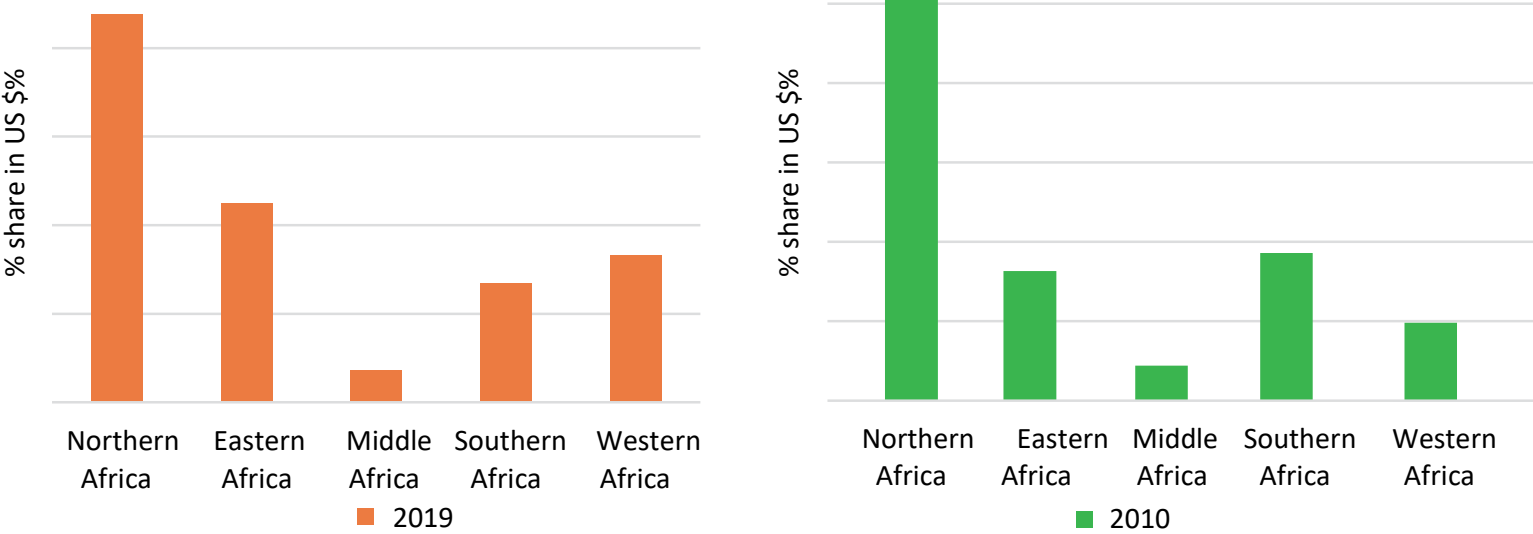
The share and value of trade in services of Africa represents a fraction of the global economy, with traditional services such as transportation and tourism, and non-traditional sectors such as business, communication and distribution services (UNCTAD, 2020). Africa has in the last decade seen growing trends in services in terms of values and shares at varying levels. North Africa had an average growth of 1.5 percent in value, whereas Eastern Africa depicted positive growth of 6.2 percent from 2010 to 2019. Eastern and Western Africa have been experiencing an increase in values and shares in trade in services each year for 10 years, with North, South and Central Africa having negative change in growth percentage in some years (OECD, 2021).

Table 3.1: Africa Trade in Services Values

Economy	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Northern Africa	48,316.5	44,137.8	47,150.0	42,655.4	48,068.4	42,172.6	37,255.2	45,028.4	50,977.0	53,396.7
Eastern Africa	15,504.5	18,587.4	21,836.9	22,738.7	23,046.5	22,516.7	22,185.7	24,070.7	27,376.0	27,449.7
Middle Africa	4,199.7	5,091.4	3,910.4	5,134.6	5,577.9	4,449.5	3,921.1	4,307.2	42,36.6	4,454.0
Southern Africa	17,685.0	19,101.3	19,486.0	18,307.7	18,931.6	16,960.4	15,921.0	17,605.4	17,792.7	16,382.1
Western Africa	93,48.7	10,799.3	10,994.8	10,647.8	10,038.4	14,572.8	15,620.1	17,210.0	18,795.5	20,252.4
Total	95,054.3	97,717.2	103,378.1	99,484.2	105,662.8	100,672.0	94,903.2	108,221.7	119,177.9	121,934.9

Source: WTO, UNCTAD STAT, 2021

Figure 3.3:(a & b): Trend of Growth in Trade in Services in Africa by Regions, 2010 and 2019 (Percentage Share in US\$ Value)



Source: WTO, UNCTAD STAT, 2021

3.1.4. Trends of EAC’s Trade in Services

Article 16 of the EAC Common Market Protocol guarantees free movement of services supplied by nationals of Partner States and the free movement of services suppliers who are nationals of the Partner States within the Community. In the EAC, which is the fastest growing Regional Economic Community in Africa, at 6 percent, trade in services plays a major role in the Partner States’ economies. The EAC Partner States agreed to liberalise seven service sectors, namely: business services, financial services, communication services, transport services, tourism and travel related services, educational services, and distribution services.

Tanzania maintained a moderate growth rate in trade in services from 2010 to 2019 whereas in the same period, Rwanda performed well, resulting in a significant contribution to its GDP. Further, trade in services in Burundi had a very small share and low growth rate.

The region imports services mainly from the United States of America and Asian countries of China and Japan. Burundi imported lesser services than Rwanda, while Kenya took the lead, followed by Uganda and the United Republic of Tanzania. The imported services included Financial services, Telecommunications, Computer and Information services, Travel, use of intellectual property, Commercial services, Goods-related services, Maintenance and repair services, Manufacturing services on physical inputs owned by partner economy, Transport, Insurance and pension services, Business services and Construction, Personal, Cultural, and Recreational services.

Trade in services in the EAC economies is attracting much attention from other regions due to its contribution to Partner States' economies. The significant contribution of services on industries and overall economic efficiency, performance and growth, is significantly experienced in all economies of the EAC Region and contribute greatly to the GDP of each Partner State.

Trade in services exports and imports comprise modes of supply which include Intra-EAC supply, Consumption abroad, Commercial Presence (foreign affiliates) and Presence of natural persons (WTO, 2010).

Intra-EAC Supply: Transport services, Telecommunications, Computer and Information services, News Agency services (audio-visual) and Postal and courier services.

Consumption Abroad: Business travel, Education services, Health treatment, Intellectual property services, Maintenance and repair services, manufacturing services on physical inputs, Agriculture mining and on-site processing services, and Tourism, hotel and catering services.

Commercial Presence: Health and social services, financial services, Insurance and Pension services, Construction, and Energy services.

Presence of Natural Persons: Scientific Research and Development; Advertising, Market Research and Development; Accounting, Auditing and Tax Consultancy; Cultural; Recreational services; Sport activities; and Managements consultancy.

Trade in services¹ exports and imports comprise modes of supply which include Intra-EAC trade, consumption abroad, commercial presence (foreign affiliates) and Presence of natural persons (WTO, 2010).

3.2. Trade in Services in EAC Partner States

3.2.1. Trade in Services Trends in Burundi

Trade in services in Burundi grew slowly in the last decade, nevertheless contributing to a remarkable economic growth due to its great role in creating investment and employment opportunities, which improve the socio-economic conditions of the people of Burundi.

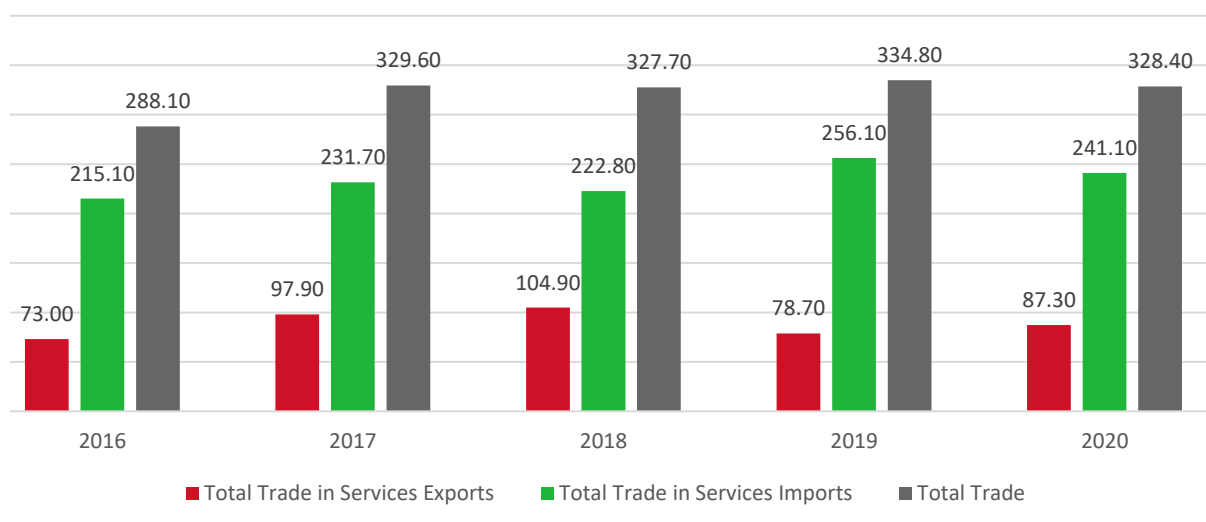
During the five-year period from 2016, trade in services in Burundi performed fairly well, exhibiting increase in receipts earnings. In 2020, total trade in services slightly decreased by 1.91 percent, recording US\$328.4 million from US\$334.8 million in 2019. In the same period, the total services exports increased by 10.93 percent accounting for US\$87.3 million from US\$78.7 million in 2019. Further, total services imports experienced a decline of 5.86 percent which accounted for US\$241.1 million in 2020, from US\$256.1 million in 2019.

¹ Trade in services data were processed and analysed in a format as submitted by each partner state.

Table 3.2: Total Trade in Services in Burundi, 2016 - 2020 (US\$ million)

Total Trade	2016	2017	2018	2019	2020	% Change
Total Trade in Services Exports	73.00	97.90	104.90	78.70	87.30	10.93
Total Trade in Services Imports	215.10	231.70	222.80	256.10	241.10	-5.86
Total Trade in Services	288.10	329.60	327.70	334.80	328.40	-1.91

Source: Burundi National Bureau of Statistics, 2021

Figure 3.4: Total Trade in Services in Burundi, 2016-2020 (US\$ million)

Source: Burundi National Bureau of Statistics, 2021

Trade in Services Export in Burundi

In 2020, Burundi quickly positioned herself in its services trade and led the highest growth in the history of the EAC Region, by up to 102 percent. This accounted for US\$4 million from US\$2 million in commercial presence in 2019; followed by presence of natural persons, which also, recorded a high growth rate by 42.55 percent in the year under review, at US\$20.1 million from US\$14.1 million in 2019. Further, cross-border supply rose by 34.29 percent, recording a value of US\$6.3 million in 2020 from US\$4.7 million in 2019. Only government services recorded a slight increase to negative 0.7 percent from negative 31.3 percent in 2019. The negative growth experienced in 2020 resulted from the COVID-19 pandemic, which caused consumption abroad to drop by 26 percent from US\$2 million in 2019, to US\$1.9 million in 2020.

Table 3.3: Trade in Services Exports in Burundi, 2016 2020 (US\$ million)

Services Mode of Supply	2016	2017	2018	2019	2020	% Change
Cross-border Supply	5.8	5	6.4	4.7	6.3	34.04
Consumption Abroad	1.9	3	4	2.6	1.9	-26.92
Commercial Presence	2.5	1.7	2.8	2	4	100.00
Presence of Natural Persons	7.5	7.3	11.1	14.1	20.1	42.55
Other not-Included elsewhere (Government Services)	55.3	80.7	80.6	55.4	55	-0.72
Total Trade in Services Exports	73	97.9	104.9	78.7	87.3	10.93

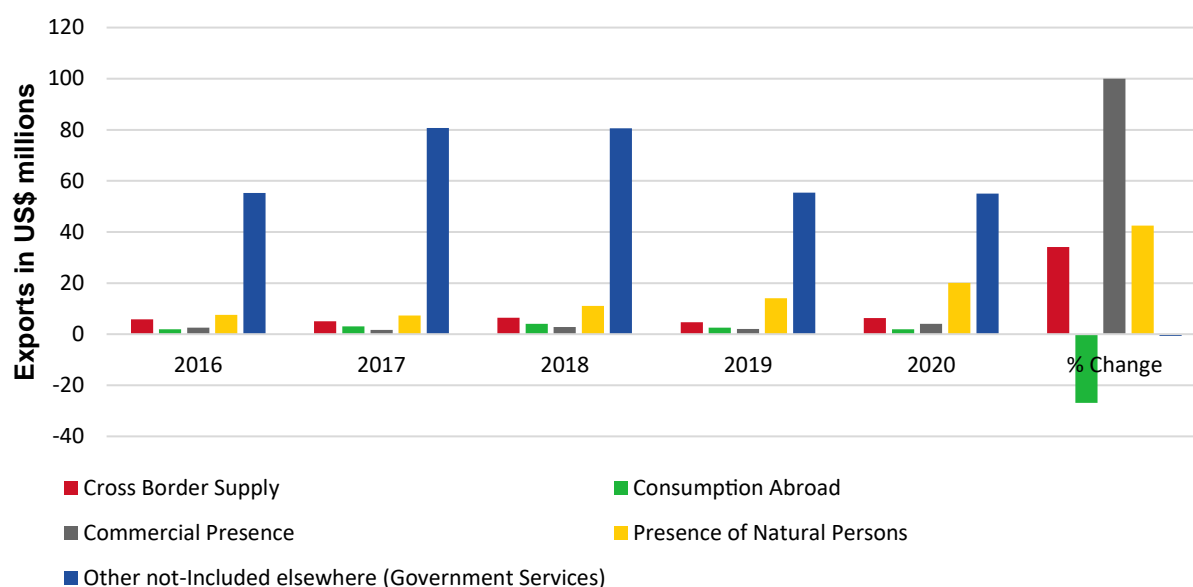
Source: Burundi National Bureau of Statistics, 2021

The services exported by Burundi include, telecommunications, computer and information services; transport; business travel; education services; health treatments; intellectual property; maintenance and repairs; tourism; financial services; insurance and pensions; construction; scientific research and development; architectural, engineering and technical services; cultural, recreation and sports services.

Table 3.4: Percentage Change in Trade in Services Exports in Burundi

Services Modes	2016	2017	2018	2019	2020
Cross-border Supply	-43.5	-13.4	26.8	-27.1	34.3
Consumption Abroad	-32.4	59.5	32.2	-35.8	-26.1
Commercial Presence	-18.8	-30.3	63.5	-29.4	102.3
Presence of Natural Persons	75.2	-2.1	51.8	26.5	42.6
Other (Government Services)	45.5	46	-0.2	-31.3	-0.7
Total Trade in Services Exports	73	97.9	104.9	78.7	87.3

Source: Burundi National Bureau of Statistics, 2021

Figure 3.5: Trade in Services Exports by Modes of Supply, 2016 - 2020

Source: Burundi National Bureau of Statistics, 2021

Direction of Trade in Services Imports

Total trade in services imports declined by 5.85 percent in 2020 at US\$241.10 million from US\$256.10 million in 2019. A positive growth had been recorded in the decade with the value of total services imported to Burundi growing by 43.21 percent in 2020 at US\$241.1 million from US\$168.3 million in 2010. Value shares for services imports indicate that cross-border supply decreased by 0.7 percent from US\$174.7 to US\$173.3 million. Consumption abroad faced a drastic drop of 52.76 percent from US\$25.4 million to US\$12 million. The commercial services decreased to US\$23.8 million at 25.4 percent, while the presence of natural persons declined by 6.8 percent to US\$29.2 million, from US\$31.4 million. Government services recorded a growth of 104.3 percent in 2020 to US\$12.7 million from 6.2 million.

Table 3.5: Burundi Trade in Services Imports, 2016-2020 (US\$ million)

Services Mode of Supply-Imports	2016	2017	2018	2019	2020	% Change
Cross-border Supply	129.30	156.50	162.40	174.70	173.40	-0.74
Consumption Abroad	27.90	24.20	22.80	25.40	12.00	-52.76
Commercial Presence	6.90	6.80	5.20	18.40	13.80	-25.00
Presence of Natural Persons	21.80	25.60	22.90	31.40	29.20	-7.01
Other (Government Services)	29.10	18.50	9.60	6.20	12.70	104.84
Total Trade in Services Imports	215.10	231.70	222.80	256.10	241.10	-5.86

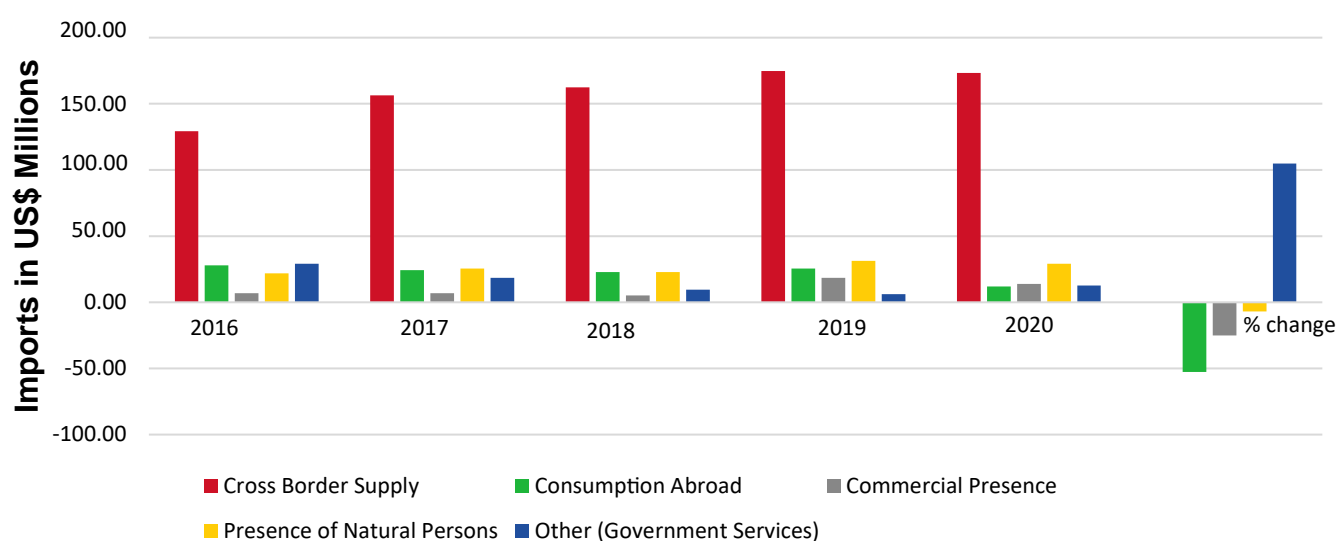
Source: Burundi National Bureau of Statistics, 2021

Table 3.6: Percentage Change Imports Trade in Services, 2016-2020

Services Mode of Supply-Imports	2016	2017	2018	2019	2020
Cross-border Supply	-11.9	21	3.8	7.6	-0.7
Consumption Abroad	-5	-13.2	-5.8	11.2	-52.8
Commercial Presence	-49.6	-1.5	-24.6	257.9	-25.4
Presence of Natural Persons	10.6	17.3	-10.7	37.1	-6.8
Other (Government Services)	54.3	-36.4	-48.1	-35.3	104.3

Source: Burundi National Bureau of Statistics, 2021

Figure 3.6: Burundi Trade in Services Imports, 2016-2020 (US\$ million)



Source: Burundi National Bureau of Statistics, 2021

Burundi Balance of Payments 2016-2020

Burundi experienced a negative trade balance of 17.3 percent and 9.2 percent in 2019 and 2020, respectively, which implies that the country imports more services than it exports. In the same period, the government services performed better, however, with a surplus through 2020.

Services imported into Burundi include telecommunications, computer and information services; transport; business travel; education; health; intellectual property; maintenance and repairs; tourism; financial services; insurance and pensions; construction; scientific research and development; architectural, engineering and technical services; and cultural, recreation, and sports services.

3.3. Trade in Services Trends in the Republic of Kenya

The Services Sector contributes a significant portion of Kenya's GDP. Before, during and in the current recovery period of COVID-19 pandemic, services sectors such as construction, information and communication, transportation and storage, financial and insurance, accommodation and food services strongly support the economic growth of Kenya. The outbreak of COVID-19 at the end of 2019 caused the contraction of services activities and resulted in a negative growth due to international flights cancellation, travel restrictions, containment measures and fear of contracting the disease. However, as at end of 2020 there have been significant growth in some services subsectors in the country such as transportation and storage (6.2 percent), financial and insurance activities (6.0 percent), construction (5.3 percent), information and communication (9.8 percent) and wholesale and retail trade (6.4 percent) and strong growth in information and communication, financial and insurance, and real estate supporting the national growth from a deeper contraction toward the end of 2020 (Kenya Bureau of Statistics, the Statistical Release, 2020).

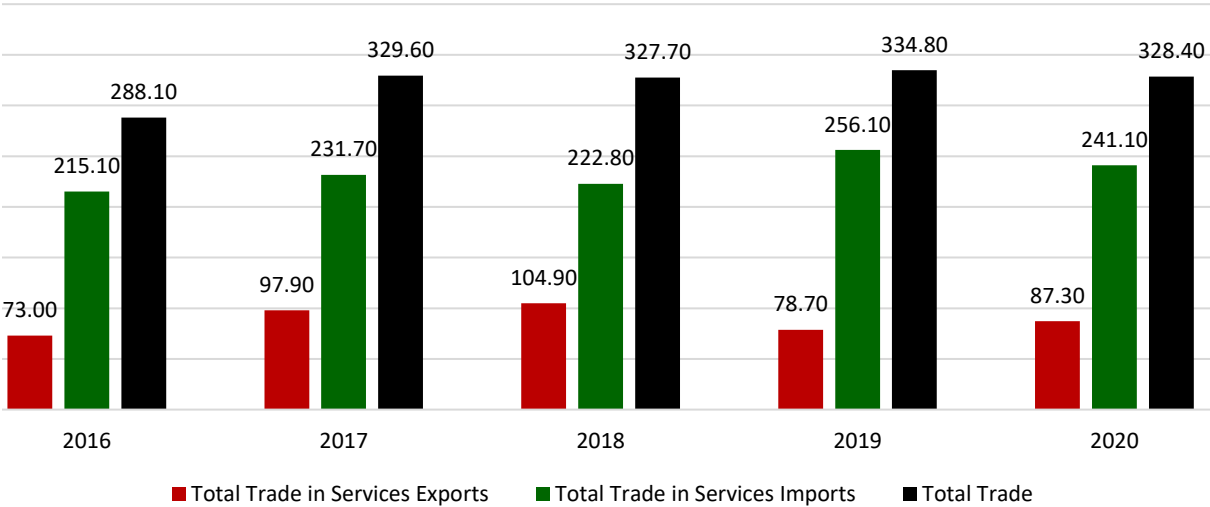
In the last five years, the Republic of Kenya's total trade in services in terms of value, has been increasing, except in 2020; when the whole world was hard hit by COVID-19 pandemic. In 2020, the total trade in services declined by 24 percent, accounting for US\$7,095.75 million from US\$9,455.42 million in 2019. In the same period, services exports decreased by 33.51 percent to US\$3,723.75 million, compared to US\$5,600.58 million in 2019. Services imports dropped by 12 percent, recording US\$3,372 million in the year under review, from US\$3,854.84 million in 2019.

Table 3.7: Total Trade in Services, 2016 - 2020 (US\$ million)

	2016	2017	2018	2019	2020	% Change 2020
Services Exports	4,165.30	4,647.53	5,478.09	5,600.58	3,723.75	- 33.51
Services Imports	2,732.55	3,091.99	3,881.59	3,854.84	3,372.00	- 12.53
Total Trade in Services	6,897.85	7,739.51	9,359.67	9,455.42	7,095.75	- 24.96

Source: Burundi National Bureau of Statistics, 2021

Figure 3.7: Total Trade in Services, 2016 - 2020 (US\$ million)



Source: Kenya Bureau of Statistics, 2021; Central Bank of Kenya

Kenya Trade in Services Exports Composition

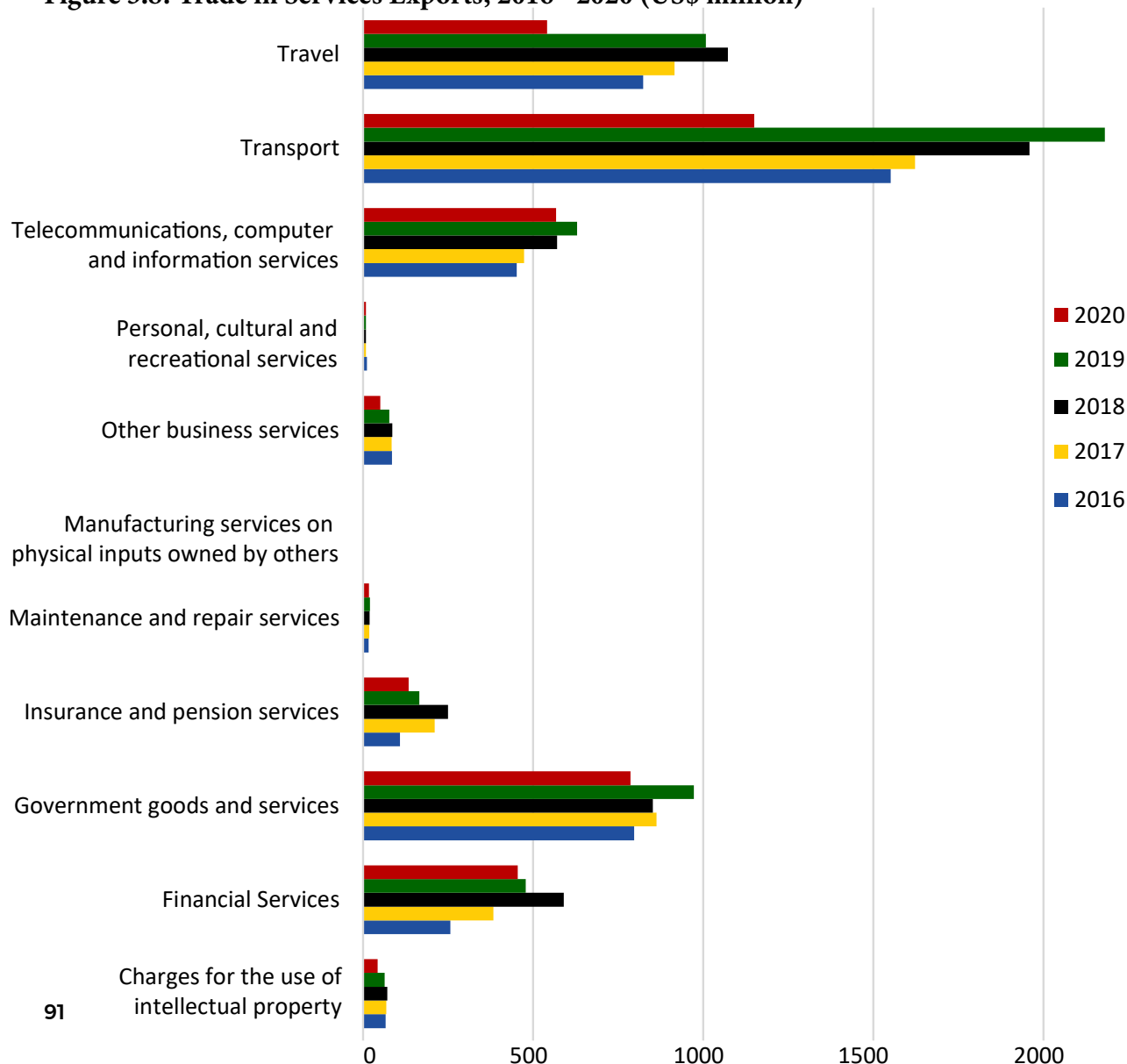
Trade in service exports in Kenya depicted positive trends, save for 2020 when the services exports dropped by 33.51 percent to a total of US\$3,723.75 million from US\$5,600.58 million in 2019. The most affected was transport whose receipts dropped by 47 percent to US\$1,149.41 million in 2020 from US\$2,180.70 million in 2019; followed closely by the travel subsector which dropped by 46.28 percent to US\$541.16 million in 2020 from US\$1,007.38 million in 2019. The decline in receipts is largely explained by the unprecedented effects of COVID-19 due to containment measures taken by the country.

Notably, the cross-border business, transportation, lockdown and suspension of international passenger flights led to the low performance. The global economy reopening and COVID-19 vaccines provide prospects for transport and tourism in the country. During the same period, Telecommunications, computer and information services; and Personal, cultural, and recreational services were the services with small decline by 9.83 percent and 4.76 percent in 2020 respectively.

Table 3.8: Trade in Services Exports, 2016 - 2020 (US\$ million)

Imports	2016	2017	2018	2019	2020	% Change 2020
Charges for the use of intellectual property	144.49	206.82	131.74	121.65	76.178	-31.79
Construction	397.45	421.71	403.52	402.35	400.26	-11.25
Financial services	115.06	149.49	214.83	217.88	242.03	-19.12
Government goods and services	193.25	245.35	267.85	260	146.56	-18.53
Insurance and pension services	125.24	180.91	146.7	127.53	107.71	-13.98
Maintenance and repair services	78.338	68.226	66.426	67.474	42.421	0
Other business services	531.56	486.96	971.04	957.17	1,014.50	-34.38
Personal, cultural, and recreational services	1.0922	1.0505	1.043	1.0552	0.713	-4.76
Telecommunications, computer and information services	29.372	37.964	53.747	54.972	61.271	-9.83
Transport	972.2	1031.5	1396	1448.7	1173.6	-47.29
Travel	144.5	261.97	228.65	196.06	106.74	-46.28
Total Trade in Services Imports	2,732.60	3,092	3,881.60	3,854.80	3,372	-33.51

Source: Kenya Bureau of Statistics, 2021; Central Bank of Kenya

Figure 3.8: Trade in Services Exports, 2016 - 2020 (US\$ million)

Kenya's Trade in Services Imports

In 2020, trade in services imports dropped by 12.53 percent amounting to US\$3,854.8 million from US\$3,881.6 million in 2019. Travel was the most affected service category, declining by 45.56 percent to US\$106.74 million in 2020 from US\$196.06 million in 2019. The poor performance is caused by restrictions and containment measures adopted by many countries. Importation of services attracting charges on intellectual property (US\$76.18 million) and maintenance and repairs services (US\$42.42 million) declined by 37 percent. Also, transport services decreased by 18.99 percent to US\$1,173.6 million in 2020 from US\$1,448.7 million due to reduced import bill.

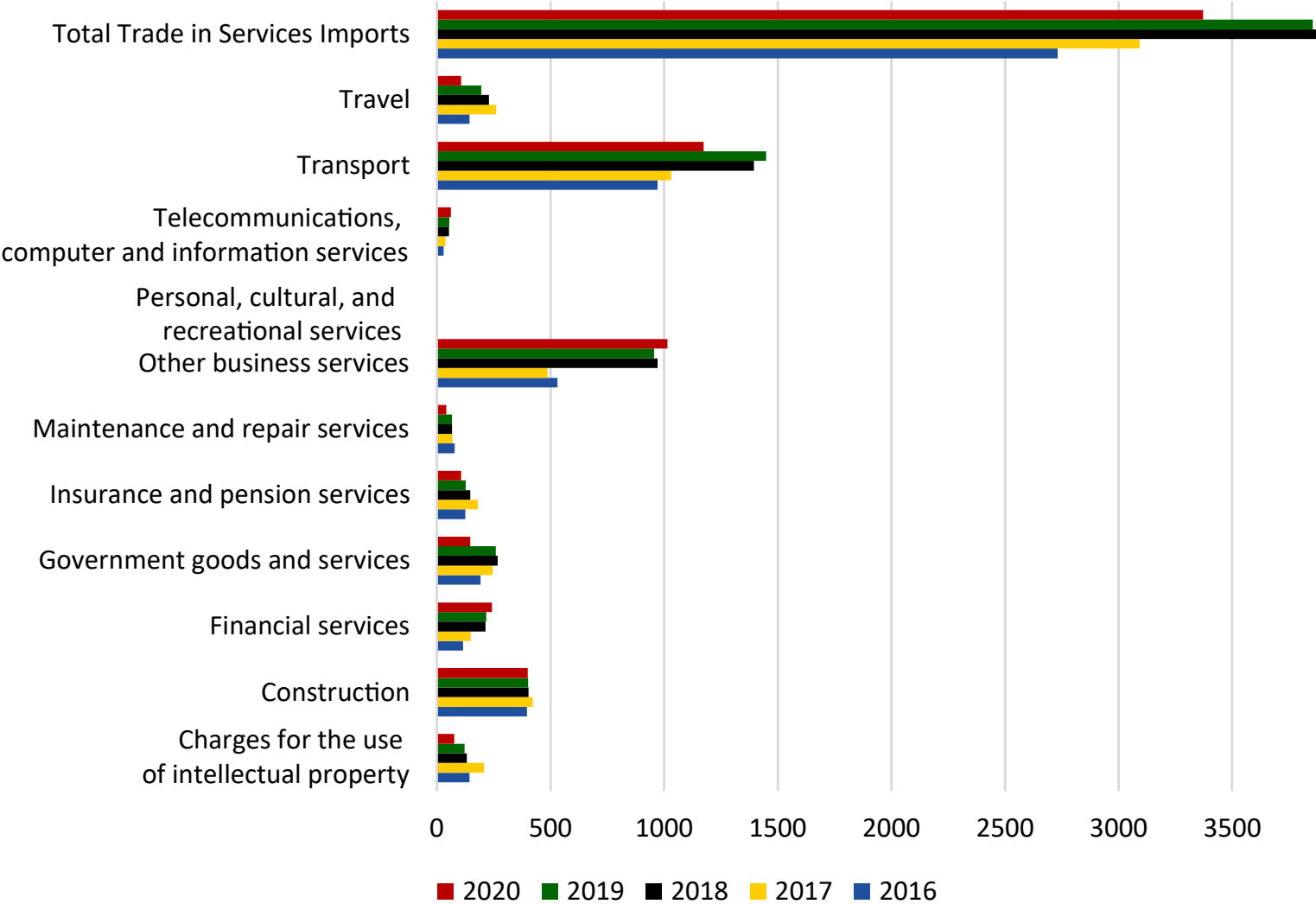
Conversely, the construction services experienced a slight decrease of 0.52 percent at US\$400.26 million in 2020 from US\$402.35 million. During the same period, the payments for financial services and telecommunications, computer and information services increased by 11.08 percent and 11.46 percent respectively. The development accounted for the increase in need of information, communication and technology and financial support during the COVID-19 pandemic. Moreover, other businesses grew by 5.99 percent in the year under review to US\$1,014.5 million from US\$957.17 million.

Table 3.9: Trade in Services Imports, 2016 - 2020 (US\$ million)

Imports	2016	2017	2018	2019	2020	% Change 2020
Charges for the use of intellectual property	144.49	206.82	131.74	121.65	76.178	-37.377
Construction	397.45	421.71	403.52	402.35	400.26	-0.519
Financial services	115.06	149.49	214.83	217.88	242.03	11.0837
Government goods and services	193.25	245.35	267.85	260	146.56	-43.63
Insurance and pension services	125.24	180.91	146.7	127.53	107.71	-15.54
Maintenance and repair services	78.338	68.226	66.426	67.474	42.421	-37.13
Other business services	531.56	486.96	971.04	957.17	1,014.5	5.9934
Personal, cultural, and recreational services	1.0922	1.0505	1.043	1.0552	0.713	-32.427
Telecommunications, computer and information services	29.372	37.964	53.747	54.972	61.271	11.4579
Transport	972.2	1031.5	1396	1448.7	1173.6	-18.991
Travel	144.5	261.97	228.65	196.06	106.74	-45.558
Total Trade in Services Imports	2,732.6	3,092	3,881.6	3,854.8	3,372	-12.526

Source: Kenya Bureau of Statistics, 2021; Central Bank of Kenya

Figure 3.9: Kenya’s Trade in Services Imports by Value, 2016-2020 (US\$ million)



Source: Kenya Bureau of Statistics, 2021; Central Bank of Kenya

3.4. Trade in Services in Republic of Rwanda

Rwanda is one of the countries in East Africa that is performing well in the services sector, having in place policies and infrastructure that enhance the sector's growth. The distinguished commitment and determination of the Government of Rwanda has resulted in robust business and investment opportunities in the services sector in the country and in the EAC Region at large. Currently, the country's services sector is one of the key pillars of economic growth, contributing about a half of the GDP, hence creating an economic boom in recent years (UNCTAD, 2018).

Trade in Services Trends, 2016-2020

Rwanda has performed well in the local and international services markets for nine years (2016 to 2019), as total exports increased to US\$1,015 million before her trade in services dropped to US\$520.6 in 2020. The development of service trade was interrupted by the COVID-19 pandemic. Meanwhile, total imports varied at a very small increasing rate from 2016 through to 2018, before it declined to US\$1,032.5 million in 2019. In 2020 the imports decreased by 49 percent to US\$520.60 million due to slowing down of trading activities during implementation of COVID-19 containment measures.

The best performing services sub-sectors that drove the economic development of the country in 2020 included transport, travel, construction, government services, financial services, and telecommunications, computer, and information services.

Table 3.10: Rwanda's Total Trade in Services, 2016-2020 (US\$ millions)

Category	2016	2017	2018	2019	2020	% Change
Total Exports	790.00	863.40	913.60	1,015.00	520.60	-48.71
Total Imports	1,035.50	1,056.20	1,057.20	1,032.50	519.20	-49.71
Total Services	1,825.50	1,919.70	1,970.90	2,047.50	1,039.90	-49.21
Trade Balance	245.50	192.80	143.60	17.60	1.40	-107.95

Source: Kenya Bureau of Statistics, 2021; Central Bank of Kenya

Rwanda's Trade in Services Exports Composition

In 2020 some services sub-sectors performed well despite the struggle to contain the impact of the COVID-19 pandemic. For the first time in ten years, Charges on Intellectual Property had a remarkable growth of 100 percent at US\$0.4 million from US\$0.2 million in 2019. This was due to the increase in innovative services in the country and improved policy on intellectual property rights. Telecommunication, computer and information services sector grew by 5.4 percent at US\$20.9 million from US\$19.7 million, due to the increased need and use of digitalisation, information, communication and technology facilities during the COVID-19 pandemic.

Insurance and pension services declined by 42.86 percent from US\$0.7 million to US\$0.4 million, while financial services also declined by 15.6 percent to US\$11.9 million from US\$14.1 million. Other services decreased by 35.7 percent to US\$0.9 million from US\$1.4 million, while government services decreased by 8.8 percent from US\$268.4 million to US\$244.8.

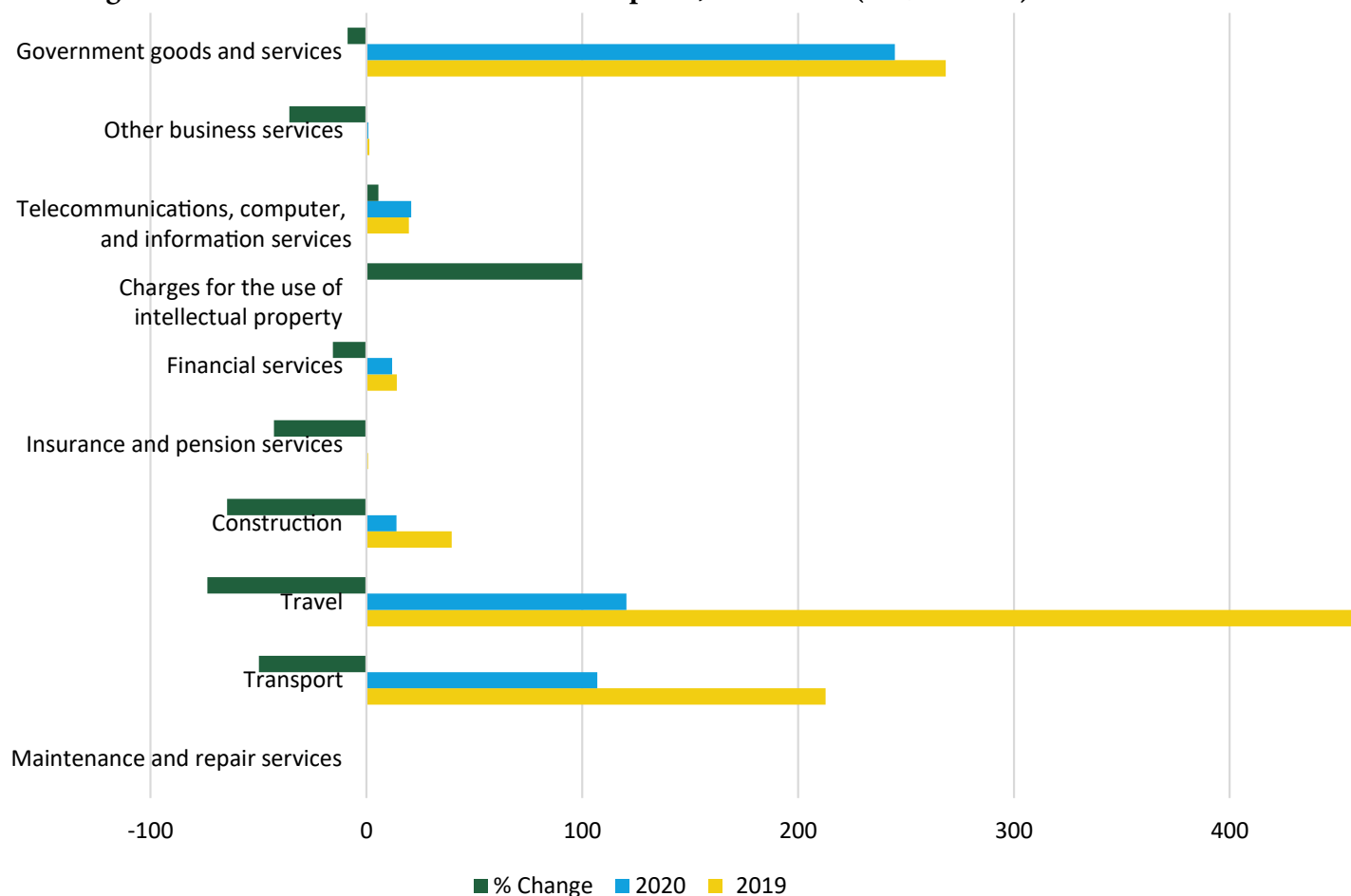
Services that experienced a drastic drop included travel by 73.6 percent from US\$458 million to US\$120.5 million, construction by 64.6 percent from US\$39.5 million to US\$14million, and transport by 49.8 percent from US\$212.8 million to US\$106.9 million

Table 3.11: Rwanda's Trade in Services Exports, 2016-2020 (US\$ million)

Services Exports	2016	2017	2018	2019	2020	% Change
Maintenance and repair services	0.10	0.60	0.10	0.10	0.10	0.00
Transport	98.40	141.40	184.30	212.80	106.90	-49.77
Travel	363.00	381.10	392.00	458.00	120.50	-73.69
Construction	36.90	34.30	35.80	39.50	14.00	-64.56
Insurance and pension services	0.60	0.60	0.60	0.70	0.40	-42.86
Financial services	9.10	11.90	12.90	14.10	11.90	-15.60
Charges for the use of intellectual property	0.00	0.00	0.00	0.20	0.40	100.00
Telecommunications, computer, and information services	18.60	18.60	17.90	19.70	20.80	5.58
Other business services	2.70	5.50	4.80	1.40	0.90	-35.71
Government goods and services	260.60	269.50	265.30	268.40	244.80	-8.79
Total Exports	790.00	863.40	913.60	1,015.00	520.60	-48.71

Source: National Institute of Statistics of Rwanda, 2021

Figure 3.10: Rwanda's Trade in Services Exports, 2019-2020 (US\$ million)



Source: National Institute of Statistics of Rwanda, 2021

Rwanda's Trade in Services Imports

The total imports of trade in services to Rwanda in 2020 dropped from US\$1,032.5 million to US\$519.2 million. Telecommunication, computer and information services experienced positive increase of 3.6 percent to US\$17.1 million in the year under review, from US\$16.5 million in 2019. The increase was caused by the rise in the use of digitalization, information and communication facilities during the coronavirus pandemic. Also, finance services grew by 23.81 percent to US\$5.2 from US\$4.2 million. The increase resulted from the need for financial support to fight COVID-19 during the implementation of containment measures. Furthermore, persons, culture and recreational services import drastically rose by 210 percent amounting to US\$3.10 million in 2020, from US\$1 million in 2019.

Maintenance and repair services dropped by 52.16 percent from US\$41.3 million to US\$19.8, while transport services declined by 36.49 percent to US\$286.6 million from US\$451.3 million. Travel services decreased by 68.94 percent from US\$336.1 million to US\$104.4 million; while construction dropped from US\$9.2 million to US\$3.3 million at 64.13 percent. Pension and insurance services which had a positive growth in 2019 declined by 21.90 percent to US\$8.2million from US\$10.5 million.

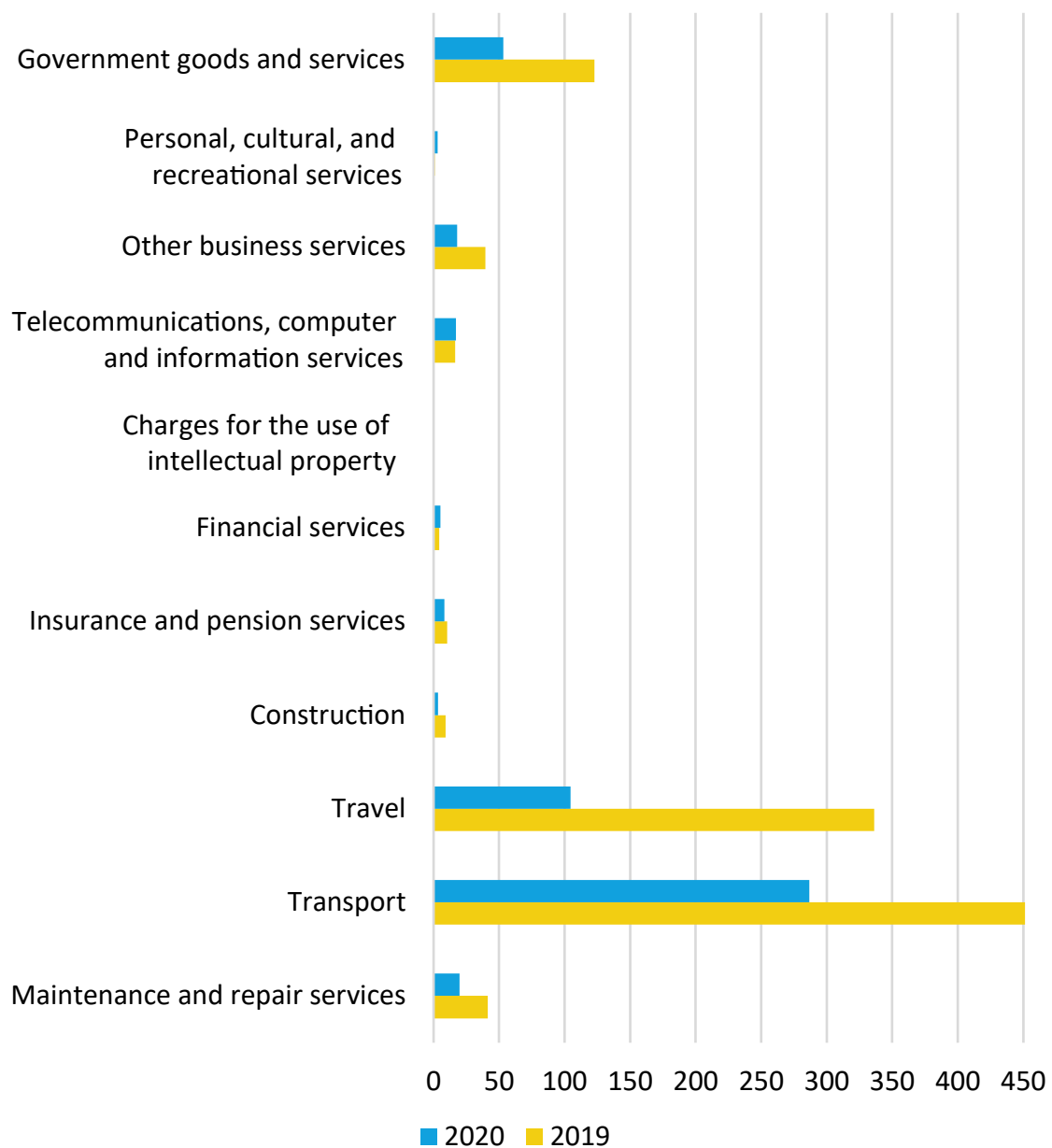
Other business services declined by 54.31 percent from US\$39.40 million to US\$18 million. Government services declined by 56.55 percent to US\$53.3 million from US\$122.8 million. Charges of intellectual property remained constant at US\$0.2.

Table 3.12: Rwanda Trade in Services Imports, 2016-2020 (US\$ million)

Services Imports	2016	2017	2018	2019	2020	% Change
Maintenance and repair services	24.70	37.00	32.80	41.30	19.80	-52.06
Transport	443.70	465.00	491.20	451.30	286.60	-36.49
Travel	321.10	370.80	345.20	336.10	104.40	-68.94
Construction	94.00	16.30	10.20	9.20	3.30	-64.13
Insurance and pension services	4.60	8.70	9.70	10.50	8.20	-21.90
Financial services	6.60	5.60	4.80	4.20	5.20	23.81
Charges for the use of intellectual property	0.00	0.00	0.00	0.20	0.20	0.00
Telecommunications, computer and information services	11.80	14.50	15.20	16.50	17.10	3.64
Other business services	16.40	31.00	27.10	39.40	18.00	-54.31
Personal, cultural, and recreational services	0.00	0.00	0.00	1.00	3.10	210.00
Government goods and services	112.40	107.30	121.10	122.80	53.30	-56.60
Total Imports	1,035.50	1,056.20	1,057.20	1032.50	519.20	-49.71

Source: National Institute of Statistics of Rwanda, 2021

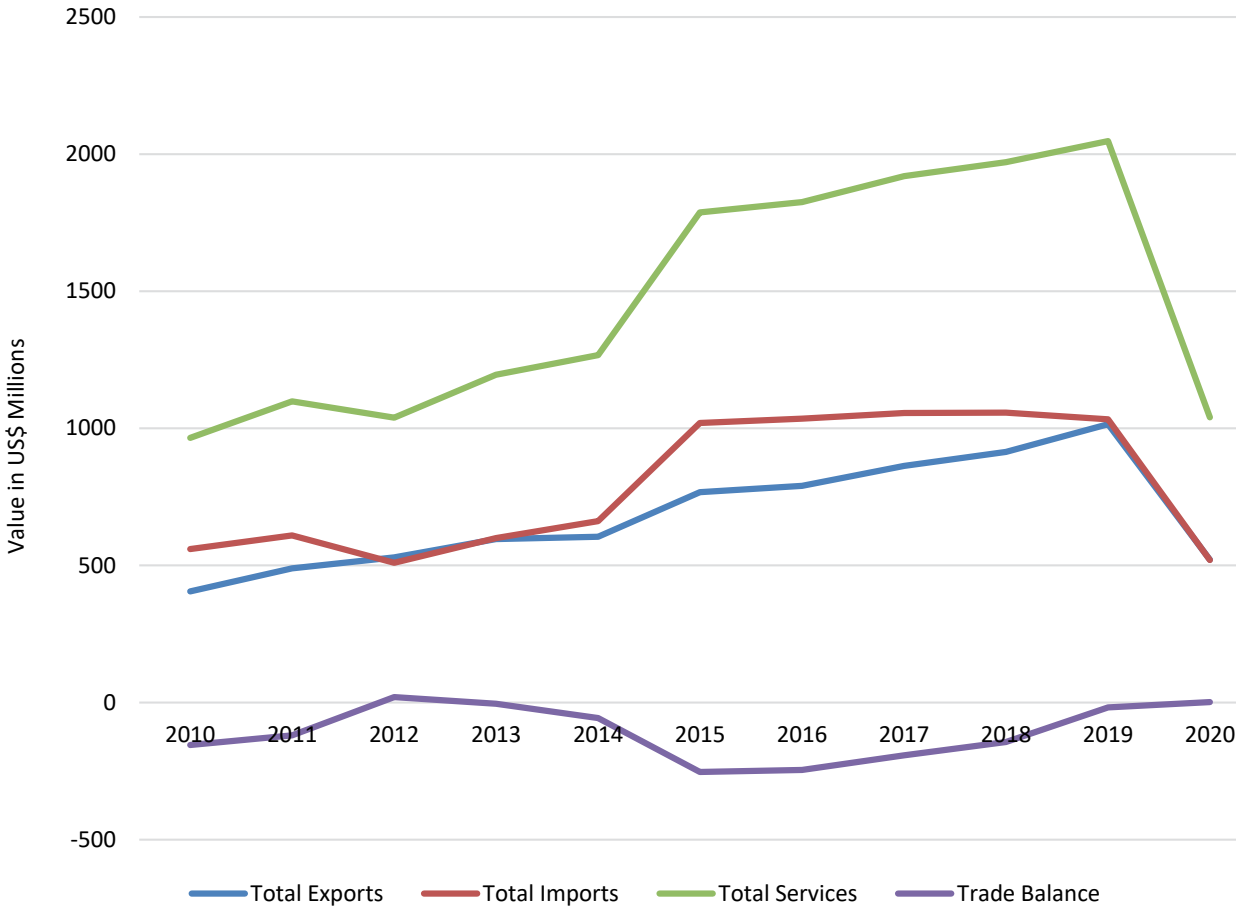
Figure 3.11: Rwanda Trade in Services Imports, 2019-2020 (US\$ in millions)



Source: National Institute of Statistics of Rwanda, 2021

The incredible performance of the services sector was enhanced by improvement in infrastructure, quality institutions and stable economic policies of the country. The services which exhibited significant growth in 2020 included telecommunications, computer and information; charges for the use of intellectual property; transport; travel; construction; insurance and pension; financial services; maintenance and repair; other business services; personal, cultural and recreational services; and government services.

Figure 3.12: Total Value Trade in Services Growth, 2010-2020 (US\$ million)

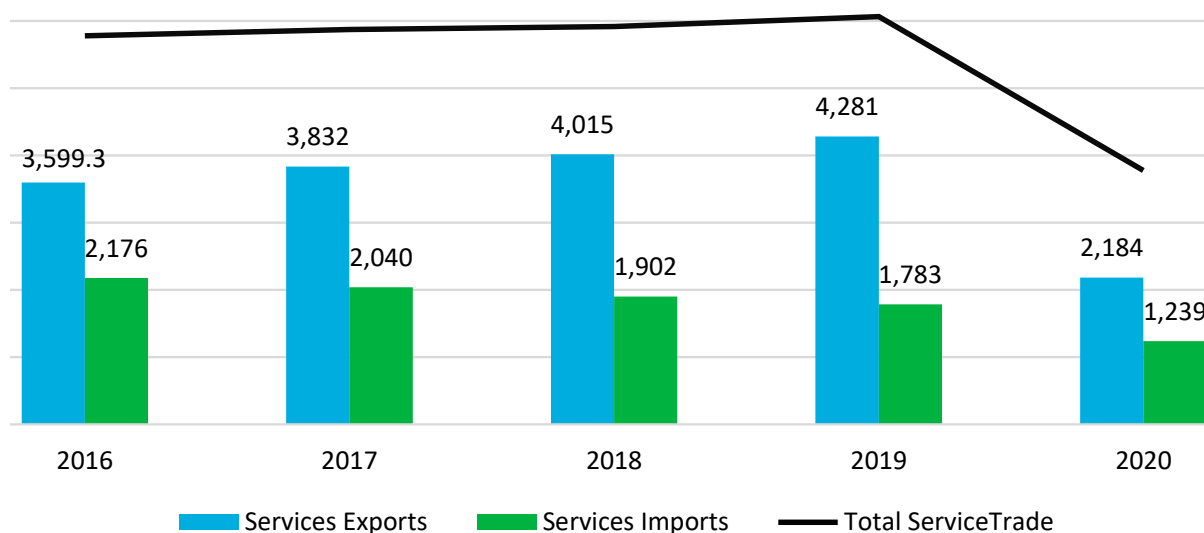


Source: National Institute of Statistics of Rwanda, 2021

3.5. Trade in Services in the United Republic of Tanzania

The value of total trade in services has been increasing in the last five years, save for 2020; when the whole world was hit by the COVID-19 pandemic. Tanzania is a net exporter of services, with travel (mostly tourism) and transport being the major service items given the country’s comparative advantage. The dominance of travel is associated with the country’s endowment of numerous unique tourist attractions. For the case of transport, given the country’s strategic location, she provides transport and logistics services to more than five landlocked neighbouring countries.

Figure 3.13: Total Trade in Services, 2016 - 2020 (US\$ million)



Source: National Bureau of Statistics, 2021; Bank of Tanzania 2021

Table 3.13: Total Trade in Services, 2016 - 2020 (US\$ million)

	2016	2017	2018	2019	2020
Service Exports	3,599	3,832	4,015	4,281	2,184
Service Imports	2,176	2,040	1,902	1,783	1,239
Total Service Trade	5,776	5,872	5,917	6,064	3,776

Source: National Bureau of Statistics, 2021; Bank of Tanzania 2021

Trade in Services Exports Composition

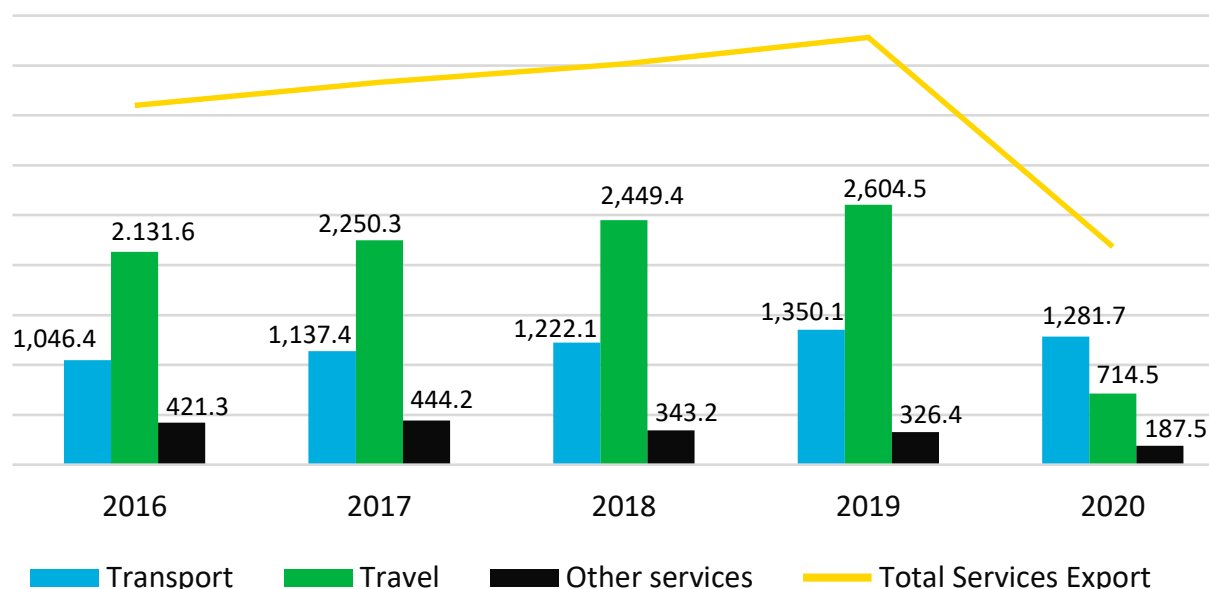
Trade in service exports showed positive trends save for 2020, where receipts declined by almost 50 percent to US\$2,183.8 million. The low performance is largely explained by the unprecedented effects of COVID-19 on travel receipts. Travel (mostly tourism) receipts declined by 72.6 percent to US\$ 714.5 million explained by measures taken by most countries to limit the spread of COVID-19, which included lockdown and suspension of international passenger flights. Notably, the number of international tourist arrivals declined by 60 percent to 620,867 from 1,527,230 visitors recorded in the year ending December 2019. During the same period, transport receipts dropped by 5.1 percent to US\$1,281.7 million, owing to decrease in freight and passenger receipts amid COVID-19 pandemic. Other services, which include insurances, financial, government, construction, telecommunication, computer and information services also declined.

Table 3.14: Tanzania's Value of Trade in Services Exports 2016 - 2020 (US\$ million)

	2016	2017	2018	2019	2020
Transport	1046.4	1137.4	1222.1	1350.1	1281.7
Travel	2131.6	2250.3	2449.4	2604.5	714.5
Other services	421.3	444.2	343.2	326.4	187.5
Total Services Export	3599.3	3831.9	4014.7	4281	2183.7

Source: National Bureau of Statistics and Bank of Tanzania

Note: other services include insurance, financial, telecommunication, computer and information, government services, charges for the use of intellectual property; personal, cultural, and recreational services and other business services.

Figure 3.14: Tanzania's Trade in Services Exports by Value, 2016-2020 (US\$ million)

Source: National Bureau of Statistics, 2021; Bank of Tanzania

Tanzania's Trade in Services Imports

Trade in services imports amounted to US\$1,239.2 million in 2020 from US\$1,782.5 million in 2019 (Table 3.17 and Fig 3.12). This development is explained by dismal performance in travel and transport payments. Travel payments declined by 68.7 percent to US\$ 203.8 million from US\$ 651.1 million in 2019, owing to travel restrictions being part of the measures adopted by many countries to control the spread of COVID-19. In the same period, the decline in transport payment, particularly freight service, was associated with the decrease in import bill. Conversely, import of other services increased by 11.6 percent to US\$ 505.5 million from US\$ 453.1 million in 2019

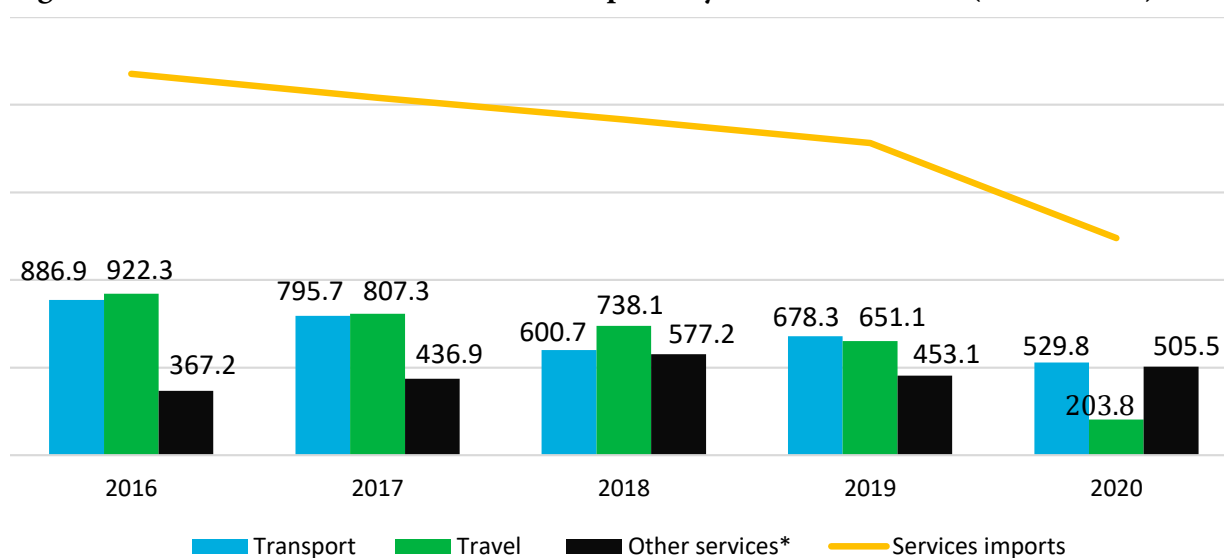
Table 3.15: Tanzania's Value of Trade in Services Imports 2016 - 2020 (US\$ million)

	2016	2017	2018	2019	2020
Transport	886.9	795.7	600.7	678.3	529.8
Travel	922.3	807.3	738.1	651.1	203.8
Other services*	367.2	436.9	577.2	453.1	505.5
Services imports	2,176.4	2,039.9	1,915.9	1,782.5	1,239.1

Source: National Bureau of Statistics and Bank of Tanzania

* Note: other services include insurances, financial, telecommunication, computer and information, government services, charges for the use of intellectual property; personal, cultural, and recreational services and other business services

Figure 3.15: Tanzania's Trade in Services Imports by Value 2016 - 2020 (US\$ million)



Source: National Bureau of Statistics and Bank of Tanzania

CHAPTER 4: INVESTMENT TRENDS IN THE EAC



4.1. Global Investment Trends

Global Foreign Direct Investment (FDI) declined in 2020 by 42 percent to an estimated value of US\$859 billion, from US\$1.5 trillion in 2019 (UNCTAD, 2021). Renewable energy replaced coal, oil and gas as the top sector by capital investment for the first time. The US remained the top destination country for investment, attracting US\$61 billion of FDI. China was the largest recipient of capital investment in Asia-Pacific, attracting US\$29.7 billion. Western Europe was the leading source region, accounting for 49 percent of FDI projects globally.

The fall in FDI resulted mainly from the COVID-19 pandemic and a decline in manufacturing output. FDI flows to developed countries fell by 69 percent to US\$229 billion. Inflows to Europe declined by 76.5 percent from US\$347.7 billion to US\$81.6 billion in 2020. The United States had a 49 percent decline valued at US\$134 billion (UNCTAD, 2021). The decline in developing economies was relatively measured (12 percent) to around US\$616 billion. The share of developing economies in global FDI reached 72 percent, the highest on record. China was the largest FDI recipient. The fall in FDI flows across developing regions was uneven, with a decrease of 37 percent in Latin America and the Caribbean, 18 percent in Africa, and 4 percent in developing Asia. East Asia was the largest host region, accounting for one-third of global FDI in 2020. FDI flow to the transition economies declined by 77 percent to US\$13 billion.

Middle East and Africa

The number of FDI projects into Africa and the Middle East decreased to 1031 in 2020 from 1795 in 2019. Moreover, capital investment in 2020 only reached close to half of the 2019 total value. The United Arab Emirates remained the top destination for projects in the region, receiving 327 projects and increasing its regional market share from 23 percent in 2019 to 32 percent in 2020. The Democratic Republic of Congo experienced a 140 percent increase in project numbers, from five in 2019 to 12 in 2020. Capital investment into the country grew to US\$1.1 billion in 2020 from US\$566 million in 2019, a 95 percent increase. The top 10 destination countries increased their regional market share of projects from 69 percent in 2019 to 76 percent in 2020. The top 10 regions have also increased their market share of capital investment to 77 percent in 2020, compared to 62 percent in 2019.

FDI into South Africa by number of projects fell by 21 percent to 100 in 2020 from those recorded in 2019; while capital investment rose from US\$3.5 billion to US\$3.8 billion. Egypt's FDI fell greatly in 2020, receiving US\$1.3 billion worth of capital investment, from US\$12.2 billion in 2019. Projects into the country fell by 70 percent, while the number of jobs created by inward FDI projects also fell by 76 percent.

Table 4.1: Global FDI Inflows, Outbound and Project Number by 2020 (US\$ billion)

Economy	Inbound (US\$ billion)	Outbound (US\$ billion)	Projects Number inbound
Asia-Pacific	162.3	47.7	2294
Europe	177.3	238	5102
North America	76.7	115.2	1823
Middle East and Africa	1.1	18.8	1031
Latin America and the Caribbean	55.4	8.6	973

Source: UNCTAD, 2021

4.2 Foreign Direct Investment to Africa

The COVID-19 pandemic not only negated Africa's FDI prospects in 2020, but its economic impact was also compounded by extremely low oil prices. UNCTAD forecasted a 25-40 per cent decline based on GDP growth projections, alongside a range of investment-specific factors (World Investment Report, 2020). The top five destinations in Africa for FDI in 2020 were Egypt, South Africa, Congo, Nigeria and Ethiopia (UNCTAD, 2021), with a total inflow of US\$45.4 billion. This was a decrease of 10.3 percent (2.9 percent of the total world inflows) (UNCTAD, 2021).

FDI to Africa defied the global slump, rising by 11 percent (AfDB, 2021). However, FDI flow in Sub-Saharan Africa fell by 10 percent, reflecting rising geopolitical tensions and adverse changes in a number of markets. The outlook for 2020 was even tedious because of unprecedented market disruptions in the wake of coronavirus.

FDI inflows to North Africa rose by 7 percent to US\$14 billion. However, investments in Egypt, the largest FDI recipient in Africa, reduced by 8 percent to US\$6.8 billion from US\$9.0 billion in 2019. FDI to Morocco increased by 36 percent to US\$3.6 billion courtesy of investments in finance and the automotive sector.

FDI flows to Sub-Saharan Africa rose by 13 percent to US\$32 billion in 2020, after successive contractions in the two previous years. Southern Africa saw the biggest turnaround at US\$4.2 billion after net divestment of US\$925 million the previous year. FDI to South Africa more than doubled to US\$5.3 billion, although this was largely attributed to intra-company transfers by established investors. In Angola, FDI net inflow remained negative at US\$5.7 billion, as a result of oil and gas firms transferring funds to parent companies through intra company loans.

Although the East African Community was the fastest-growing region of the continent, FDI inflows to the region declined by 50 percent in 2020 from US\$10.1 billion in 2019. FDI flows to Kenya decreased by 31.43 percent to US\$0.8 billion.

FDI to West Africa declined by 15 percent, to US\$9.6 billion due to a 43 percent plunge in FDI to Nigeria (US\$2 billion). Flows to Ghana also dipped by a more moderate 8 percent to US\$3 billion.

4.3. East African Community Total Investment Outlook

Over the years, EAC investments have been supported by its main sectors such as manufacturing, construction and services, which have led to increased industrial production. The Region has been determined to exploit its natural resources and take advantage of the investment opportunities in minerals in Burundi, Rwanda, Tanzania and Uganda, oil from South Sudan, and tourism and financial services in almost all the Partner States. The Partner States have undertaken priority policy reforms to create a conducive investment climate to promote industrial development and attract FDI. Furthermore, focusing on local investment in lower capital requirement areas continues to produce goods and create jobs while contributing to the economic development of the region and supplying intermediate materials for further manufacturing and processing of commodities. The advantages of FDI cannot be overemphasised. It facilitates skills transfer and provides a market for the available natural resources.

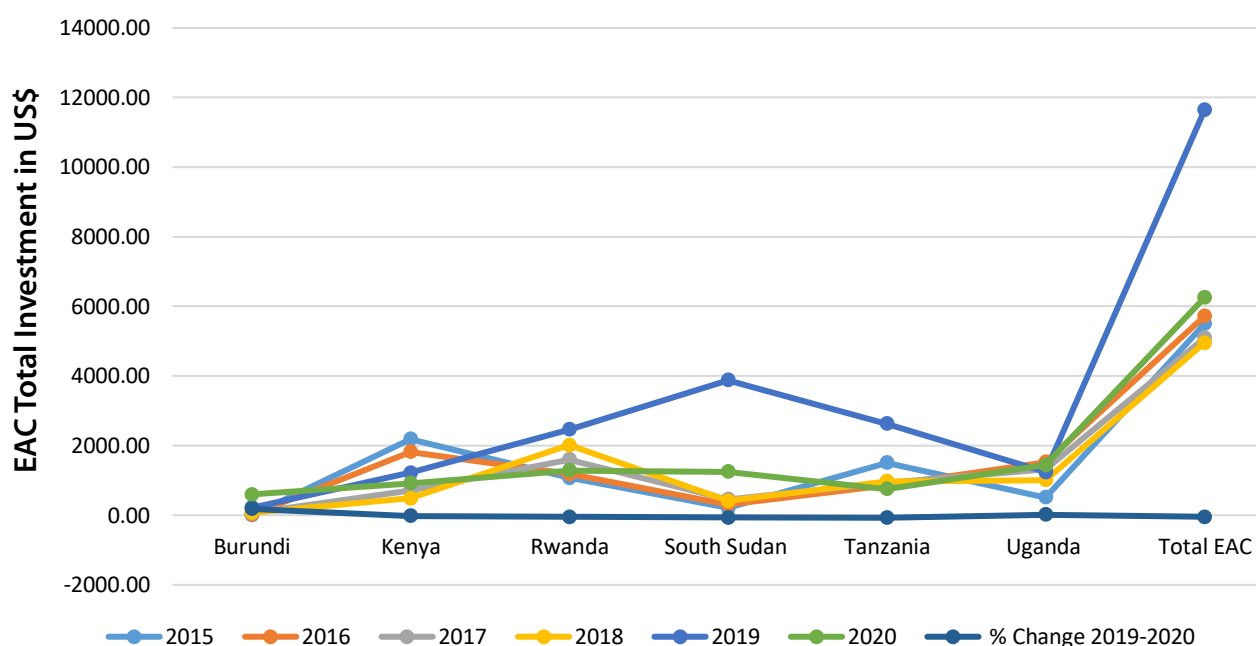
EAC Total Investment Flows

In 2020, the total registered investments in the EAC Region declined by 46.26 percent to US\$6,250.20 million from US\$11,637.00 million in 2019. Uganda had registered the highest inflows at US\$1,445.48 million, followed by Rwanda (US\$1,281.39 million) and South Sudan (US\$1,251.14 million). In terms of growth, Burundi experienced the highest growth by 179.7 percent.

Table 4.2: EAC Total Investments Inflow, 2015-2020 (US\$ million and Percentage Growth)

Country	2015	2016	2017	2018	2019	2020	% change 2020
Burundi	1.8	14.60	65.06	72.34	214.40	599.67	179.70
Kenya	2,187.40	1,820.20	717.70	485.50	1,217.90	917.93	-24.63
Rwanda	1,070.00	1,180.00	1,600.00	2,010.00	2,460.70	1,281.39	-47.93
South Su-dan	213.20	315.10	462.50	408.60	3,879.60	1,251.14	-67.75
Tanzania	1,506.02	864.04	937.70	971.58	2,624.40	754.59	-71.25
Uganda	517.00	1,524.60	1,308.70	1,010.00	1,240.00	1,445.48	16.57
Total EAC	5,493.62	5,718.54	5,091.66	4,958.02	11,637.00	6,250.20	-46.29

Source: EAC Investment Promotion Agencies, 2021

Figure 4.1: EAC Total Investments Inflow to the EAC Region 2019-2020 (US\$ million)

Source: EAC Investment Promotion Agencies, 2021

Domestic Investments within Partner States

Domestic investments have become the key development strategy for the EAC Region. In 2020, Uganda marked a large increase in domestic investment value by 19.72 percent at US\$518.38 million, followed by Rwanda whose domestic investment accounted for US\$331.39 million. However, Burundi experienced the highest percentage increase in domestic investments by 188.50 percent at US\$251.57 million from US\$87.20 million in 2019.

Table 4.3: EAC Domestic Investments, 2019-2020 (US\$ million and Percentage Change)

Country	2019	2020	% change 2020
Burundi	87.20	251.57	188.50
Kenya		103.63	
Rwanda	992.11	331.39	-66.60
South Sudan	563.70	67.94	-87.95
Tanzania	1,407.20	582.84	-59.00
Uganda	433.00	518.38	19.72
Total EAC	3483.21	1,855.75	-46.00

Source: EAC Investment Promotion Agencies, 2021

EAC FDI Inflows

The FDI into East Africa decreased by 43.39 percent from US\$8.67 billion in 2019 to US\$4.91 billion in 2020. Only Burundi recorded growth in the year under review, with a 173 percent increase from US\$127.2 million to US\$348.10 million. FDI inflows to Tanzania declined by 15 percent to US\$1,040 million from US\$1,217.2 million. Likewise, FDI inflows to Kenya decreased by 33.14 percent from US\$ 1,217.9 million to US\$814.30 million. The inflows to Rwanda also decreased by 34.56 percent, from US\$1,451.5 million to US\$950.00 million, while Uganda's FDI inflows increased by 14.88 percent, from US\$807.00 million to US\$ 927.10 million. South Sudan showed a decrease by 64.32 percent from US\$3,315.9 million to US\$1,183.20 million.

The most affected sectors in the region during the COVID-19 pandemic included manufacturing, construction and services sectors despite efforts to finance the economies through credit from bondholders, China, the World Bank–IDA, the African Development Bank, and other multilateral lenders (AfDB, 2021).

Table 4.4: EAC FDI Inflows in Individual Countries, 2015-2020 (US\$ Millions)

Country	2015	2016	2017	2018	2019	2020	% Change 2019 / 2020
Burundi	1.80	14.60	65.10	15.10	127.20	348.10	173.66
Kenya	2,187.40	1,820.20	717.70	485.50	1,217.90	814.30	-33.14
Rwanda	815.1	479.9	1,081.2	985.8	1,451.5	950.00	-34.55
South Sudan	-	-	-	-	3,315.90	1,183.20	-64.32
Tanzania	1,506.02	755.00	937.70	971.60	1,217.20	1,040	-15.00
Uganda	-	-	-	631.00	807.00	927.10	14.88
Total EAC	4,510.32	3,069.7	2,801.7	3,089.00	8,136.7	5,262.70	-35.32

Source: EAC Investment Promotion Agencies, 2021

EAC FDI Investments and Employment

Data from Partner States indicate that the number of jobs created from FDI inflows to the EAC decreased by 72.5 percent to 58,017 jobs from 211,084 in 2019. Although the Republic of Uganda attracted less FDI inflows compared to the Republics of South Sudan (highest), and Rwanda (second-highest), she created the most jobs 21,818 (37 percent of total jobs). Rwanda created 19,218 (32.5 percent), while South Sudan created 3,948 jobs (6.6 percent). The FDI into Tanzania created 6,487 jobs accounting for 11.2 percent of the total jobs created. In Kenya 4,738 jobs were created (8.1 percent of total jobs), while in Burundi 6,135 jobs were created accounting for 10.3 percent of the total jobs created. It was noted that attracting the highest FDI did not translate to more jobs created, and vice versa.

Table 4.5: Number of Jobs Created Through EAC FDI, 2015-2020

Country	2015	2016	2017	2018	2019	2020	% change in 2020
Burundi	51	710	2,777	1,953	2,129	6,135	188.2
Kenya	10,851	13,645	19,976	9,385	16,573	4,738	-71.0
Rwanda	6,921	8,033	20,756	16,799	35,715	19,218	-46.2
South Su-dan		-	-	2,357	47,026	3,948	-91.6
Tanzania	38,153	18,187	30,742	43,021	46,765	6,487	-86.1
Uganda	16,343	23,759	45,728	16,362	62,876	21,818	-65.3
Total EAC	72,319	64,334	119,979	89,877	211,084	62,344	-70.46

Source: EAC Investment Promotion Agencies, 2021

4.4. Intra-EAC Investment

Total Intra-EAC Investments in the EAC Region decreased by 80.27 percent at US\$142.95 million for 61 FDI projects in 2020 from US\$724.60 million in 2019 for 74 projects in 2019.

Table 4.6: Intra-EAC Investments, 2016-2020 (US\$ million)

Recipient States	2016		2017		2018		2019		2020	
	No of Projects	Value US\$ m	No of Projects	Value US\$ m	No of Projects	Value US\$ m	No. of Projects	Value US\$ m	No. of Projects	Value US\$ m
Burundi	31	2.4			1	0.4	3	10.3	6	56.4
Kenya	7	5.7	2	25.3	6	2.8	16	66.1	6	21.3
Rwanda	10	120.2	10	66.6	6	29.4	6	17.1	8	12.8
South Sudan					13	22.8	31	532.4	10	20
Tanzania	8	5.5	20	30	16	69.4	8	13	17	11.75
Uganda	27	120.1	27	71.3	18	27.9	10	85.7	7	20.3
Total Intra-EAC	83	253.9	59	193.2	60	152.7	74	724.6	61	142.95

Source: Partner States Investment Promotional Agencies, 2021.

Burundi's Intra-EAC Investment inflows rose tremendously to US\$56.4 million (6 projects) in 2020 from US\$10.3 million in 2019. Kenya's declined to US\$21.3 million (6 projects) from US\$66.1 million (16 projects) in 2019. Uganda's Intra-EAC Investment inflows amounted to US\$20.3 million for 7 projects, while South Sudan's was US\$20 million for 10 projects, a huge decrease from 2019 inflows of US\$532.4 million for 32 projects. Tanzania had the least inflows at US\$11.75 million, however with the biggest number of projects. The trend showed that attracting larger amounts of inflows did not indicate that more projects were initiated. In fact, no relationship was established between the number of projects and the value of investment. However, it is preferable to attract more inflows and increase the number of projects as both have an effect on the number of jobs created.

Table 4.7: Intra-EAC Investment and FDI Inflows from Rest of World, 2017-2020 (US\$ million and Number of Projects)

Partner State	Source	2017		2018		2019		2020	
		No of Proj-ects	Value US\$ m	No of Proj-ects	Value US\$ m	No of Proj-ects	Value US\$ m	No of Proj-ects	Value US\$ m
Burundi	Tanzania	-	-	1	0.40	2	7.3	1	0.0
	Uganda	-	-	-	0.0	-	0.0	2	0.0
	Kenya	-	-	-	0.0	1	3	2	53.8
	Rwanda	-	-	0	-	-	0.0	1	2.60
	Rest of World	10	65.1	5	14.7	45	116.9	145	291.7
	Total	10	65.1	6	15.1	48	127.2	150	347.9
Kenya	Tanzania	2	25.3	2.	0.4	5	49.4	3	21.0
	South Sudan	-	-	-	-	1	0.1	-	-
	Uganda	-	-	2	1.8	7	12.5	3	0.3
	Rwanda	-	-	2	0.6	1	2.2	-	-
	Burundi	-	-	-	-	2	1.9	-	-
	Rest of World	192.0	692.4	186	482.7	245	1,151.7	149	813.7
	Total	194	717.7	192	485.5	261	1217.8	155	835.0
Rwanda	Tanzania	1	1.0	3	7.5	3	5.5	3	4.0
	Uganda	1	49.8	1	0.2	-	-	1	5.0
	Kenya	5	7.7	2	21.7	3	11.6	3	3.5
	Burundi	3	8.1	-	-	-	-	-	-
	South Sudan	-	-	-	-	-	-	1	0.3
	Rest of World	79	1,081.2	81	985.8	17	2,443.6	175	937.2
	Total	89	1,147.8	87	1,015.2	180	2,460.7	183.0	950.0
South Sudan	Tanzania	-	-	4	14.8	5	16.8	2	2.2
	Kenya	-	-	7	7.7	16	217.6	6	16.7
	Rwanda	-	-	-	-	-	-	-	-
	Uganda	-	-	2	0.3	10	298.0	2	1.1
	Burundi	-	-	-	-	-	-	-	-
	Rest of World	-	-	37	385.5	222	3,347.3	55	1163.2
	Total	-	-	50	408.3	253	3,879.7	63	1,183.2
Tanzania	Kenya	16	29.1	12	42.7	7	9.0	14	9.79
	Uganda	3	0.6	4	26.7	1	4.0	2	0.51
	Rwanda	1	0.3	-	-	-	-	1	1.45
	South Sudan	-	-	-	-	-	-	-	-
	Burundi	-	-	-	-	-	-	-	-
	Rest of World	202	3,021.4	254	3,053.0	767	2,605.7	31	684.3
	Total	222	3,051.4	270	3,122.4	775	2,618.7	61	696.05

Uganda	Tanzania	2.	3.0	5	4.7	-	-	-	-
	Kenya	16	33.0	9	9.9	8	57.7	7	20.3
	Rwanda	3	3.9	1	2.0	2	28.0	-	-
	South Sudan	6	31.4	2	4.7	-	-	-	-
	Burundi	-	-	1	6.6	-	-	-	-
	Rest of World	234	843.9	165	602.7	299	1,127.7	195	907.0
	Total	261.	915.2	183.0	630.6	309	1,213.4	202	927.3

Source: Partner States Investment Promotion Agencies, 2021

4.5 EAC Region Sectoral Distribution of FDI, 2020

The EAC Region in 2020 recorded US\$4.91 billion in various sectors, creating 55,552 jobs with 747 total number of projects. The manufacturing sector attracted the greatest amount of FDI in 2020 at US\$1.44 billion which created 8,749 jobs, followed by finance, insurance, real estate and business services accounting for US\$0.57 billion with 10,280 jobs. In addition, the wholesale, retail trade and tourism sector in the region attracted US\$0.52 billion creating employment of 2508 people. In terms of number of projects under different sectors in the region, more projects went to the manufacturing sector with 127 projects whereby the community, social and personal services received 124 projects. In the third position, 108 projects were attracted to the sector of finance, insurance, real estate and business services.

Table 4.8: EAC Region Sectoral Distribution of FDI, 2020

Country	Burundi			Kenya			Rwanda			South Sudan			Tanzania			Uganda			Total		
	No of Projects	Value (US\$M)	Jobs	No of Projects	Value (US\$M)	Jobs	No of Projects	Value (US\$M)	Jobs	No of Projects	Value (US\$M)	Jobs	No of Projects	Value (US\$M)	Jobs	No of Projects	Value (US\$M)	Jobs	No of Projects	Value (US\$M)	Jobs
Agriculture, Fishing, Forestry and Hunting	9	3.9	359	5	2	117	8	224.4	1,189	6	66	514	5	83.845	179	19	28.4	1,566	50	408.55	3,924
Construction	11	83.8	102	34	8.6	1,366	6	50.5	2,413	3	27.5	81	2	151.78	156	22	85.9	1,997	90	408.08	6,115
Manufacturing	51	86.5	1,325	7	623.4	610	93	82.2	2,066	8	174.6	457	45	331.18	1310	10	149	2,981	127	1446.9	8,749
Mining and Quarrying	8	38.6	1,006	7	0.8	33	3	174.3	5,309	5	20.3	583	3	12.351	125	9	238.6	370	45	484.95	7,426
Finance, Insurance, Real Estate and Business Services	12	39.6	1,400	21	43.2	1,239	20	111.7	5,209	8	272.1	642	2	22.78	156	16	77.6	1,634	108	566.98	10,280
Community, Social and Personal Services	10	7.5	402	2	1.1	114	28	8.2	243	1	15	27	0	0	0	108	303.4	11,752	124	335.2	12,538
Wholesale, Retail Trade, Tourism	25	20.7	686	25	25.7	351	4	61.9	302	2	256	608	6	123.76	195	4	27	366	67	515.06	2,508
Transport, Communication and Storage	24	67.3	855	13	22.5	149	5	36.5	194	12	330.2	556	7	28.89	321	6	5.8	209	66	491.19	2,284
Utilities (Water and Energy)	0	0	0	41	6.1	1,436	4	0	0	2	10	115	0	0	0	3	2.8	177	46	18.9	1,728
Total	150	348	6,135	155	835	5,415	183	950	16,925	47	1171.7	3583	65	696.05	2,442	197	918.5	21,052	747	4,919.3	55,552

4.6. Initiatives to Support Investments at Regional Level

The EAC comprises six countries with a sizable market of consumers endowed with abundant natural resources, agricultural raw materials: crops and animal products; and oil, gas and minerals. The EAC Partner States have put in place friendly investment policies to support private and foreign investors, in turn creating a conducive investment climate and business environment in the region. These initiatives include:

- i. Single Customs Territory;
- ii. Facilitation of One-Stop Border Post Operations and faster clearance of goods; and,
- iii. Initiation of One Network Area (ONA) with emphasis on infrastructure improvement and communication links such as roads, railways network and quality airport services in each Partner State.

Additionally, the industrial sector has a range of incentives and exemptions to attract Intra-EAC investments and foreign direct investment, and encourage value addition of high-value industries. These aim at facilitating investment, developing light, medium and large-scale industries manufacturing beverages and apparel, and electricity supplies. The incentives include:

- a. Tax holidays;
- b. Free repatriation of profits;
- c. Full ownership of investment properties;
- d. Easy access to land for investment; and
- e. Exemptions on capital goods on tools and machinery, raw materials and transport equipment.

Moreover, EAC has the potential for tourism with a variety of attractions and leisure facilities, as well as well-developed infrastructure connecting different parts of the Region. EAC has developed high quality information, communication and technology with high-speed internet, which has provided opportunities for investment in the financial services and banking sectors.

Efforts by the Partner States to discover precious and viable resources such as oil and gas, as well as industrial minerals, has created potential for investment in the extractive sector. Mining is gaining prominence as a source of FDI with large discoveries of strategic minerals, including gold, iron, steel, cobalt, copper and tantalite. The mining industry has attracted investments with a number of large-scale mining projects underway. The Republic of Uganda and the United Republic of Tanzania have also entered into a contract for oil and gas production using a number of international oil and gas companies.

4.7 Country Specific Analysis



4.7.1. Republic of Burundi

Overview of Burundi Investment Environment

Burundi's current political stability gives her an opportunity for national development and economic reform. The country is in a good position to improve its economic and social conditions, and alleviate poverty. Burundi has transformed a number of economic zones and liberalised for the private sector to fully engage and participate in national development and investment. This includes offering opportunities for foreign direct investment. Burundi shows a promising pace to attract FDI due to a conducive business environment. The country's under-exploited investment opportunities that include: mining potential for peat, limestone, nickel, coltan, phosphates, vanadium, carbonatites, and other minerals; hydropower potential coupled with favourable rain conditions; a number of waterfalls and the development of ports along Lake Tanganyika; could make it an inter-regional trade hub. In this regard, renovating Bujumbura Port would boost trade, especially among countries of the sub-region, such as the Democratic Republic of Congo, Rwanda, Tanzania, Uganda and Zambia.

Burundi Intra-EAC Investment Inflows

The Intra-EAC Investment inflows from the EAC Partner States into Burundi in 2020 was at US\$56.4 million for six projects. Partner State inflows were from: Kenya at US\$53.8 million; Rwanda at US\$2.6 million; Tanzania at US\$0.01 million; and Uganda at US\$0.04 million. Kenya was the main investment partner at 95.3 percent.

Table 4.9: Burundi Intra-EAC Investment and FDI Inflows, 2015-2020 (US\$ million)

Recipient States	2015		2016		2017		2018		2019		2020	
	No of Projects	Value US\$ m	No of Projects	Value US\$ m	No of Projects	Value US\$ m	No. of Projects	Value US\$ m	No. of Projects	Value US\$ m	No. of Projects	Value US\$ m
Tanzania			9	0.5	-	0.40	1	0.40	2	7.3	1	0.01
Uganda	8	0.15	-	-	-	0.0	-	0.0	-	0.0	2	0.04
Kenya	15	1.73	15	1.7	-	0.0	-	0.0	1	3	2	53.8
Rwanda			7	0.2	-	-	0	-	-	0.0	1	2.60
Total	23	1.88	31	2.4		0.4	1	0.4	3	10.3	6	56.4
Rest of World			77	12.0	10	65.1	5	14.7	45	116.9	144	291.7
Total	23	1.88	108	14.4		65.1	6	15.1	48	127.2	150	348

Source: Burundi Investment Promotion Authority, 2021

Intra-EAC Investment Inflows

Intra-EAC Investments into Burundi grew by 173.6 percent to US\$348.1 million in 2019. Investment inflows from the rest of the world were valued at US\$291.7 million representing 144 projects from US\$116.9 million for 45 projects in 2019. The increase was facilitated by the political stability, transformed private investment policies, ongoing infrastructure improvements, policies and legal reforms that support investment, and a conducive business environment.

Mode of Market Entry

Most FDI inflows to Burundi in 2020 were greenfield projects, particularly in the manufacturing, finance, insurance, real estate and business services and mining and quarrying, whereas most FDI went to the manufacturing and construction sectors.

Sectoral Distribution of Foreign Direct Investment

Burundi registered 150 FDI projects in 2020, 51 of which were in the manufacturing sector at US\$86.5 million; 25 projects in the wholesale, retail trade and tourism at US\$20.7 million; and 24 projects in transport, communication and storage at US\$67.3 million. Investment in manufacturing was mainly driven by the untapped potential in the manufacturing sector, including export opportunities to neighbouring countries, especially to the Democratic Republic of Congo. Investment in the tourism sector was US\$20.7 million, while finance, insurance, real estate and business services amounted to US\$39.6 million.

Table 4.10: Burundi's Sectoral Distribution of Foreign Investment 2017-2020

Sector	2017			2018			2019			2020		
	No of Projects	Value US\$ m	Jobs	No of Projects	Value US\$ m	Jobs	No of Projects	Value US\$ m	Jobs	No. of Projects	Value US\$ m	Jobs
Agriculture, Fishing, Forestry and Hunting	2	3.56	92	0	0	0	2	1.25	45	9	3.9	359
Construction	0	0	0	2	1	120	2	5.20	113	11	83.8	102
Manufacturing	3	11.7	297	8	20	968	10	28.20	543	51	86.5	1,325
Mining and Quarrying	4	14.1	397	2	1	37	5	23.50	339	8	38.6	1,006
Finance, Insurance, Real Estate and Business Services	0	0	0	3	6	61	5	17.00	118	12	39.6	1,400
Community, Social and Personal Services	0	0	0	0	0	0	3	7.30	194	10	7.5	402
Wholesale, Retail Trade, Tourism	0	0	0	2	2	75	14	35.25	461	25	20.7	686
Transport, Communication and Storage	0	0	0	2	8	178	5	5.50	244	24	67.3	855
Utilities (Water and Energy)	1	35.8	1,175	2	34	131	2	4.00	72	0	0	0
Total	10	65.1	1,961	21	72	1,570	48	127.20	2,129	150	348	6,135

Source: Burundi Investment Promotion Authority, 2021

Burundi's Sources of Foreign Direct Investment

The main sources of FDI into Burundi in 2020 were Sweden at US\$25 million, while investments by Canada, Russia and China were at US\$8.3 million, US\$2.36 million and US\$1.2 million, respectively. FDI from the rest of the world amounted to US\$307.9 million and accounted for 88.8 percent of all investments into Burundi. The high value of investment from the rest of the world and the big number of projects highlights Burundi's efforts to attract investments to the country.

Table 4.11: Burundi's Major Sources of Foreign Direct Investments, 2015-2020 (US\$ million)

Origin	2017			2018			2019			2020					
	No of Projects	Jobs	Value US\$ m	Origin	No of Projects	Jobs	Value US\$ m	Origin	No of Projects	Jobs	Value US\$ m	Origin	No of Projects	Jobs	Value US\$ m
Belgium	1	1,175	35.8	Canada	1	92	1.2	India	1	15	3.5	Sweden	1	21	25.04
Russia	3	369	13.6	China	2	120	1.5	China	5	119	13.5	Canada	1	200	8.33
Oman	1	200	10.9	India	1	49	1.2	Kenya	1	60	3.0	Russia	1	48	2.36
India	4	189	4.4	Russia	1	260	10.8	Tanzania	2	65	7.3	China	3	165	1.24
Moldova	1	28	0.4	Tanzania	1	57	0.4	Srilanka	2	217	17.0	India	7	40	1.21
								Bulgaria	1	27	1.0	Pakistan	1	70	0.84
								Lithuania	1	15	0.5	Australia	1	100	0.5
								Russia	2	95	6.5	South Africa	1	8	0.49
												Switzerland	1	38	0.05
												Nigeria	1	1	0.02
												Korea	1	20	0.02
												Iran	1	1	0.005
								Rest of World	33	1516	74.9		129	5323	3079
Total	10	1,961	65.1	Total	6	578	15.1	Total	48	2,129	127.2		150	6135	348

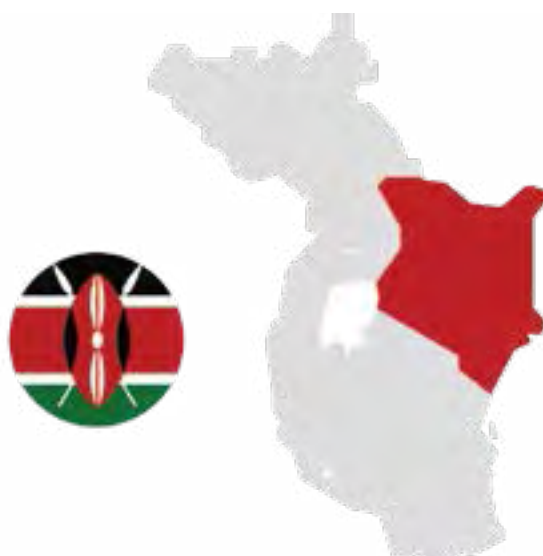
Source: Burundi Investment Promotion Authority, 2021

Prospects for Investment and Development in Burundi

FDI attraction has become a key development plan for the Republic of Burundi. The Government uses FDI as a tool for economic development and employment creation. The country commenced reforms aimed at attracting investment at regional and international level. The legal framework also enhanced investment promotion for Burundi's private sector based on public-private partnership arrangement.

The initiatives that support FDI include: The country being engaged in improvement of infrastructure, including road and air travel. In 2019, Burundi launched the National Development Plan (NDP) for 2018-2027, deemed as an appropriate response to reducing poverty in the country. The plan is aligned with the African Union Agenda 2063, and the Sustainable Development Goals. The main goal of the Government for the next ten years is structural transformation of the economy to alleviate poverty. It is on the basis of the Plan that rigorous marketing campaigns are ongoing into labour intensive sectors with large employment multipliers such as the manufacturing sector. The country set policies and action plans to implement the NDP.

Furthermore, the Burundi Government recently created thousands of rural cooperatives to help rural people, particularly where private businesses hesitate to venture, and public authorities do not provide basic services. Cooperatives are also meant to create employment and sustainable development. Burundi's private sector is small and relatively underdeveloped. However, tremendous efforts have been devoted to private sector development and investment promotion. These include: Procedures, time and costs related to business registration have been significantly reduced for the benefit of the investor; Fiscal and non-fiscal incentives offered to attract investors into the country and enable them reap positive effects of foreign direct investment; and the country also undertook several reforms to improve the investment climate and promote small and medium enterprises. Other reforms relate to simplifying the tax system to enable small and medium-sized enterprises meet their statutory obligations, provision of tax incentives, VAT exemptions, and improved electricity supply and road infrastructure.



3.5.2. Republic of Kenya

Overview of Kenya's Investment Environment

Kenya has aligned her development goals to the Big Four Agenda (2018-2022), which prioritises manufacturing, universal healthcare, affordable housing and food security. It envisages enhancing structural transformation, addressing deep-seated social and economic challenges, and accelerating economic growth to at least seven percent a year. By implementing the Strategy, Kenya hopes to rapidly reduce poverty and create decent jobs. Growth in the manufacturing sector is designed to support the national economy by 15 percent by 2022, and propel the country towards becoming Africa's industrial hub. Major productive sectors include agriculture, forestry, fishing, mining and minerals, industrial manufacturing, energy, tourism and financial services.

Kenya has the potential to become one of Africa's success stories from its growing youthful population, a dynamic private sector, highly skilled workforce and improved infrastructure. Addressing the challenges of poverty, inequality, governance, low investment and low firm productivity to achieve rapid, sustained growth rates is a major goal for Kenya. Domestically, improved business confidence and continued macro-economic stability will contribute to growth. A strategic geographic location with access to the sea, opportunities for private investors, and the discovery of oil, gas, and coal, along with continued exploration for other minerals, makes Kenya a favourable destination for FDI.

Intra-EAC Investment Inflows

Intra-EAC Investment inflows to Kenya decreased to US\$21.3 million for six projects from US\$66.1 million for 16 projects in 2019. This decline in monetary value and number of projects resulted from the slowdown of economic activities due to the outbreak of COVID-19.

Despite the Region progressively implementing the Customs Union and Common Market Protocols, Intra-EAC investment inflows are still below expected levels. The reduced Intra-EAC investment level in Kenya was caused by containment measures for the COVID-19 pandemic that affected investment activities in the region.

The six projects registered from other EAC Partner States were mainly in ICT; trade; manufacturing; construction; and mining services. Kenya's ICT infrastructure is fairly advanced, making the country a competitive investment destination. The manufacturing sector offers a wide range of incentives and tax holidays under the Export Processing Zone. When the envisaged special economic zones are implemented under the Special Economic Zones Act, 2015, they will provide more incentives for investors in industrial and techno zones.

Additionally, some of the world's largest multinational corporations have set up their regional headquarters in Kenya. Kenya's financial sector has also grown immensely in a few years, which is one of the reasons the country is among the largest economies by GDP in East Africa. Due to this, numerous companies have established themselves in Kenya to tap the available opportunities in the Region.

Table 4.12: Intra-EAC Investments into Kenya, 2015-2020 (US\$ million)

Source	2015		2016		2017		2018		2019		2020	
	No of Projects	Value US\$ m	No of Projects	Value US\$ m	No of Projects	Value US\$ m	No. of Projects	Value US\$ m	No. of Projects	Value US\$ m	No. of Projects	Value US\$ m
Tanzania	3	12.3	2	0.2	2	25.3	2	0.4	5	49.4	3	21.0
South Sudan	-	-	-	-	-	-	-	-	1	0.1	-	-
Uganda	7	7.2	4	5.3	-	-	2	1.8	7	12.5	3	0.3
Rwanda	4	112.4	1	0.2	-	-	2	0.6	1	2.2	-	-
Burundi	1	0.2	-	-	-	-	-	-	2	1.9	-	-
Total	15	132.1	7	5.7	2	25.3	6	2.8	16	66.1	6	21.3
Rest of World	236	2,055.1	225	1,814.5	192	692.4	186	482.7	245	1,151.7	149	813.7
Total	251	2187.2	232	1820.2	194	717.7	192	485.5	261	1217.8	155	835

Source: Kenya Investment Authority, 2021

Note: Data only covers investment registered by KenInvest, not the overall foreign investment in Kenya

Sectoral Distribution of FDI Inflows to Kenya

The total value of investment inflows to Kenya in 2020 shrank by 31.43 percent at US\$835 million, from US\$1217.8 million in 2019. The construction sector led by 74.6 percent of all the inflows for 34 projects, followed by a vibrant growing manufacturing sector at US\$43.2 million for 21 projects. Utilities (water and energy) attracted 13 projects at US\$22.5 million, while wholesale, retail trade and tourism drew US\$6.1 million for 41 projects. The four leading sectors contributed 97.4 percent of the total FDI inflows of all new investments registered by Ken Invest in 2020.

At the same time, FDI to Kenya created 5,415 jobs, 1,239 of them in the manufacturing sector; while wholesale created 1,436 jobs; the agriculture sector created 117 jobs, and the finance sector created 33 jobs. These sectors have led in the number of new investment projects since 2015, and continued to do so in view of improved regulatory framework, advanced ICT infrastructure, incentive regimes, and market access. For example, the Nairobi International Financial Centre Act. No. 25 of 2017, seeks to provide a legal framework to facilitate and support the development of an efficient and globally competitive financial services sector in Kenya.

Table 4.13: Kenya's Sectoral Distribution of Foreign Direct Investment, 2017-2020

Sector	2017			2018			2019			2020		
	No of Projects	Value US\$ m	Jobs	No of Projects	Value US\$ m	Jobs	No of Projects	Value US\$ m	Jobs	No. of Projects	Value US\$ m	Jobs
Agriculture, Fishing, Forestry and Hunting	2	4	90	9	2	767	16	41.3	411	5	2.0	117
Community, Social and Personal Services	8	34	619	-	-	-	23	40.5	389	34	8.6	1366
Construction	12	142	1,891	10	46	288.0	18	6.7	245.0	7	623.4	610
Finance, Insurance, Real Estate and Business Services	55	44	573	52	145	757	45	503	9,234	7	0.8	33
Manufacturing	35	223	13,06	47	142	3,834	46	345	3,830	21	43.2	1239
Mining and Quarrying	4	5	144	2	0	38	2	0.4	48	02	1.1	114
Transport, Communication and Storage	18	62	153	17	19	251	25	8.2	239	25	25.7	351
Utilities (Water and Supply)	7	176	2,162	8	73	654	15	228.2	353	13	22.5	149
Wholesale, Retail Trade, Tourism	53	28	1,285	42	58	2,796.0	71	44.9	1,824.0	41	6.1	1436
Total	194	718	19,976	187	486	9,385	261	1,217.9	16,573	155	835	5,415

Source: Kenya Investment Promotion Authority, 2021

Note: Data only covers investment registered by KenInvest, not the overall foreign investment in Kenya

Kenya's Source of Foreign Direct Investment

Kenya is one of the largest recipients of FDI in Africa, though its inflows have significantly decreased since 2018. FDI into Kenya decreased by 31.44 percent from US\$1,217 million in 2019 to US\$835 in 2020. China, Tanzania/Switzerland and India were the three top sources of FDI inflows to Kenya.

Table 4.14: Kenya's Major Sources of Foreign Direct Investment, 2015-2020

Origin	2017			2018			2019			2020				
	No of Projects	Jobs	Value US\$ m	No of Projects	Jobs	Value US\$ m	Origin	No of Projects	Jobs	Value US\$ m	Origin	No of Projects	Jobs	Value US\$ m
Germany	8	2,042	70	2	46	23	UK	28	6,839	2031	China	8	802	634.4
Spain	3	5	68	5	78	4	France	5	78	5.1	Tanzania/ Switzerland	3	148	21.5
China	32	1,910	45	27	1,667	45	China	31	1,970	407	India	13	660	17.1
UK	15	363	31	14	464	6	India	16	226	6.8	USA	15	214	8.0
India	18	554	30	11	130	12	Tanzania	5	505	49.4	Netherlands	5	81	5.7
Canada	2	69	30	7	50	40	Netherlands	8	74	1.9	S/Africa	4	23	4.2
Netherlands	7	503	28	6	75	1	Japan	7	19	1	Italy	5	57	1.4
Israel	2	212	28	6	64	1	South Africa	13	216	63.2	Japan	4	13	3.6
Switzerland	1	222	27	5	75	1	Germany	9	116	9.6	Hungary	1	75	3.255
Tanzania	2	313	25	4	237	16	USA	22	377	59.8	Qatar	1	2	15.7
Sub total	90	6,194	382	87	2,886	149	Sub total	144	10,420	807	Sub total	60	716.7	2383
Rest of the world	104	13,782	335	100	6,449	337	Rest of the world	117	6,153	410.4	Rest of the world			634.4
Grand Total	194	19,976	718	187	9,385	486	Grand total	261	16,573	1217				17.1

Source: Source: Kenya Investment Promotion Authority, 2021

Note: Data only covers investment registered by KenInvest, not the overall foreign investment in Kenya

Mode of Entry into Kenya

Modes of entry have been via joint-venture, import-export, greenfield investments, mergers and acquisitions, equity and non-equity, and wholly owned subsidiaries.

Prospects for Investment Flows into Kenya

The Kenya Government has taken various measures to implement reforms that attract FDI, resulting in remarkable progress in developing a conducive investment environment as follows:

- f. Kenya simplified procedures for business creation and the process to register property;
- g. The country shortened the period of processing business licenses, permits and approvals; and,
- h. Kenya strengthened access to credit and made easier payment of taxes and insolvency resolution.

Kenya is ranked 56th in the World Bank's Ease of Doing Business International Ranking for 2020. It came 2nd to Rwanda (38th position) in the EAC Region. The development of PPP as part of Vision 2030 Strategy has positively influenced FDI inflows to Kenya. Furthermore, the recently discovered hydrocarbon resources have the potential to attract FDI. The country acts as a regional economic hub from its strategic geographic location with access to the sea, a growing entrepreneurial middle class, diversified agriculture, and expanding services sector. In spite of all that, obstacles to investment, notably the country's infrastructure network and governance issues, persist. To reduce poverty, GDP growth needs to be sustained between seven percent and ten percent over several years. Growth will be best sustained by creating policy predictability as well as a political and investment climate that encourages investors to make long-term commitments across election cycles.



4.7.3. Republic of Rwanda

Overview of Rwanda Investment Environment

The Republic of Rwanda has made progress in building a business-friendly environment, emerging as a top global reformer in key international rankings that measure economies on their ease of doing business, and competitiveness of the economy, and tax administration. Rwanda was the highest ranked among the EAC Partner States, and 38th internationally on the Ease of Doing Business list (WB, 2020). The country's focus is on accelerating targeted investments with the aim of structural shifts to high value goods and services, exports and targeting investments with large job multiplier effects. Emphasis is also on developing the associated value chains with the aim of creating productive and decent jobs. By identifying priority sectors like manufacturing, agro-processing, ICT, energy and others with relevant tax incentives, the country has improved its investment levels and economic growth in general.

Intra-EAC Investment in Rwanda

Rwanda received a total of US\$12.8 million from other Partner States for 8 projects in 2020. These were from Tanzania (US\$4 million), Uganda (US\$5 million), Kenya (US\$3.5 million), and South Sudan (US\$ 0.3million). The Intra-EAC Investment inflows to Rwanda from Partner States dropped by 25.15 percent at US\$12.8 million from US\$17.1 million in 2019, and was attributed to the COVID-19 containment measures that affected economic activities in the Region.

Rwanda's Foreign Investment Inflows

Rwanda's foreign investment inflows from the rest of the world dropped by 34.55 percent to US\$950 million in 2020 compared to US\$1,451.5 million in 2019. This decrease came from slower worldwide economic activities. FDI contributed 59.7 percent of total investments in the country.

Table 4.15: Intra-EAC Investment into Rwanda, 2016-2020 (US\$ million)

Source	2016		2017		2018		2019		2020	
	No of Projects	Value US\$ m	No of Projects	Value US\$ m	No. of Projects	Value US\$ m	No. of Projects	Value US\$ m	No. of Projects	Value US\$ m
Rwanda		579.9		520	86	991.1	77	992.11	71	354.6
Tanzania	3	6.2	1	1.0	3	7.5	3	5.5	3	4.0
Uganda	3	76.4	1	49.8	1	0.2	0	0	1	5.0
Kenya	1	1.5	5	7.7	2	21.7	3	11.6	3	3.5
Burundi	3	36.1	3	8.1	0	0.0	0	0.0	0	0
South Sudan	0	0	0	0.0	0	0.0	0	0.0	1	0.3
Total	10	120.2	10	66.6	6	29.4	6	17.1	8	12.8
Rest of World	38.0	479.9	79.0	1,081.2	81.0	985.80	174	1,451.5	96	950
Total	48	1,180	89	1,667.8	174	2,006.3	263	2,460.7	183	1,317.4

Source: Rwanda Development Board, 2021

Mode of Entry into Rwanda

The most common mode of market entry into Rwanda was FDI, portfolio and other investments set-up.

Rwanda Sectorial Distribution of FDI Inflows

FDI inflows to Rwanda in 2020 accounted for US\$962.8 million with a total of 111 projects after a decrease of 34.44 percent from FDI inflows in 2019 which amounted at US\$1,468.6 million with 106 projects. In the same period employment created dropped by 31.91 percent from 28,270 to 19,250 jobs. This slowdown in FDI inflows development was caused by the country and world COVID-19 containment measures. The sector that attracted more FDI inflows was Agriculture, Fishing, Forestry and Hunting, accounting for US\$226.2 million, and creating 1,315 jobs; followed by Tourism, Arts, Entertainment and Recreation services with a value of US\$216.8 million, with 1,923 jobs created. The sector of Finance, Insurance Real Estate and Business Services accounted for US\$177.7 million, creating the highest number of employment at 5,679 jobs; Transport, Communication and Storage sector attracted US\$101.2 million and resulted into 460 jobs. Further, Manufacturing and Agro-processing sector attracted US\$98.8 million with 5,256 jobs created, being the sector that created the second-highest number of employment opportunities. The development resulted from the country's consistent improved performance and attractiveness. Furthermore, favourable government policies, especially in public investment to improved performance in ease of doing business, and conducive tax incentives like import duty and VAT exemption on machinery and raw materials on manufacturing firms also contributed to the attraction and the increase in projects in this sector.

Table 4.16: Rwanda-Sectoral Distribution of FDI, 2017-2020 (US\$ million and No. of Jobs)

Sector	2017			2018			2019			2020		
	No of Projects	Value US\$ m	Jobs	No of Projects	Value US\$ m	Jobs	No of Projects	Value US\$ m	Jobs	No. of Projects	Value US\$ m	Jobs
Agriculture, Fishing, Forestry and Hunting	7	56.6	2743	6	9.08	3535	8	106.9	2,024	7	226.2	1,315
Human health and Social work services	2	26.2	568	4	12.7	447	2	1.7	22	2	7.4	354
Construction	4	402.9	2430	1	10.8	150	4	14.5	2841	6	82.2	2,066
Finance, Insurance Real Estate and Business Services	9	105.3	1078	11	413.14	1,748	6	194.8	940	15	177.4	5,679
Manufacturing and Agro-Processing	39	102	6707	47	200.22	7360	68	5271	17,767	50	98.8	5256
Mining and Quarrying	8	169.5	1404	4	68.75	393	3	23.3	320	5	16.2	2003
Transport, Communication and Storage	7	63.7	533	7	156.9	2263	4	39.4	262	7	101.2	460
Utilities (Water and Energy)	5	129.6	3,861	3	58.1	125	4	508.6	3516	4	36.5	194
Tourism, arts entertainment & recreation services	8	85.5	924	4	85.42	565	7	52.1	578	15	216.8	1923
Total	89	1,148	20,248	87	1015.2	16,586	106	1468.6	28,270	111	962.8	19,250

Source: Rwanda Development Board, 2021

Rwanda's Major Sources of Foreign Direct Investment

In the year under review, the top ten key sources of FDI into Rwanda that attracted US\$600.3 million with a total number of 50 projects and 13,232 jobs included China, USA, UK, India, Egypt, Sweden, DRC, Somalia, France and Netherlands. In 2020, China was the leading source of FDI with investments amounting to US\$282 million, followed by USA amounting to US\$205.3 million, UK US\$28.5 million and India US\$22.7 million. Also, Egypt with US\$17.7 million, Sweden US\$12.1 million, DRC US\$10.0 million, Somalia 9.8 million, France US\$6.8 million and Netherlands US\$5.4 million. The FDI inflows from other countries in the world accounted for US\$362.5 million with 61 projects and 3,693 jobs.

Table 4.17: Rwanda's Major Sources of Foreign Direct Investment, 2018-2020 (US\$ million)

Origin	2018			2019			2020				
	No of Projects	Jobs	Value US\$ m	Origin	No of Projects	Jobs	Value US\$ m	Origin	No of Projects	Jobs	Value US\$ m
Nigeria	2	640	264.58	Nigeria	6	2,135	444.61	China	16	6,524	282
USA	12	8,196	244.1	USA	8	1,679	327.3	USA	7	1,455	205.3
India	19	2,265	181.1	India	9	493	10.3	UK	2	2,832	28.5
China	14	1,045	61.5	China	26	13,201	120.4	India	13	139	22.7
Germany	2	673	57.6	Germany	1	22	9.8	Egypt	3	140	17.7
UK	3	114	54	UK	1	976	0.6	Sweden	1	284	12.1
Slovenia	1	110	23.3	DRC	3	2,045	614.5	DRC	1	1,206	10.0
UAE	2	341	22	Tanzania	3	79	5.5	Somalia	2	150	9.8
Kenya	2	180	21.7	Kenya	3	500	13.7	France	3	227	6.8
Poland	1	121	16	Egypt	6	2,776	6.7	Netherlands	2	275	5.4
Subtotal	58	13,685	945.9		66	23,906	1,553.4		50	13,232	600.3
Other countries	115	17,553	1,060.5		37	11,809	907.3		61	3,693	362.5

Source: Rwanda Development Board, 2021

Prospects for Investment Flows into Rwanda

Rwanda's business environment with regard to tax administration in 2020 was conducive (WB, 2020). This was achieved due to a lot of reforms that facilitated business and investment, particularly:

- a. The use of ICT facilities. Business-related services including business registration, investment registration, environmental impact assessment, licensing, tax declaration and tax payment which are all done online. This has reduced procedures and the timetaken, and in turn eased business engagements; and
- b. Reforms in construction permits and environment laws put Rwanda in a better position to continue being competitive, and streamlined issuance of construction permits, thus reducing time and procedures for Environmental Impact Assessment.



2.3.4 Republic of South Sudan

Overview of South Sudan Investment Environment

The economy of the Republic of South Sudan depends mainly on the oil sector. However, the oil sector suffered in 2020 due to low global crude oil prices in 2019. As a result, the Government has made initiatives to diversify the economy into manufacturing and services sectors, and leverage on the enormous potential in productive sectors like tourism and agricultural value addition. The Government has prioritised the development of non-oil sectors to achieve sustainable growth.

The Government of South Sudan is working through the South Sudan Investment Authority (SSIA) to attract foreign direct investment. It initiated a number of strategic reforms to attract local and international investors, with the main objective being to support infrastructure development and increase industrialisation and agricultural production. The reforms undertaken include establishment of a one-stop shop at SSIA, to bring business and regulatory agencies together. The one-stop shop is user-friendly and process efficient in the issuance of investment certificates, licenses and permits, as well as provision of aftercare services. This concept is being implemented to offer a sound and effective investment climate in South Sudan, thus positioning the country as a major investment location in Africa.

Intra-EAC Investment to South Sudan

South Sudan registered in 2020, 63 projects worth US\$1,183 million, 10 of them worth US\$20 million were Intra-EAC investments. Most of these projects were in the utilities and services sectors.

The country also received US\$20 million from its EAC Partner States for 10 projects. Tanzania, Kenya and Uganda, invested US\$2.2 million, US\$16.7 million, and US\$1.1 million, respectively. This was a drop of 96.24 percent at US\$20 million from US\$532.4 million in 2019. The decline was caused by COVID-19 containment measures that affected economic activities in the Region.

Table 4.18: Intra-EAC Investment Flows into South Sudan, 2018-2020 (US\$ million)

Country	2018		2019		2020	
	No. of Projects	Value US\$ m	No. of Projects	Value US\$ m	No. of Projects	Value US\$ m
Tanzania	4	14.8	5	16.8	2	2.2
Kenya	7	7.7	16	217.6	6	16.7
Rwanda	-	-	-	-	-	-
Uganda	2	0.3	10	298	2	1.1
Burundi	-	-	-	-	-	-
Total	13	22.8	31	532.4	10	20
Rest of World	37	385.5	222	3347.3	53	1,163.00
Total	50	408.3	253	3879.7	63	1,183

Source: South Sudan Investment Authority, 2021

South Sudan Sectoral Distribution of Foreign Direct Investment

The Government of South Sudan has designated agriculture, agribusiness, infrastructure, mining, energy, forestry, manufacturing, ICT, financial services, pharmaceuticals, tourism and quarrying sectors as priority for investment, accompanied by various investor benefits and incentives.

The composition of FDI into South Sudan in 2020 was in the utilities (water and energy) sector, with investments amounting to US\$330.2 million. The manufacturing sector had US\$272.1 million, and construction US\$174.6 million. The investments created 3,583 jobs, the bulk of which came from China (US\$335 million) and Lebanon (US\$252 million). Most of the jobs created were in the manufacturing and services sectors such as transport, communication and storage; finance, insurance, real estate and business; construction and utilities.

Table 4.19: South Sudan Sectoral Distribution of Foreign Direct Investment, 2018-2020 (US\$ million)

Sector	2018			2019			2020		
	No of Projects	Value US\$ m	Jobs	No of Projects	Value US\$ m	Jobs	No. of Projects	Value US\$ m	Jobs
Agriculture, Fishing, Forestry and Hunting	6	3.1	93	15	126.55	30,898	6	66	514
Community, Social and Personal Services	27	21.4	334	52	686.71	3,960	3	27.5	81
Construction	23	24.4	447	9	370.37	2,075	8	174.6	457
Finance, Insurance, Real Estate and Business Services	7	30.3	187	38	385.19	2,807	5	20.3	583
Manufacturing	0	0	-	31	397.81	2,820	8	272.1	642
Mining and Quarrying	42	366.3	1,081	8	47.78	196	1	15.0	27
Transport, Communication and Storage	6	8.5	102	18	400.52	1,311	2	256	608
Utilities (Water and Energy)	1	1.0	15	57	732.48	1,912	12	330.2	556
Wholesale, Retail Trade, Tourism	5	2.4	98	15	60.6	1,047	2	10	115

Source: South Sudan Investment Authority, 2021

South Sudan Major Source of FDI

South Sudan's leading sources of FDI inflows in 2020 were China at US\$335million, Lebanon at US\$252 million, South Africa at US\$250 million, Egypt at US\$165 million, and India at US\$46 million. The Chinese projects were mainly in the extractive sector, while Lebanese ones were in the construction sector.

Table 4.20: South Sudan Major Source of FDI, 2018-2020 (US\$ million)

Origin	2018				2019				2020			
	No of Projects	Jobs	Value US\$ m	Origin	No of Projects	Jobs	Value US\$ m	Origin	No of Projects	Jobs	Value US\$ m	
China	18	583	355.4	China	28	1,292	1,450.9	China	13	476	335	
Tanzania	4	43	14.8	Tanzania	5	283	16.75	Lebanon/South Sudan	1	508	252	
South Africa	4	125	12.2	South Africa	11	1,184	29.3	South Africa	1	150	250	
Kenya	7	82	7.7	Kenya	15	1,221	218.1	India	2	310	46	
Sudan	4	66	7.5	Sudan	7	758	141.64	Sudan	5	331	22.5	
Somalia	5	112	4.5	Somalia	3	139	6.399	Kenya	7	451	21.7	
UK	1	12	2	UK	11	2,922	13	Egypt	2	16	165	
Malaysia	1	15	1.5	Ethiopia	7	724	51.77	Australia	1	15	27	
Egypt	1	15	1	Egypt	7	590	42.7	Sub total	32	2257	1119.2	
China	1	16	1	Turley	2	62	3.8	Rest of the world	22	1691	64.0	
Sub total	46	1,069	407.6	Sub Total	104	9,175	1,974.3	Grand Total	55	3948	1,183.24	
Rest of the world	71	1,288	49	Rest of the World	149	37,851	1,905.3					
Grand Total	117	2,357	457.3	Grand Total	253	47,026	3,879.6					

Source: South Sudan Investment Promotion Authority, 2021

Prospects for Investment Flows into South Sudan

The establishment of the South Sudan Business Registry in 2008, and the Investment Promotion Act, 2009, that established the South Sudan Investment Authority are demonstrations of the Government's commitment to facilitating, promoting and developing leadership of the private sector in the development of the country. The Government has put in place an investment strategy that facilitates reforms to business registration and infrastructure development, especially expansion of the airport and road network to Uganda, Ethiopia, Sudan and Kenya, and reforms in the financial sector.

The Government works with local and foreign investors to connect the emerging business opportunities throughout the country. The following measures are taken by the Government to motivate local and foreign private investments:

- a. Establishment of One-Stop Shop Investment Centre to reduce bureaucracy and simplify business procedures for investors;
- b. Establishing measures for private public partnership to help build critically needed power and transformation of infrastructure to maximise returns. These measures include policies and regulations governing contracts, finance, banking and operations with appropriate mechanisms for handling operational matters, including dispute resolution in consonance with international practices and laws;
- c. Setting standards that establish clear commitment of the Government to long tenure strategic projects given the multiple layers of projects, economic and socio-political risks. This communicates the aspect of partnership rather than typical contractor-client relationship, transparency of rules, timeliness of decision making, and timely resolution of any likely issues that may arise, which must underline the above to create investor confidence; and
- d. The Government has designated agriculture, hard and soft infrastructure, mining, agri-business, energy, tourism and social sectors as priority for investment, with benefits and incentives.



4.7.5. United Republic of Tanzania

Overview of Tanzania Investment Environment

Foreign Direct Investment into the United Republic of Tanzania is mainly concentrated in the mining, oil and gas, and primary agricultural value addition sectors like coffee and edible oils, as well as in the construction and tourism sectors. To attract investment, Tanzania initiated reforms of policies aimed at improving the investment climate as stipulated in the country's Vision 2025; through which the Government has undertaken five-year development plans.

In the Five-Year Development Plan (FYDP) II, the Government selected sub-sectors as intervention for fostering economic growth and industrialisation. These sectors included manufacturing, mining and metals, construction, agriculture, trade, natural resources management, environment and climate change, tourism, science, technology and innovation, and creative industry. The Government of Tanzania focused on attracting more foreign investors through implementation of the FYDP III. The key infrastructure projects targeted included upgrading the central railway system from Dar es Salaam to Mwanza and Kigoma, constructing Standard Gauge Railway from Dar es Salaam to Mwanza, and constructing Julius Nyerere Hydro Power Station in Rufiji. Construction of a new terminal III and renovations of terminal II at the Julius Kambarage Nyerere International Airport in Dar es Salaam. The Airport is now capable of handling 6.6 million passengers per year.

United Republic of Tanzania Intra-EAC Investment

The total registered cross-border investment in Tanzania from Partner States decreased by 10.4 percent to US\$11.75 million from US\$13.12 million in 2019. Investments from Kenya increased slightly by 7.3 percent to US\$ 9.79 million from US\$9.12 million in 2019; meanwhile in Uganda's that decreased by 87.08 percent to US\$0.52 million from US\$4 million in 2019.

Table 4.21: United Republic of Tanzania Intra Investment Flows, 2017-2020 (US\$ million)

Source	2017		2018		2019		2020	
	No of Projects	Value US\$ m	No. of Projects	Value US\$ m	No. of Projects	Value US\$ m	No. of Projects	Value US\$ m
Kenya	22	32.926	9	40.809	7	9.122	14	9.785
Uganda	3	0.6	4	26.3	1	4.0	2	0.517
Rwanda	1	0.3	-	-	-	-	1	1.45
South Sudan	-	-	-	-	-	-	-	-
Burundi	-	-	-	-	-	-	-	-
Total	26	33.83	13	67.11	8	13.12	17	11.75
Rest of World	202	3,021.4	254	3,053.0	767	2,605.7	31	684.3
Total	228	3,055.23	267	3,120.11	775	2,618.82	48	696.052

Tanzania National Bureau of Statistics, 2021

Sectoral Distribution of FDI Inflows

FDI inflows in 2020 accounted for US\$696.05 million for 61 projects, with the leading sectors being manufacturing at US\$331.8 million and construction at US\$151.78 million, both with 47 projects and creating 1,466 jobs. This resulted from consistent improvement in investment policies aimed at attracting foreign investors in the manufacturing sector, and continuous improvement of infrastructure such as roads, railways, airports and marine ports. Generally, favourable Government policies especially on manufacturing led to better performance and ease of doing business. Conducive tax incentives like import duty and VAT exemption on machinery and raw materials on manufacturing firms contributed to the attraction and increase in the number of projects in the sector from FDI and domestic investments.

Additionally, in 2020, FDI into the United Republic of Tanzania created a total of 2,442 jobs, with the manufacturing sector creating 1,310 jobs, agriculture 179 jobs, construction 156 jobs, wholesale, retail trade 195 jobs, and tourism, transport, communication and storage 321 jobs.

Table 4.22: United Republic of Tanzania Sectoral Distribution FDI, 2017-2020 (US\$ million)

Sector	2017			2018			2019			2020		
	No of Projects	Value US\$ m	Jobs	No of Projects	Value US\$ m	Jobs	No of Projects	Value US\$ m	Jobs	No. of Projects	Value US\$ m	Jobs
Agriculture, Fishing, Forestry and Hunting	4,403	12	260.5	1,926	20	522.5	19,686	53	456.4	5	179	83,845
Construction	667	2	10.8	365	34	405.6	786	13	8.2	2	156	151,78
Manufacturing	6,384	134	134.0	11,666	133	1,425.4	17,774	466	1,161.9	45	1310	331,18
Mining and Quarrying	0	0	0.0	0	1	0.9	25	2	2.0	3	125	12,351
Finance, Insurance, Real Estate and Business Services	2,979	24	190.4	14,252	23	92.0	1,923	68	174.3	2	156	22,78
Community, Social and Personal Services	761	14	38.4	660	7	9.2	685	21	26.1	0	0	0
Wholesale, Retail Trade, Tourism	1,493	16	26.6	687	21	103.6	1,252	32	58.4	6	195	123,76
Transport, Communication and Storage	1,337	16	42.9	799	25	253.1	4,602	116	477.6	7	321	28,89
Utilizes (Water and Energy)	163	4	254.6	387	6	309.9	60	4	253.8	0	0	0
TOTAL	18,187	222	3,051.4	30,742	270	3,122.2	46,765	4	2,618.7	61	2442	696.05

Tanzania National Bureau of Statistics, 2021

United Republic of Tanzania's Major Sources of Foreign Direct Investment

The major sources of Foreign Direct Investment to Tanzania in 2020 were Bulgaria, China, Britain, Italy, British Virgin Islands and Egypt. Registered investment from Bulgaria amounted to US\$201.26 million with two projects, and created 150 jobs. China's totalled US\$138.5 million with 22 projects and 426 jobs. The number of jobs created in 2020 decreased to 2,442 from 46,765 in 2019.

Table 4.23: United Republic of Tanzania Major source of Foreign Direct Investment, 2017-2020

Origin	2018					2019					2020					
	No of Projects	Jobs	Value \$ m	Origin	Value \$ m	No of Projects	Jobs	Value \$ m	Origin	No of Projects	Jobs	Value \$ m	Origin	No of Projects	Jobs	Value \$ m
China	86	20,794	264.5	China	530.0	196	5,777	530.0	Bulgaria	2	150	201.26				
Singapore	1	251	51.2	Mauritius	297.8	11	2,042	297.8	China	22	426	138.522				
India	11	827	41.7	Canada	60.4	3	2,125	60.4	British Virgin Islands	3	128	5.800				
Kenya	12	1,012	36.9	India	50.4	33	2,138	50.4	Egypt	4	128	3.924				
Mauritius	9	890	29.0	UK	34.2	22	1,433	34.2	Canada	1	5	0.35				
Australia	3	308	27.0	Australia	31.9	9	52	31.9	British	4	85	111.985				
South Africa	9	299	14.1	United states	20.4	3	618	20.4	France	1	7	0.096				
Saud Arabia	1	305	13.0	South Africa	17.3	15	262	17.3	Italy	1	51	11.17				
Belgium	1	384	12.8	UAE	13.5	5	266	13.5	Kenya	5	27	9.79				
Switzerland	2	573	12.2	Ethiopia	10.6	6	352	10.6	Lebanon	1	8	0.175				
Sub Total	135	25,643	502.4	Sub total	1,066.4	303	15,064.9	1,066.4	Serbia	1	5	0.1				
Others	135	17,378	2,619.8	Others	1552.3	472	31,700	1552.3	Other	8	265	12.231				
Total	270	43,021	3,122.2	Total	2,618.7	775	46,765	2,618.7	Total	53	1285	694.09				

Source: Tanzania National Bureau of Statistics, 2021

Prospects for Investment Flows into the United Republic of Tanzania

The United Republic of Tanzania has established a relatively stable macro-economic and financial sector that has developed resilience to external shocks. Tanzania is one of the most preferred destinations for FDI in Africa. The Government has embarked on key infrastructure projects to support improved transport and communication, and is implementing the National Five-Year Development Plan 2016/17 – 2020/2021, which aims at nurturing industrialisation for economic transformation and human development. Under this Plan, the Government is implementing the following projects:

- a. Construction of a new central railway line to standard gauge. Using domestic resources, the Government is constructing a new 700km electric railway line from Dar es Salaam – Morogoro – Dodoma. The whole project covers about 2,707km, with three branches from Dar es Salaam-Tabora-Kigoma (1,251km); Tabora – Mwanza (379km) and Kaliua-Mpanda (210km). The project is expected to improve transportation of cargo and passengers in the central corridor, and reduce the time of transporting freight destined to neighbouring countries like Rwanda, Burundi, Uganda and the DRC;
- b. Expansion of the Dar es Salaam Port. The Government implemented a project to expand seven berths' depths from the current eight metres to 15 metres. The expansion allows the port to receive larger vessels able to carry up to 19,000 containers. The project has been completed, thus enabling the Tanzania Port Authority to increase the container throughput to 28 million tonnes a year, from around 20 million currently. The port is now able to handle ships with more than 304 metres from the previous 204 metres;
- c. Construction of a new terminal III and renovations of terminal II at the Julius Kambarage Nyerere International Airport in Dar es Salaam was implemented. The Airport is now capable of handling 6.6 million passengers per year;
- d. In collaboration with the Government of Uganda, construction of a Crude Oil Pipeline from Hoima to Tanga Port commenced in 2020;
- e. A project to build a 34km road connecting Bagamoyo and Mlandizi, and linking the Bagamoyo port to an internal railway network and,
- f. Other notable projects include: manufacturing of cement, tiles, steel, soap, detergents, and beverages, as well as banking services.

The Tanzania Investment Centre has created a number of investment incentives which include: full capital expenditure deduction on mining and agricultural sectors; and 50 percent capital allowance in the first year for plant and machinery used in the manufacturing and services sectors.

The One Stop Facilitation Centre at the TIC has been strengthened by increasing the number Government Institutions Government Ministries, Departments and Agencies, these are Ministry of Lands, Housing and Human Settlements; Immigration Department, National Identification Authority (NIDA), National Environmental Management Council (NEMC), Tanzania Revenues Authority (TRA), Business Registration and Licensing Authority (BRELA), Tanzania Bureau of Standards (TBS), Tanzania Medical Tanzania Medicines and Medical Devices Authority (TMDA), Occupational Safety and Health Authority (OSHA), and Tanzania Investment Centre (TIC) and of recent Tanzania Electric Supply Company (TANESCO) has been included in the OSFC making a total of 12 government agencies.

The Tanzania Investment Centre, through the one-stop facilitation centre, provides for investment facilitation by fast-tracking procedures related to permits and licenses. Tanzania Investment Centre (TIC) developed online application tool for Certificate of Incentives (External Portal) which allows Investor to apply for Certificate of Incentives without coming to the Centre to submit application physically. Tanzania Investment Centre established “Tanzania Investment Call Centre” to facilitate investors and other stakeholders to get information through telephone calls, email and social networks.



4.7.6. Republic of Uganda

Overview of Uganda Investment Environment

The Government of Uganda has provided support to business investments, sustaining it through the novel coronavirus pandemic, and consequently boosting manufacturing, construction, retail and wholesale trade. In 2020, Uganda focused on raising demand and improving business activities by providing business stimulus.

The country's need for infrastructures in roads, power and water provides investment opportunities. In that regard, the country has put in place a strategy to improve the investment climate to attract investments.

Uganda has prudently managed its debt and is currently classified as low risk. However, with the slowdown in the economy in 2020, the Government increased its financing needs, maintained debt sustainability and prioritised concessional financing and limited non-concessional financing to high-return projects. In 2020, the country's authorities strengthened domestic resource mobilisation and continued to improve the business environment to make the country attractive to foreign and local investors.

FDI Inflows to Uganda

Intra-EAC Investment Inflows to Uganda

Intra-EAC investment inflows from EAC Partner States into Uganda in 2020 amounted to US\$20.3 million and were from Kenya, with seven projects. This was a 76.32 percent decline from 2019. The seven projects were in manufacturing; construction; utilities and trade sectors.

Kenya maintained its position as the leading Intra-EAC investor to Uganda, with major projects such as transport and haulage, in response to Uganda's strategic positioning as a regional logistics hub.

Intra-EAC Investment Inflows

Uganda's overall investment inflows decreased by 23.6 percent to US\$927.1 million from US\$1,213.4 million in 2019. The number of projects also declined by 34.6 percent to 202 from 309 in 2019. Intra-EAC Investments were at US\$20.3 from US\$85.7 in 2019.

Investment inflows to Uganda in 2020 decreased in value and number of registered projects, and was attributed to the COVID-19 pandemic. Major investments were visible in power generation but also in secondary industries that serve power generation processes and construction in the oil and gas sector.

The country-level success in attracting such investments is mainly attributed to the following factors: political stability; clear policy framework; transparent, consistent and fair regulation; coherent power sector planning; and competitive bidding practices. At project level, these factors were: favourable equity partners; favourable debt partners; creditworthy off-taker; secure and adequate revenue stream; credit enhancements and other risk management and mitigation measures; positive technical performance; and strategic management and relationship building.

Table 4.24: Foreign Direct Investment flows to Uganda, 2015-2020 (US\$ million)

Source	2015		2016		2017		2018		2019		2020	
	No of Projects	Value US\$ m	No of Projects	Value US\$ m	No of Projects	Value US\$ m	No. of Projects	Value US\$ m	No. of Projects	Value US\$ m	No. of Projects	Value US\$ m
Tanzania	14	33.4	3	2.9	2	3.0	5	4.7	-	-	-	-
Kenya	11	17.9	21	109.8	6	33.0	9	9.9	8	57.7	7	20.3
Rwanda	1	0.3	1	2.9	3	3.9	1	2.0	2	28.0	-	-
South Sudan			2	4.5	6	31.4	2	4.7	-	-	-	-
Burundi			-	-	-	-	1	6.6	-	-	-	-
Total	26	51.6	27	120.1	27	71.3	18	27.9	10	85.7	7	20.3
Rest of World	232	496.9	287	699.5	234	843.9	165	602.7	299	1,127.7	195	907.0
Total	258	548.5	314	819.6	261	915.2	183	630.6	309	1,213.4	202	927.3

Source: Uganda Investment Authority, 2021

Sectoral Distribution of Foreign Direct Investment

The manufacturing sector continued to lead in inward FDI by number of projects, value, and job creation. The sector registered an increase in performance, attracting 108 projects worth US\$303.4 million, and creating 11,752 jobs. Food manufacturing dominated the sub-sector. This is attributed to Uganda's position as the food basket for the Region, naturally resulting from its two annual rainy seasons. The key projects under manufacturing were in solar water pumps and heaters, cotton wool processing, and the manufacture of surgical gloves, white petroleum products, and textile, and salt processing. Utilities (electricity, gas and water) came second to the manufacturing sector with FDI inflows of US\$238.6 million. FDI inflows to the construction sector decreased to US\$149 million from US\$251 million in 2019. The sector registered 10 projects and created 2,981 jobs from 17 projects that created 3,826 jobs in 2019.

The agriculture sector attracted 19 projects worth US\$28.4 million with a job creation potential of 1,566 people. The FDI in agro-processing was attributed to Uganda's successful coffee export resulting from the high demand of its unique Arabica Coffee that blends most of the world's coffees. It was also attributed to the special incentives for the agro-processing sub-sector.

As a measure to ease registration of business and attract investment, Uganda has introduced an online licensing system that has eased the acquisition of investment and other approvals.

Table 4.25: Uganda – Sectoral Distribution of FDI Trends 2016-2020 (US\$ million)

Sector	2015			2016			2017			2018			2019			2020		
	No of Projects	Jobs	Value US\$ m	No of Projects	Jobs	Value US\$ m	No of Projects	Jobs	Value US\$ m	No of Projects	Jobs	Value US\$ m	No of Projects	Jobs	Value US\$ m	No of Projects	Jobs	Value US\$ m
Agriculture, Fishing, Hunting	28	10,588	44.1	82	16,155	405	45	4,559	137	42	4,951	251.9	57	7,555	120	19	1,566	28.4
Community, Social, and Services	6	5,975	31.8	10	844	28	9	1,659	35	6	251	5.2	3	159	4	22	1,997	85.9
Construction	7	781	221.9	45	3,596	193	20	13,806	185	19	2,515	151.6	17	3,826	251	10	2,981	149.0
Electricity, Gas, and Water	1	522	82.9	12	929	135	11	1,653	99	7	682	31.5	9	3,491	24	9	370	238.6
Finance, Insurance, Real Estate and Business Services	15	1,436	12.4	69	4,500	236	58	4,776	117	11	832	120.1	14	670	58	16	1,634	77.6
Manufacturing	52	10,455	187.7	174	17,370	327	163	16,571	548	139	12,731	360.3	166	23,955	447	108	11,752	303.4
Mining and Quarrying	6	929	17.7	8	420	17	12	1,301	116	11	922	31.1	4	676	45	4	366	27.0
Transport, Communication, and Storage	4	159	4.2	18	1,634	213	17	1,678	59	18	1,038	57.6	23	21,086	53	6	209	5.8
Wholesale, Retail Trade, Tourism	1	59	0.2	21	857	33	11	501	13	10	526	6.6	16	1,458	212	3	177	2.8

Source: Uganda Investment Authority, 2021

Uganda's Sources of Foreign Direct Investment

China remained the major source of Uganda's investment inflows in 2020, investing in 55 projects worth US\$2,345.5 million, and creating 6,597 jobs. Mauritius was second-highest with eight projects worth US\$227.5 million which created 746 jobs; followed by India with 45 projects worth US\$93.5 million, which created 3,752 jobs, and Sri Lanka with eight projects worth US\$61 million, which created 354 jobs.

Table 4.26: Uganda: Source of Foreign Direct Investment, 2017-2019 (US\$ million)

Origin	2017			2018			2019			2020				
	No of Projects	Jobs	Value US\$ m	No of Projects	Jobs	Value US\$ m	Origin	No of Projects	Jobs	Value US\$ m	Origin	No of Projects	Jobs	Value US\$ m
China	59	16,867	303.3	57	5,598	362.6	China	75	10,454	421.2	China	55	6,597	2,345.5
India	47	4,735	155.1	1	150	65	India	38	3,768	64.5	Mauritius	8	746	227.5
Ethiopia	4	572	62.7	2	363	51	Ethiopia	5	247	5	India	45	3,752	93.5
Turkey	9	1,666	62.6	43	3,675	14.2	Turkey	2	99	1.2	Sri Lanka	8	354	61
British Virgin Island	4	1,867	50.4	1	22	12.3	British Virgin Island	0	0	0	USA	2	697	35.7
UK	14	1,223	26.4	7	686	9.9	UK	10	840	48.9	UAE	1	94	19.5
Lebanon	5	959	25.5	9	853	9	Lebanon	2	706	5.6	Kenya	5	242	20.3
Norway	2	652	23.2	1	453	6.6	Norway	1	16	0.2	France	2	527	171
US	6	1,534	21.8	1	339	6.6	US	6	525	3.2	Egypt	4	461	16.8
Italy	1	246	19.4	2	701	588.4	Italy	0	0	0	UK	6	720	10.6
Sub total	151	29,821	750	124	12,840	416.1	Sub total	139	16,655	549.8	Sub total	136	14,190	2846.1
RoW	167	15,907	558	139	11,608	416.1	RoW	170	46,221	113.8	RoW	61	21,682	927.1
Total	469	45,728	1,308	263	24,448	630.6	Total	309	62,876	1,213.40	Total	333	50,062	6619.3

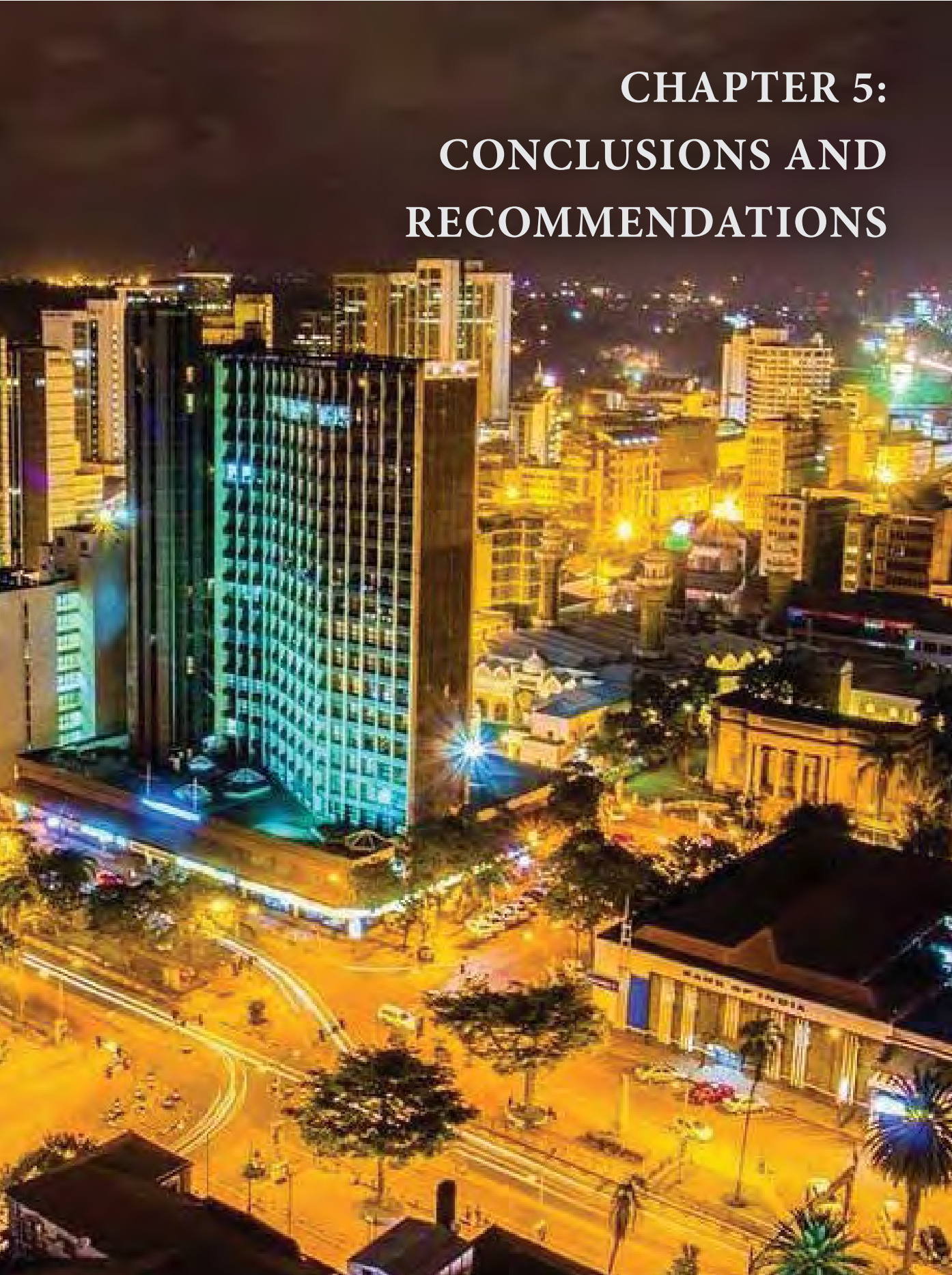
Source: Uganda Investment Authority, 2021

Prospects for Investment Flows into Uganda

Uganda lies astride the equator, enjoying a unique location at the heart of Sub-Saharan Africa within the East African Region. The country borders South Sudan in the North, Kenya in the East, the United Republic of Tanzania in the South. Rwanda is in the Southwest and the Democratic Republic of Congo in the West. Being land linked gives Uganda a strategic commanding base as a regional hub for trade and investment. Uganda enjoys pivotal trade partnerships that create viable markets for business. The 2019 Index of Economic Freedom ranked Uganda, the 8th freest economy out of the 47 Sub-Saharan Africa countries due to its predictable investment regime and other measures undertaken to improve the business environment. The improved investment and business environment in Uganda resulted in a number of privileges and opportunities for local and foreign investors, such as:

- a. The business operating environment allows 100 percent foreign ownership of private investments;
- b. The country possesses vast quantities of untapped mineral deposits and a budding oil and gas sector, with a potential to produce 230,000 barrels per day of crude oil when fully operational;
- c. The Government operates a liberal trade and monetary policy that allows full repatriation of profits after the mandatory taxes have been paid, in order to attract investment;
- d. The Government has invested in high-speed internet communication and fully operational e-Government operations, as well as infrastructure, power generation and education, to support investment attraction and industrialisation;
- e. Recent initiatives include commercialisation and mechanisation of the agricultural sector;
- f. Recent policy reforms improve and modernise the mining sector in order to increase value addition and beneficiation of key minerals;
- g. The Government established an incentive regime to attract investment that is embedded in the tax legal framework to ensure that they are non-discriminatory, and apply equally to domestic and foreign investors;
- h. To support investors, the Government set up the one-stop centre for business registration, immigration, land acquisition and licensing under the Uganda Investment Authority; and,
- i. The Government has also set up a number of industrial parks with accessible land, and other facilities to enable investors to access fully serviced industrial locations.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS



5.1. Conclusion

The East African Community is the fastest growing regional economic community in Africa, at an average growth rate of 6 percent. The Region offers a large market for merchandise with a population of consumers whose demand for goods is quite high. Intra-regional trade, and trade with other regions in Africa and the rest of the world offer further economic opportunities. The EAC Partner States have however continued to experience a deficit in trade in goods, evident in the composition of exports from the region, since agricultural goods comprise the main exports, while imports comprise manufactured goods. The zero-tariff band adopted in the Region justifies that EAC Partner States are pushing towards industrialisation, since it encourages importation of capital goods that increase trade balance.

The total trade for EAC declined by 6.08 percent to US\$51,915 million in 2020 from US\$55,278.2 million in 2019. Total exports from the region during the same period rose by 3.15 percent to US\$16,257 million from US\$15,760.8 million in 2019 due to increase in exports to UAE and UK, while total intra-EAC Exports decreased by 7.37 percent in 2020. The decline in exports was due to the COVID-19 pandemic, which reduced manufacturing output and slowed down economic activities.

Amidst the pandemic, exports to the UK and UAE increased by 12.29 percent and 58.43 percent respectively, while exports to major African regional trading blocs and the rest of the world were adversely affected.

On the other hand, total EAC imports decreased by 9.77 percent to US\$35,658 million in 2020 from US\$939,517.50 million in 2019. The relative decline in imports between 2019 and 2020 was a result of the COVID-19 pandemic which reduced trading activities with import partners, mainly China, India and the EU. Intra-EAC total imports (transfers) decreased by 3.71 percent as Partner States imported goods mainly from the USA, UAE, the UK, India and China.

Similarly, imports from the Tripartite Partners declined adversely by 45.38 percent and 2.12 percent in SADC and COMESA, respectively, while imports from the rest of Africa drastically dropped by 125.5 percent.

Total intra-EAC Trade (transfers) and total trade decreased by 5.54 percent and 6.08 percent, respectively.

Trade in services plays a major role in the Partner States' economies; hence the EAC Partner States agreed to liberalise seven service sectors, namely: business; financial; communication; transport; tourism and travel related; educational; and distribution services.

The services sector has the potential to greatly contribute to the Regional Economic Growth and GDP of the Partner States. In the EAC, Trade in services had been relatively better and increasingly growing in terms of value and shares at a significant average rate of 6 percent

between 2010 and 2020. However, in the first two quarters of 2020, export of services sharply dropped worldwide due to the COVID-19 pandemic, and many service sectors were devastated during implementation of COVID-19 containment measures

Globally, FDI declined in 2020 by 42 percent to an estimated value of US\$859 billion, from US\$1.5 trillion in 2019 (UNCTAD, 2021). Renewable energy replaced coal, oil and gas as the top sector by capital investment for the first time. The US remained the top destination country for investment, attracting US\$61 billion of FDI. China was the largest recipient of capital investment in Asia-Pacific, attracting US\$29.7 billion. Western Europe was the leading source region, accounting for 49% of FDI projects globally

Generally, Total investment into East Africa decreased by almost -46.29 percent, falling from US\$11.0 billion in 2019 to US\$6.25 billion in 2020. This fall is attributed to COVID-19, which led to a shutdown in economic activities. The performance of the EAC Partner States in FDI shows that Burundi recorded the highest percentage growth of 179.7 percent. FDI inflows to Tanzania declined by -71.25 percent to US\$754.59 million in 2020, while FDI inflows to Kenya decreased by -24.63 percent to US\$917.93 million; and in Rwanda the decline was by -47.93 percent to a record low of US\$1,281.39 million. FDI inflows into Uganda increased by 16.57 percent to US\$1,445.48 million in 2020, while FDI inflows to South Sudan showed a decrease of -67.75 percent, from US\$3,879.60 million in 2019 to US\$1,251.14 million.

Other Partner States recorded negative growth rates, which slowed down the industrialisation process and agricultural transformation, and led to less investment in manufacturing, construction and financial services. The share of manufacturing value added, and employment at lower level of per capita income also declined. Similarly, the number of jobs created through FDI inflows to EAC decreased by 175 percent to 59,110 jobs from 211,084 in 2019. However, the number of jobs created through inward FDI to Uganda increased by 21,818, which accounted for 37 percent of the total jobs created in all Partner States.

Notably, domestic investments have become the key development strategy for the EAC Region. In 2020, Uganda marked a large increase in domestic investment value by 19.72 percent at US\$518.38 million, followed by Rwanda whose domestic investment accounted for US\$331.39 million. However, Burundi experienced the highest percentage increase in domestic investments by 188.50 percent at US\$251.57 million from US\$87.20 million in 2019.

The EAC FDIs in 2020 were mostly in manufacturing and construction, save for South Sudan and Rwanda whose high number of FDIs were in transport and utilities (water and energy), and agriculture, respectively.

5.2. Policy Recommendations

- i. In the wake of COVID -19 pandemic, Partner States should review and harmonise the COVID-19 testing charges, and validity and mutual recognition of the COVID-19 certificates with a view to ensuring safe and smooth movement of goods, persons, services and services suppliers in the Region. This will increase access to regional and international markets and reduce the cost of doing business, enhance transfer of technology and innovations, boost demand for business travel, tourism, professional work, health and social services.
- ii. Partner States should implement the harmonised EAC Administrative Guidelines on COVID-19 as adopted at the Regional Level and adopt the EAC COVID-19 Economic Recovery Plan.
- iii. Partner States should provide an open, transparent and predictable regime for investment and improve the ease of doing business.
- iv. Partner States should embrace industrialisation and value addition to promote exports, job creation and intra-EAC trade while reducing trade imbalance in the Region.
- v. Partner States should resolve existing non-tariff barriers and refrain from imposing new ones as per the EAC Laws to promote intra-EAC trade.
- vi. Partner States should adopt digital technology to improve the quality of trade facilitation in order to enhance free movement of goods, persons and services.
- vii. Partner States should ensure reliable infrastructure to facilitate trade and investment with a focus on sufficient transport facilities, adequate and reliable supply of energy, ICT and adequate skilled workforce.
- viii. Partner States should adopt a Regional Local Content Policy to catalyse industrialisation development and growth of regional value chains.
- ix. Partner States should endeavour to finalise comprehensive review of the Common External Tariff in order to promote forward and backward linkages within the region for industrialisation.

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ISBN: 978-9987-786-02-2

