



EAST AFRICAN COMMUNITY

EXPORT PROMOTION STRATEGY 2020-2025
*'Export Diversification through Export Consolidation and
Export Discovery'*

Adopted
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Abbreviations and acronyms

ACP	African, Caribbean and Pacific
AFD	Agence Française de Développement
AfDB	African Development Bank
AGF	African Guarantee Fund
AGOA	African Growth and Opportunity Act
ARII	Africa Regional Integration Index
ASEAN	Association of Southeast Asian Nations
BDS	Business Development Services
BMO	Business Membership Organisations
BSO	Business Support Organisations
CEN-SAD	Community of Sahel-Saharan States
CET	Common External Tariff
CFTA	Continental Free Trade Area
CMP	Common Market Protocol
CTI	Confederation of Tanzania Industries
CU	Custom Union
CUP	Customs Union Protocol
COMESA	Common Market for Eastern and Southern Africa
DFI	Development Finance Institution
DRC	Democratic Republic of the Congo
EAA	Eastern Africa Association
EABC	East African Business Council
EAC	East African Community
EACCIA	East African Chamber of Commerce, Industry and Agriculture
EBA	Everything-But-Arms
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EIB	European Investment Bank
EPA	Economic Partnership Agreement
EPC	Kenya Export Promotion Council
EPS	Export Promotion Strategy
EPZ	Export Processing Zones
ES	Export Strategy
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GSP	Generalised Scheme of Preferences
HACCP	Hazard analysis and critical control points
IFI	International financial institution

IGAD	Intergovernmental Authority on Development
IIDS	Tanzania Integrated Industrial Development Strategy
IMF	International Monetary Fund
IPA	Investment Promotion Agency
IPR	Intellectual Property Rights
ISO	International Organization for Standardization
ITC	International Trade Centre
KAM	Kenya Association of Manufacturers
KEPSA	Kenya Private Sector Alliance
KNCCI	Kenya National Chamber of Commerce and Industry
LVAC	Local value-added content
M&E	Monitoring and Evaluation
MoFA	Ministry of Foreign Affairs
MoT	Ministry of Trade
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprise
MVA	Manufacturing Value Addition
NCM	Non-Conforming Measures
NEDS	National Export Development Strategy of Uganda
NES	National Export Strategy
NMC	National Monitoring Committee
NTB	Non-Tariff Barrier
NTM	Non-Tariff Measure
OECD	Organisation for Economic Co-operation and Development
OSBP	One-Stop Border Posts
PSFU	Private Sector Foundation of Uganda
PSO	Private Sector Organisation
RDB	Rwanda Development Board
REC	Regional Economic Community
RIC	Regional Integration Centre
RoW	Rest of the world
RPN	Regional Production Network
RPSF	Rwanda Private Sector Federation
SADC	Southern African Development Community
SCT	Single Customs Territory
SCTIFI	EAC Sectoral Council Trade, Investment, Finance and Industry
SEZ	Special Economic Zone
SIDP	Tanzania Sustainable Industrial Development Policy
SME	Small and Medium-sized Enterprise
SPS	Sanitary and Phytosanitary
STQM	Strategic Total Quality Management
TANTRADE	Tanzania Trade Development Authority

TBP	Time Bound Programme
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TFTA	EAC SADC and COMESA Tripartite Free Trade Area
TICR	Tanzania Industrial Competitiveness Report
TISI	Trade and Investment Support Institution
TMEA	Trade Mark East Africa
TPO	Trade Promotion Organisation
TPSF	Tanzania Private Sector Foundation
UAE	United Arab Emirates
UEPB	Uganda Exports Promotions Board
UMA	Uganda Manufacturers Association
UNCCI	Uganda National Chamber of Commerce and Industry
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WEAMU	West African Economic and Monetary Union
WTO	World Trade Organization

Executive Summary

EAC Exports Expansion and Growth

One of the main drivers of economic growth and transformation in the Region has been the Partner States' export-led strategies and policies. By the mid 1980's, all Partner States had in place some form of export promotion strategy which contributed to the creation of jobs and supported the transformation of the Region's productive capacity.

EAC Partner States present very different trade profiles with mixed export performances. In Burundi, Rwanda, and Uganda, exports of goods

and services as a percentage gross domestic product (GDP) remains relatively low, at less than 15%, whilst in Kenya and Tanzania exports as a percentage of GDP is about 25%. A long run view of the Region's export shows an overall upward trend with short run fluctuations linked mainly to the volatility in commodities exports. During the period 2010-2015, the EAC's trade deficit as a percentage of GDP has hovered between 12.9% to 15.3%, whilst total EAC exports has fluctuated from 30% growth in value terms in 2014, contracting by 17.5% in 2015 and 6.8% in 2016. These figures are far from the targets set by the EAC EPS 2013-2016, which aimed for a 20% p.a. export growth and a reduction of trade deficit to 8% of regional GDP.

- The Region has sustained steady GDP growth rate and will need to maintain this upward trajectory.
- Despite an upward trend, export growth in the Region is still behind the region's expected 20% p.a. growth target set out in the EAC Vision 2050.
- EAC total trade expanded by 4.1% from \$4.8 billion in 2011 to \$5 billion in 2015.
- Imports continue to dominate the Region's trade, increasing by 13% between 2011 and 2015.
- The value of exports increased by around 43% to \$15 billion between 2010 and 2016.

Designing the EAC EPS 2020-2025

As with many developing countries at equivalent levels of development, the EAC Partner States face numerous 'behind the border' trade related challenges which impact EAC enterprises' capacity to produce and export high value-added products. Barriers which constrain export competitiveness are many and diverse, including macroeconomic policies which distort efficient market entry and competition, sub-optimal factor conditions (cost and skill of labour, cost of capital), limited infrastructure and backbone services, and transport and logistics inefficiencies that raise production and trade costs. There are also a host of more specific export related challenges, linked to market entry capabilities such as; information and coordination failures and under provision of public goods, limited access to trade finance, limited capacity to comply with quality and standards requirements, all of which limits firms export readiness.

The EAC EPS 2020-2025 has been designed based on consultations carried out in the five Partner States and the lessons learnt from the review of the EAC EPS 2013-2016. Unlike the previous Strategies which included a broad array of interventions, *the present Strategy focuses specifically on strategic intervention areas which target regional aspects of Export Promotion*. This 3rd generation EPS has been designed to complement the current existing strategies which include the EAC regional and national existing Plans and Strategies which are inextricably linked to boosting the Region's export potential.

Changing trends in Export in the Region

The EAC Export Promotion Strategy 2020-2025 has been designed, against the backdrop of evolving exports trends and opportunities. The short run trend for exports in the Region continues to decline due mainly to a contraction of exports to the SADC, COMESA and the EU. Intra-EAC exports has also continued to contract. The EAC Trade and Investment report 2015 states that the decline in trade in goods volumes as well as investment inflows is the result of a number of challenges, namely the high prevalence of Non-Tariff Barriers (NTBs) that raised the cost of doing business; drought, which has affected agricultural production and the overall global economic slowdown of the past few years which has resulted in the dampening demand for commodities.

In terms of export market destination, the EAC shows signs of diversification, with a growing market share going to the intra-EAC and the wider African region, i.e. COMESA and SADC, at the expense of the EU market, however the EU remains a strategic market for the EAC and presents a gateway to expansion into 'new' EU markets.

Intra-regional trade plays an increasingly bigger role in the region's exports. Most intra-African trade occurs between African countries that are members of the same regional grouping. For instance, the average country in the EAC sources 86% of its African imports from other EAC countries. However, the share has not been growing significantly over the last decade. In the short run, Intra-regional exports continue to constitute a small proportion amounting to only 5.9% of total EAC trade despite the implementation of Single Customs Territory that provides for removal of tariffs and other barriers to trade among Partner States.

(1) Export and Market Diversification

EAC growth at the extensive margin – including both new product “discovery” and selling existing products to new markets – remains critical to driving exports and employment. Diversification of markets and products remains limited in spite of growing intra Africa and intra-regional trade and the growing share of manufacturing exports. Overall, the observable trend is that the Region has been diversifying its exports at different rates and that diversification is happening more rapidly with respect to intra-regional exports. Understanding the level of concentration of products in new and existing markets, i.e. Extensive Margin Index (existing products to new markets) and the Intensive Margin Index (measure the exports of existing products to current markets), provides a more detailed insight into the various strategies which the Partner States

Export Diversification

- The export destination has remained constant since 2000, with close to 70% of EAC exports going to the RoW and 30% to EAC and Sub-Saharan Africa.
- Whilst intra-EAC exports continues to drive the Region's trade expansion, there is a need to further expand intra-regional trade, as well as to tap into potential new market opportunities in neighbouring African countries.
- The region has been steadily diversifying its export basket, with manufacturing exports contributing increasingly to the Region's exports and intra-regional exports driving diversification in the Region.
- The boost in value-added manufacturing presents opportunities for the exploration of new markets outside of the Region, i.e. exports with extensive margin.

There is scope for expanding exports in existing, or traditional, markets, while greater opportunities lie in exploiting new markets for existing products.

should adopt when looking into expanding and diversifying its exports. Overall, the EAC EPS 2020-2025, focuses on export diversification through export consolidation and export discovery. The EPS focuses specifically on the barriers which limit the region's capacity to diversify its export markets and products base, at the extensive margin.

(2) Conforming to the Changing Landscape of EAC Trading Environment

The EAC Partner States' market opportunities for diversification is shaped by a complex web of unilateral and preferential trade agreements, which extend market access to a host of priority markets and products.

TFTA and the EAC

- The TFTA and CFTA presents the EAC with the opportunity through the expansion of intra Africa trade, to expand exports, diversify its market and diversify its export composition. This has the potential of spurring on the industrial transformation of the Region;
- The TFTA will likely strengthen EAC trade with neighboring countries, i.e. DRC, South Africa, South Sudan, Comoros, Sudan, which in 2016 made up for approximately 15% of EAC export;
- EAC exports to the TFTA countries currently makes up for over 50% of Partner States' total exports.
- The reduction of tariffs and the simplification of RoO, could potentially help build stronger Regional Production Networks and help expand the volume of intra-regional trade.

Through the TFTA Kenyan will gain preferential access to six more countries that are not members of COMESA or the EAC, i.e. Angola, Botswana, Lesotho, Mozambique, Namibia and South Africa. Currently the EAC Partner States intra-Africa imports are dominated by EAC and COMESA FTA making up over 70% of Partner States imports. The composition of intra-regional and intra African exports, has had a much stronger impact on spurring on export diversification, than Africa's trade to the RoW. The former tends to be concentrated on manufacturing exports, whilst the latter in contrast has been mainly concentrated on commodities exports. The TFTA and the CTFA thus present the EAC Partner States with the potential for further expansion of exports of manufactured goods. With the conclusion of the TFTA, the SACU region will likely play a stronger role in regional exports and present potential opportunities for strengthening regional value chains, though partnership with South Africa, which is one of the countries in the TFTA with strongest industrial base. Building export competitiveness is essential for the EAC Partner States to be in a position to capture the potential benefits which may accrue under the TFTA and CFTA.

The EAC-EU EPA could also present a number of opportunities to the EAC Region as there remains untapped potential in a number of products which are currently exports to traditional EU Member States, which could be further exploited, in particular in new emerging European

Of most strategic importance to the region is the current TFTA and CFTA negotiations. The TFTA will be especially important for the COMESA countries that are not in the EAC and are not operating the SADC FTA.

Changing Landscape of EAC Trading Agreements

The following trade agreements are likely to have the biggest impact on the region's export trends;

- EAC-EU Economic Partnership Agreements and the effect of Brexit
- Africa Growth and Opportunity Act
- EAC SADC COMESA Tripartite Free Trade Agreement
- Continental Free Trade Area
- EAC – EFTA Joint Declaration on Cooperation

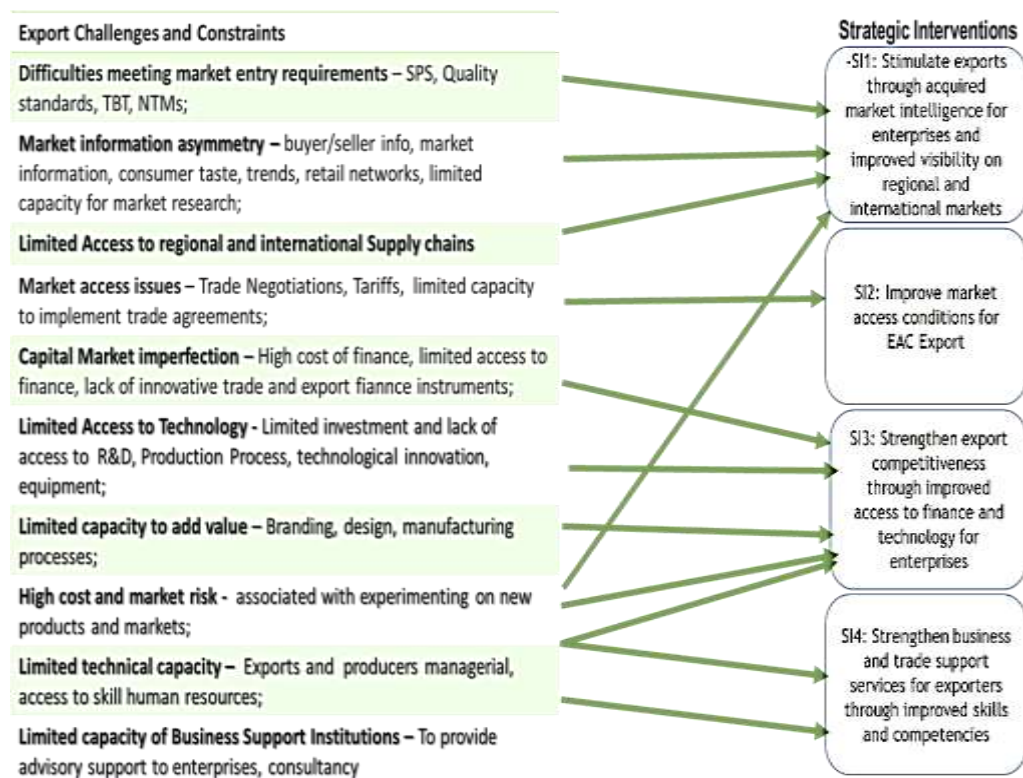
Other countries that have expressed their intent to negotiate an FTA with the EAC: Turkey, China and Singapore. The EAC also plans to initiate a cooperation framework with the Gulf Cooperation Council (GCC)*, with the aim of creating new strategic partnerships.

Markets of Eastern Europe. However, to fully reap the potential export opportunities of the EPA, complementary support and initiatives are needed to boost the capacity of EAC businesses to participate in regional and global trade. In particular, the major challenge faced by EAC export to the EU is the capacity of exporters to meet quality standards and Sanitary and Phytosanitary (SPS) standards. In order to reap the full benefits, the EAC EU EPAs, need to be accompanied by a comprehensive strategy for attracting FDI for industrial development and for deploying funding from the European Development Fund and EU blending Instruments.

(3) Directly addressing the other challenges in Export Expansion

All five Partner States have identified a set of common challenges, these include the ability to:

- i. Identifying potential markets and buyers
- ii. Access trade finance
- iii. Meet quality/ quantity requirements of buyers
- iv. Access appropriate production technology and skills



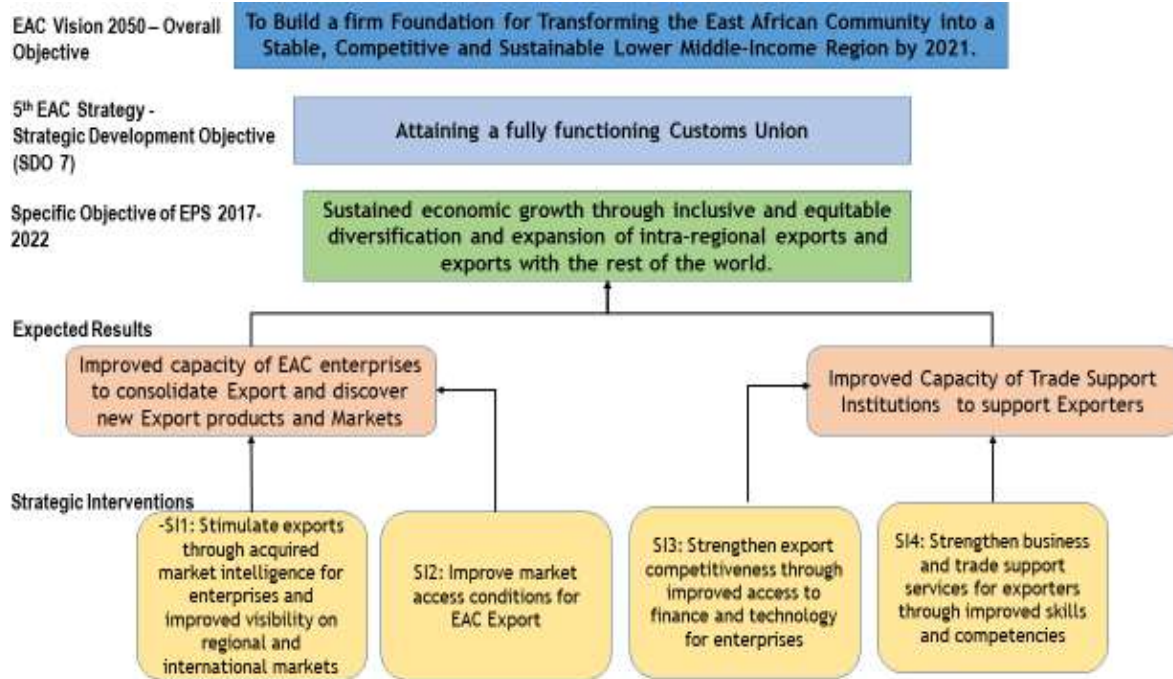
Value proposition of the EPS and Priority Interventions

The following are the five interconnected themes that forms the core of the value proposition for the EAC EPS 2020-2025:

- Enhancing intra-regional and international export expansion and diversification;
- Promoting value added/niche market products; such as organic agro products,
- Developing resilient exports with long survival rates (sustainability margins);
- Fostering the development of a dynamic product mix balancing export growth based on intensive margin (higher volumes of existing products and destinations) and extensive margins (new products and new destinations);

- Establishing a dynamic regional production network with vibrant intra-regional sourcing and exports.

The EAC EPS 2020-2025 Intervention Logic presenting the overall and specific objectives and the strategic interventions is presented below.



The activities identified under the four strategic interventions, have been formulated based on the Partner States identified priority actions. These are presented in Implementation and Monitoring Framework. A number of cross cutting activities will also be implemented under the EAC Export Promotion Strategy 2020-2025.

1.1 Methodological approach adopted

1.1.1 Review of the EAC EPS 2013-2016

Given the absence of clear outcome indicators against which to assess the performance of the EAC EPS 2013-2016, the approach adopted has been to establish observable trends with respect to a series of indicators, which have been established ex-post (Table 1). This review therefore looks at a selected number of economic and non-economic measures with a view to establish trends associated with the Strategy’s four identified outcomes. The exercise is looking specifically at trends in intra-regional trade; number of market destinations; number of products exported; and degree of market and product diversification, amongst others.

Table 1: EAC EPS 2013-2016 outcome and proposed indicators

Outcomes	Trade impact indicators ¹
OVERALL OUTCOME: <i>Export growth of 20% p.a. reducing the trade deficit to 8% of regional GDP by 2017.</i>	<u>Regional economic growth</u> <ul style="list-style-type: none"> - Export growth (% GDP) - Trade deficit
Outcome 1: Promote the production of diversified and high value exports from Partner States	<u>Product diversification indicators</u> <ul style="list-style-type: none"> - Manufactured export per capita - Top EAC manufactured export - EAC MVA growth - Herfindahl-Hirschman index for export diversity (baseline 0.03 in 2011) - Share of MVA in GDP
Outcome 2: Greater market access to third party countries for increased export growth	<u>Market diversification indicators.</u> <ul style="list-style-type: none"> - Exports volumes - Export diversification index (HHI) - Export composition - Number of destination markets for EAC exports
Outcome 3: Reduced cost of doing business in the EAC Region for improved competitiveness	<u>Trade cost indicators</u> <ul style="list-style-type: none"> - Trading across border - Time to export - Cost to export <p>Baseline – Ease of doing business ranking from the World Bank Doing business survey, 2013.</p>
Outcome 4: Strengthen capacity of export-related institutions to engage in export promotion activities	<u>Institutional framework indicators:</u> <ul style="list-style-type: none"> - Number of trade promotion agencies in the region - Number of existing regional export promotion authorities’ forums - EAC exporter portal exists between three Trade Promotion Organisations (TPOs)

This review exercise also endeavours to track the implementation of activities which were planned under the EACEPS 2013-2016 action plan. This involves a systematic inventory of all activities which were earmarked in the action plan and assessing the number of actions which the EAC Secretariat and Partner States have been able to implement over the four-year implementation period. For ease of reference, the implementation status has been classified as: Low - Medium - High. The assessment was done based on discussions with Partner states and desk research.

Annexe 1: Snapshot of the Status of Implementation of the EAC EPS 2013-2016 Action Plan, provides an overview of the status of implementation of the EAC EPS 2013-2016.

In summary, this review exercise is focused on assessing the export performance of the region from the following angles:

- (i) Overall export performance of the region against the four strategic objectives laid down in the Strategy (Chapter 2 - Review of the EAC Economic and Trade Performance)
- (ii) Assessment of the implementation of actions laid out in the Strategy Action Plan (Annexe 1: Snapshot of the Status of Implementation of the EAC EPS 2013-2016 Action Plan)

This exercise also factors in the country analysis and findings from the 'in-country consultative workshops' which were carried out in the five Partner States, as well as from the main findings from the questionnaire that were administered on that occasion.

1.1.2 Methodological challenges and limitations

A number of challenges were encountered whilst reviewing the Strategy.

Firstly, there is an absence of a clear monitoring and evaluation (M&E) framework. From the EAC EPS 2013-2016 Action Plan (Annexe 2: EAC EPS 2013-2016 Action Plan), it is to be noted that the baseline indicators established for reviewing the Strategy were not clearly defined from the onset. In addition, the outcome indicators established for reviewing the Strategy were not specific, measurable or time-bound.²

Secondly, no M&E exercise was carried out during the period of implementation of the Strategy, despite the provisions made in the Strategy document. With respect to M&E, the EAC EPS 2013-2016 recommended that 'the EAC shall use indicators development in the logical framework matrix to monitor the attainment of desired outputs and outcomes. It was also foreseen that indicators would be reviewed on an annual basis by export promotion experts from Partner States. Finally, it was expected that EAC Partner States would pursue the following steps in an effort to monitor the achievements of the strategic plan:

- Develop a revolving work plan; monitoring work sheets; report guidelines; evaluation guidelines with defined outputs and indicators;
- Creation of an East African statistical database;
- Generate annual reports with an analysis of results achieved, lessons learnt and changes recommended;
- Mid-term evaluation shall be undertaken during the third year of implementation. This shall be an internal evaluation that shall involve all Partner States and stakeholders;
- At the end of the plan in 2017, an end term evaluation shall be conducted utilising the services of an external consultant.

The present 'swift review' is the only review of the EAC EPS 2013-2016 which has been carried out to date. The lack of prior annual and mid-term reviews, as well as the absence of clear M&E

² This refers to the Monitoring and Implementation plan of the EAC 2013-2016, whereby the Monitoring indicators have not been clearly defined and are not time bound and measurable.

framework and clear indicators, has been an important impediment in designing a comprehensive methodological framework for this review.

1.1.3 Formulation of the EAC EPS 2020-2025

The methodology employed for the preparation of the EPS combines both desk research and in-depth country consultations, through a series of workshops which were held in each of the five Partner States. The table below summaries the methodology employed:

Methodology adopted for the EAC EPS formulation exercise

Activities	Objective
In-country consultations with round table meeting with national stakeholders	<ul style="list-style-type: none"> - Inform stakeholder about the EAC EPS 2020-2025; - Discuss and gather views from stakeholders on main export promotion challenges; - Focusing on the Regional Public good aspect of Export Promotion for the EAC.
Consultations with the EAC Secretariat	<ul style="list-style-type: none"> - Discuss and gather views from the Secretariat on priority areas for the EPS; - Provide feedback on country missions; - Gather information on the implementation and challenges faced by the Secretariat and Partner States in implementing the EAC EPS 2013-2016.
Preliminary desk research and trade data analysis	<ul style="list-style-type: none"> - Analyse Partner States' and regional binding constraints with respect export promotion; - Complement findings from country consultations
Administration of a questionnaire	

The objective of the consultative workshops was to gather information from trade-related Ministries, Departments and Agencies (MDAs) as well as from Private Sector Organizations (PSOs) and exporters, to be used for the formulation of the EAC EPS 2020-2025. Consultations were undertaken with a view to investigate Partner States' key export priorities and challenges in the next 5 years. The specific objectives of the workshops were as follows:

- Assess the Partner States key export priorities and challenges in the next 5 years;
- Identify the main priority areas/products/markets for the Partner States;
- Identify the main supply side constraints/policies and regulations limiting Partner States' export promotion efforts;
- Identify priority areas in each Partner States' respective Export Strategies (ES), or equivalent frameworks;
- Identify regional/collective actions as the main priorities for the next ES;
- Administer the questionnaire.

Field visits to the five Partner States were undertaken as part of information gathering and stakeholders' consultations. The field visits ran from 20 June to 1st July 2017.

Partner States (<i>dates</i>)	Number of Participants	No of questionnaires administered
Tanzania (<i>June 20-21</i>)	16	14

Kenya (June 22-23)	12	11
Uganda (June 24-26)	18	15
Rwanda (June 27-28)	19	16
Burundi (June 29-30)	21	17

The questionnaire was administered during the workshop. The main outcomes of the consultation were as follows:

- The EAC EPS is to focus on export promotion aspects as opposed to taking a broad sweep in terms of looking at national export strategies;
- As most countries currently have either National Export Strategies, Industrial Strategies and other related frameworks such as the Trade Facilitation Action Plans, or sectoral strategies, it was emphasised that the EPS has to complement and not duplicate existing strategies at national level;
- Participants focused discussion on how the EAC EPS could add value to the existing architecture of strategic and policy frameworks, and how to ensure that the EPS 2020-2025 focuses on providing regional public goods that support the exports of Partner States;
- Partner States emphasised the need for carrying out an evaluation of the previous EPS.

The following key questions were discussed during the workshops:

- How can the next EPS add value to the existing architecture of Strategic and policy framework?
- How can we ensure that it does not overlap with national strategies and policy framework?
- How can we ensure that the EAC EPS 2020-2025 allows for multiplier effect?
- How can we ensure that the EAC EPS 2020-2025 focuses on providing regional public goods that support the exports strategies of Partner States?
- What are the priority Regional Public Goods which the EPS should focus on and which will be mutually reinforcing and beneficial to all Partner States?

The EAC Export Promotion Strategy (EPS) is divided into 3 parts, Part 1: Review of the EAC Export Promotion Strategy 2013-2016; Part 2: The EAC Situational Analysis; and Part 3: The EAC Export Promotion Strategy 2020-2025.

Part 1 “Review of the EAC Export Promotion Strategy 2013-2016” is organised around four Chapters: (i) an overview of the EAC EPS 2013-2016; (ii) an outcome base review of the economic and trade performance of the EAC region, (iii) an output based review based on the implementation of activities as laid out in the implementation plan; and culminates into (iv) presentation of the main lessons learnt, which form the foundation of the successor 3rd Generation EAC Export Promotion Strategy 2020-2025.

Part 2 “The EAC Situational Analysis” is organised around two Chapters which presents: (i) Overview of the Trade and Export Promotion Policies and accompanying policies in the region and at partner state level; and (ii) Overview of Partner states Trade Profile, Potential Challenges, Opportunities and priority interventions.

Part 3 “The EAC Export Promotion Strategy 2020-2025” is organised around four Chapters which presents: (i) Case for the new 3rd Generation EPS; (ii) Key priorities and strategic interventions of the EPS; (iii) implementation modalities and monitoring and evaluation framework; and (iv) the implementation and monitoring action plan.

The main objective of the EAC EPS 2020-2025, is to provide a road-map to increase EAC export performance by enhancing productivity and competitiveness of firms and industries. The successor EAC Export Promotion Strategy focusses on adding value to the existing national export strategies and focuses on providing a strategic vision on common shared challenges, which Partner States face in the area of exports promotion. The National Export Strategies on the other hand, as currently designed by the Partner States, focuses on specific value chains and market entry strategies at a national level and prioritise national supply-side constraints. The regional strategy focuses on creating regional public goods to support the Partner States’ national export promotion strategies, i.e. it looks at common denominator factors which affect all Partner States market entry into regional and international export markets. Some examples of the intervention areas which the successor strategy will be promoting are as follows: regional branding, regional EAC strategies for networking of commercial diplomatic officers for consolidating market intelligence and promoting country and regions products abroad, regional policies and guidelines on EPZ and SEZ, regional programme for Transfer of knowhow on export promotion experiences, design regional export finance instrument, twinning and exchange programmes between the Export Promotion Intuitions in the region, as well as other cross-cutting issues such as traceability, regional standards and compliance issues, border trade etc. The main distinctions between the regionally focused EAC Export Promotion Strategy and the National Strategies, is that the EAC EPS 2020-2025, focuses on export challenges which are best addressed regionally and which when addressed from a regional perspective, has a greater impact than if addressed at an individual Partner State Level.

**PART 1 - REVIEW OF THE “EAC EXPORT PROMOTION
STRATEGY 2013-2016”**

CHAPTER I - REVIEW OF THE EAC EXPORT PROMOTION STRATEGY 2013-2016

The EAC Export Promotion Strategy 2013- 2016 (hereafter referred to as “the EAC EPS 2013-2016”) was the Region’s second export strategy. It was launched in 2014, after the first Joint EAC Export and Investment Promotion Strategy (2006-2010) expired in 2010,³ leaving a three-year lapse between the two strategies.

The EAC EPS 2013-2016 was the first to cover the five Partner States and was anchored in the second EAC Development Strategy 2011/12 - 2015/16. Unlike its predecessor, it was focused on export promotion, production and industrialisation and the business environment, excluding investment, which the Partner States agreed would be developed as a joint investment policy. Another marked difference with the EAC Export and Investment Promotion Strategy (2006-2010) was that the EAC EPS 2013-2016 covered a shorter time span, i.e. 3 years, instead of being synchronised with the second EAC Development Strategy, whose lifespan was 2011/12 - 2015/16. The EAC EPS 2013-2016 continued the efforts laid down in the Joint EAC Export and Investment Promotion Strategy (2006-2010) and focused on expanding regional exports through the promotion of efficient production, promotion of industrial diversification and export promotion.

The EAC EPS 2013-2016 was developed with a view to making the EAC a globally competitive and dynamic export-led region and contribute to economic development. The accompanying implementation plan was budgeted at around USD 84 million.

EPS 2013-2016 Strategic Outcomes

Overall Outcome: *Export Growth of 20 % p.a. reducing the trade deficit to 8 % of Regional GDP by 2017.*

Outcome 1: Promote the Production of diversified and high value exports from Partner States

Outcome 2: Greater market access to third party countries for increased export growth

Outcome 3: Reduced cost of doing business in the EAC Region for improved competitiveness

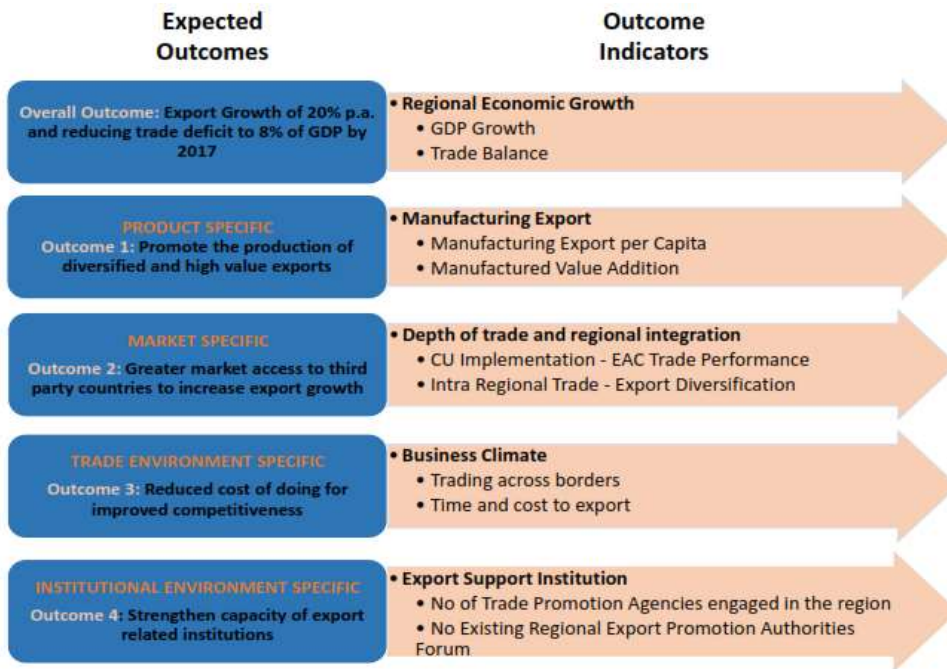
Outcome 4: Strengthen capacity of export related institutions to engage in export promotion activities

³The previous EAC Joint Export and Investment Promotion Strategy, 2006 - 2010 covered Kenya, Tanzania and Uganda.

CHAPTER II - REVIEW OF THE EAC ECONOMIC AND TRADE PERFORMANCE

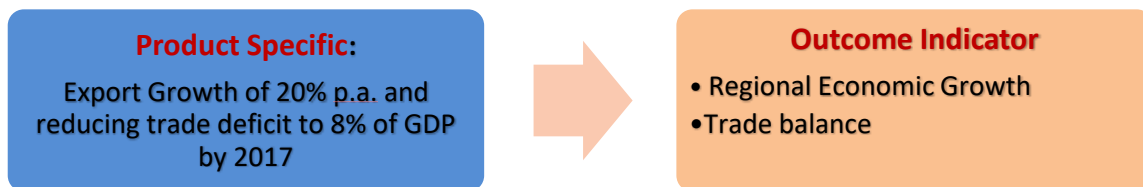
The following section presents the trade performance of EAC Partner States over the Strategy’s implementation period, with a view to assess their progress towards reaching the set outcomes defined in the EAC EPS 2013-2016. The following five expected outcomes are analysed through a series of indicators which have been established ex-post for the purpose of this review (Figure 1).

Figure 1: EAC EPS 2013-2016 expected outcomes



In the sub-sections below, each of the five outcomes identified in the EAC EPS 2013-2016 are presented together with an assessment of how the region has performed against the respective outcome indicators established above.

2.1 Regional economic growth fuelled by export growth



2.1.1 EAC GDP growth trends

The GDP growth rate of the EAC (EAC-6) stood at 6.5 percent in 2017⁴, making the region the second fastest rising economy in the Africa, after the West African Economic and Monetary

⁴According to the IMF’s 2017 Regional Economic Outlook for Sub-Saharan African, the EAC as a region will continue averaging real GDP growth of 6% over the next 2 years

Union (WEAMU).⁵ In the EAC region as Partner States, with the exception of Burundi, have been able to maintain an average of 6 percent GDP growth rates, over the last 3 years (Table 1). An IMF study conducted in 2014 indicated that the EAC Partner States have sustained a 6.2 percent average real GDP growth rate, for an even longer period of time, ranging from 2003-2014.⁶

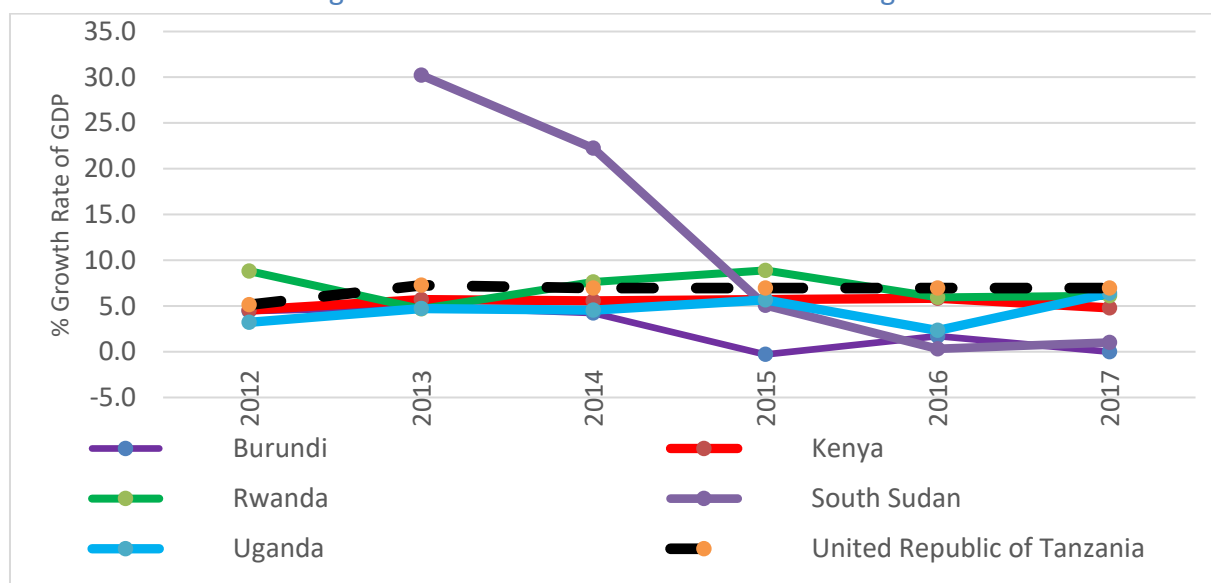
Table 1: GDP growth rates in the EAC and Region

	2012	2013	2014	2015	2016	2017
COMESA	7.6	-2.9	2.2	5.3	4.1	6.5
EAC-6	11.8	7.5	7.2	6.1	5.0	5.4
ECOWAS	5.3	5.8	6.1	3.3	0.3	2.4
SACU	2.4	2.9	2.0	1.4	0.5	1.2
SADC	4.0	3.9	3.1	2.1	1.1	1.4
SSA (excluding SA)	4.5	5.6	5.7	3.7	1.5	2.5
WAEMU	8.1	6.8	6.8	6.9	7.1	6.6
World-GDP	2.4	2.6	2.8	2.8	2.4	3.1

Source: UNCTADSTAT, 2019

It can be noted from the table above that the rate of GDP growth over the period of the implementation of the expired EPS of between 2013 and 2016 averaged about 6.5

Figure 2: GDP Growth Rates in the EAC Region



Source: Authors calculations based on UNCTADSTAT, 2019

Based on the analysis, and supported by empirical studies⁷, this section demonstrates that the EAC, although starting from a relatively low base, has been growing steadily. The IMF estimates that region is projected to continue to grow at 6 percent annum over the next 2 years.

2.2 EAC and EAC Partner States' trade balance

The EAC trade deficit with the rest of the world (RoW) improved by more than 5 percent as a share of the region's GDP growth. The deficit remains partly attributed to the high import bill incurred on capital goods, finished products and fuel products compared to the revenue

⁵ IMF Regional Economic Outlook 'Sub Saharan Africa Multispeed Growth', 2016

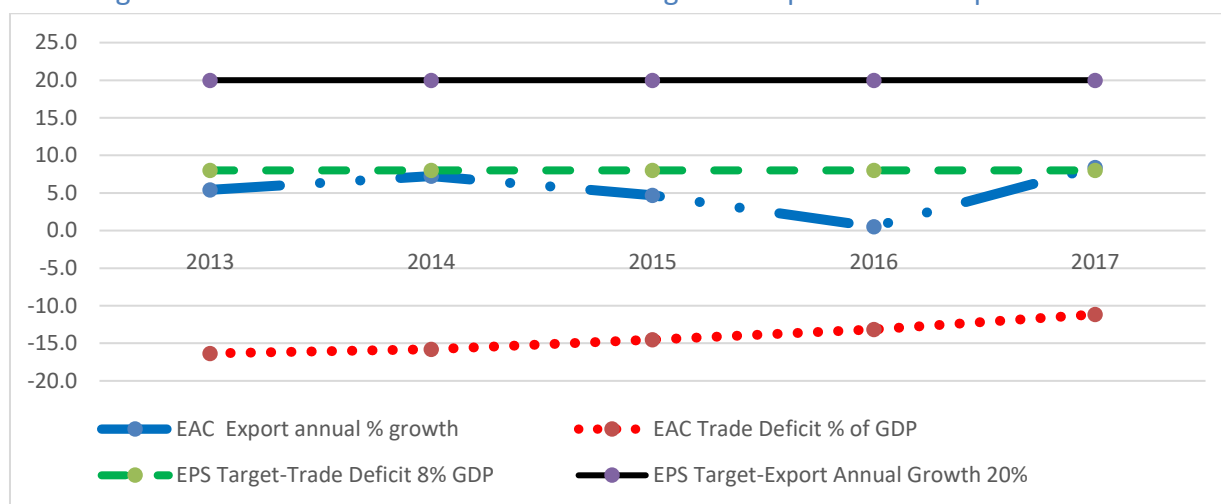
⁶ Ginineishvili, N, Mauro, P, and Wang, K, 'How solid is Economic Growth in East African Community?' IMF Working Paper WP/14/150, 2014

⁷ EAC Trade and Investment Report 2016, IMF Regional Economic Outlook 2016, 2017, WIDER, et al.

generated from the exports, mainly constituted of primary commodities and mineral ores. The trade deficit for EAC improved from about -16.3 percent in 2013 to about -11.2 percent in 2017. The improvement was contributed by improved performance of trade balance for Tanzania, Uganda and Rwanda over the period from -13.4 percent, -10.3 percent and -17.8 percent in 2013 to about -3.1 percent, -7.4 percent and -14.5 percent in 2017 respectively.

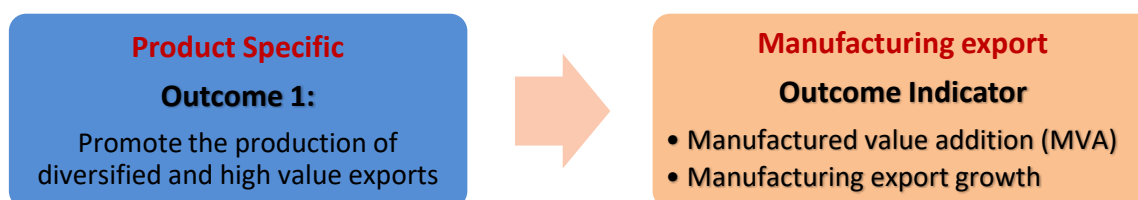
Gauging the Region's performance against the overall expected outcome of the EAC EPS 2013-2017, that is, to reach export growth of 20 percent per annum and reduce the trade deficit to 8 percent of GDP by 2017 (see Figure 3), the EAC has yet to meet the set objectives. Export growth has fluctuated over the period and expansion is below the targeted 20 p.a. milestone.

Figure 3: EAC EPS 2013-2017 outcome targets compared to EAC performance



Source: Authors based on World Bank Development Indicators, 2019

2.3 Manufactured export expansion and diversification



Manufacturing Value Added (MVA), measures the manufacturing sector's performance, and manufacturing exports, with a view to assess the Region's progress with respect to the EAC EPS 2013-2016 outcome 1, namely to "Promote the production of diversified and high value exports". We gauge progress against the Vision 2050's and industrialisation policy's following productive sector indicators:

Table 2: Vision 2050 indicators

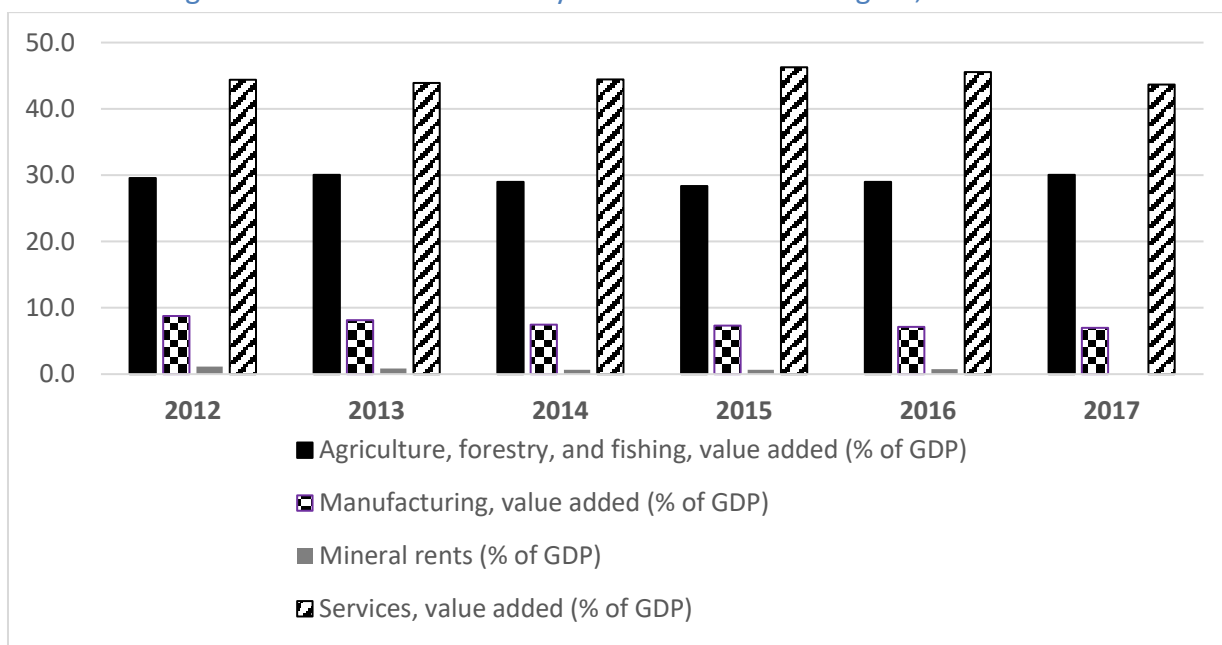
Vison 2050	2014	2030	2050
Contribution to GDP:			
<i>Agriculture</i>	24	18	10
<i>Industry</i>	16	27	40
<i>Services</i>	36	43	50
Manufactured Exports (as % of Total Export)	8.2	20.3	30.8

Table 3: EAC industrialisation Policy (2012-2032) indicators

EAC Industrialisation Policy (2012-2032)		2032
Manufacturing Sector Contribution to GDP		25%
MVA per capita		258 USD

Overall, there has been minimal change in the Partner States’ GDP composition following the implementation of the CU in 2005, indicating limited structural changes. Industrial activity in the EAC remains limited, and manufacturing in the EAC still faces important obstacles including large overheads, difficult access to finance, high costs generated by the import of inputs, skills deficiencies, and infrastructure gaps such as energy and transport. The contribution of the manufacturing sector to GDP has not changed much since 2012, standing at 8.8 percent of GDP in 2012 (see Figure 4). However, this has dropped to about 7.0 percent in 2017. This is far from the expected target set by the EAC industrialisation policy, whose manufacturing sector’s contribution to GDP target is 25 percent by 2032.

Figure 4: GDP contribution by sector in the EAC Region, 2012-2017

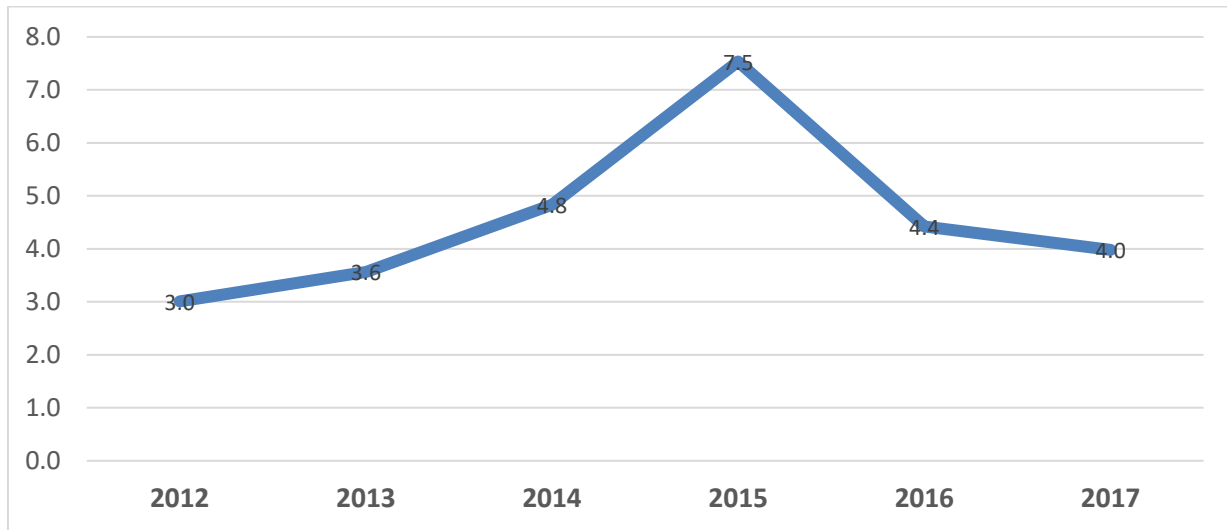


Source: World Development Indicators (WDI), 2019

Some of the main trends regarding EAC’s MVA include:

- Kenya had the highest MVA in the EAC at USD 5.4 billion in 2015, followed by Tanzania (USD 3.0 billion), Uganda (USD 2.1 billion), Rwanda (402 million USD) and Burundi (204 million USD).
- The EAC MVA growth rate has been recently on the decline, from 7.5 percent in 2015 to about 4.0 percent in 2017 as can be seen from Figure 5 below.

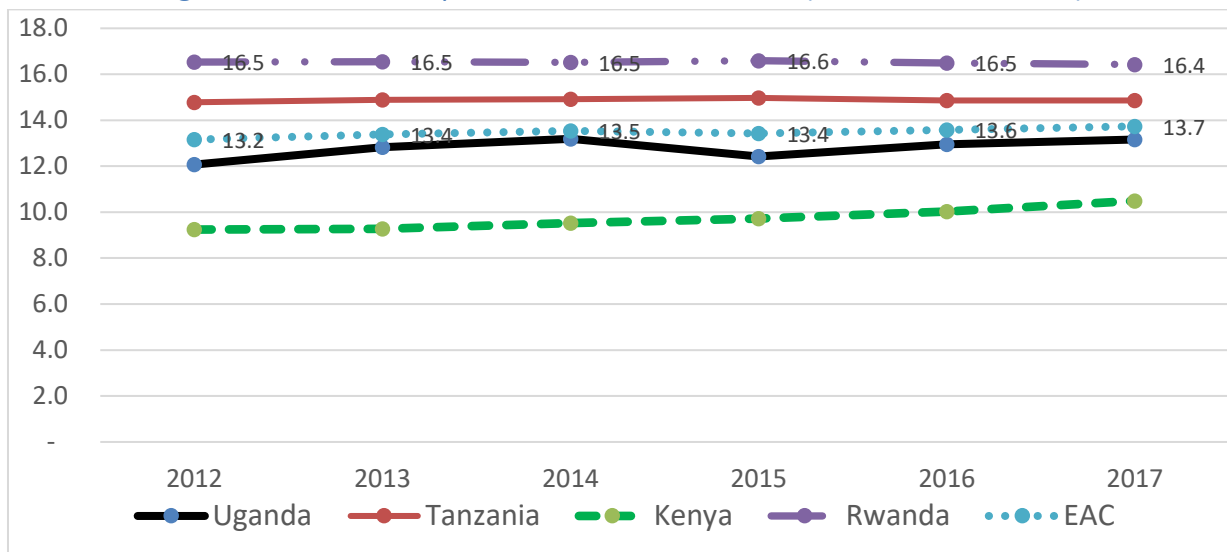
Figure 5: EAC MVA Growth (Annual %)



Source: Computed based on World Development Indicators, 2019

- The EAC MVA per capita, which is an indication of the level of industrialisation, is still low when compared to others RECs and countries. Indeed, if the EAC MVA growth rate of 3.6 percent between 2012 and 2017 is well above the global average (1.1 between 2012 and 2017), it remains relatively low when compared to other Sub-Saharan Africa countries and group of States, including Ethiopia (14 percent), ECOWAS (11.8 percent), SADC, excluding South Africa and Tanzania, (5.3 percent annual average growth since 2010).⁸

Figure 6: MVA Per capita of EAC Partner States (constant 2010 USD)



Source: Author's Computation based on World Development Indicators, 2019

- Rwanda has by far the highest level of MVA per capita in the Region, amounting to nearly 16.6 USD in 2015, more than higher than the level of Kenya, Tanzania and Uganda.

⁸EAC Industrial Competitiveness Report 2017, 2017

- Looking more closely at manufactured exports, it appears that the sector's production and exports are growing at a relatively fast rate, though slowing down in the most recent period. Manufacturing exports as a percentage of total exports stood at average of 18.6 percent in 2017, which is a drop from 20.5 percent in 2012, surpassing the target of 8.2% set out in the Vision 2050 (Table).

Table 4: Manufactured export (% of total export & % change in total manufactured export)

	Manu Average 17	Export 2010- 17	Average Total Export 2010-17	Share of Mau Export in Total Export	%age Change in Manufactured Export 2010 to 2017	Total Export (%age 2017-10)
Burundi	12,759.7		123,610.9	10.3	55.6	41.1
Kenya	1,826,892.2		5,670,007.6	32.2	-4.1	10.1
Rwanda	70,343.3		665,823.2	10.6	72.4	75.0
Uganda	599,044.4		2,306,957.7	26.0	16.4	44.2
Tanzania	656,488.6		4,647,814.7	14.1	-16.4	3.1
Total	3,165,528.3		13,414,214.2	18.6	24.8	34.7

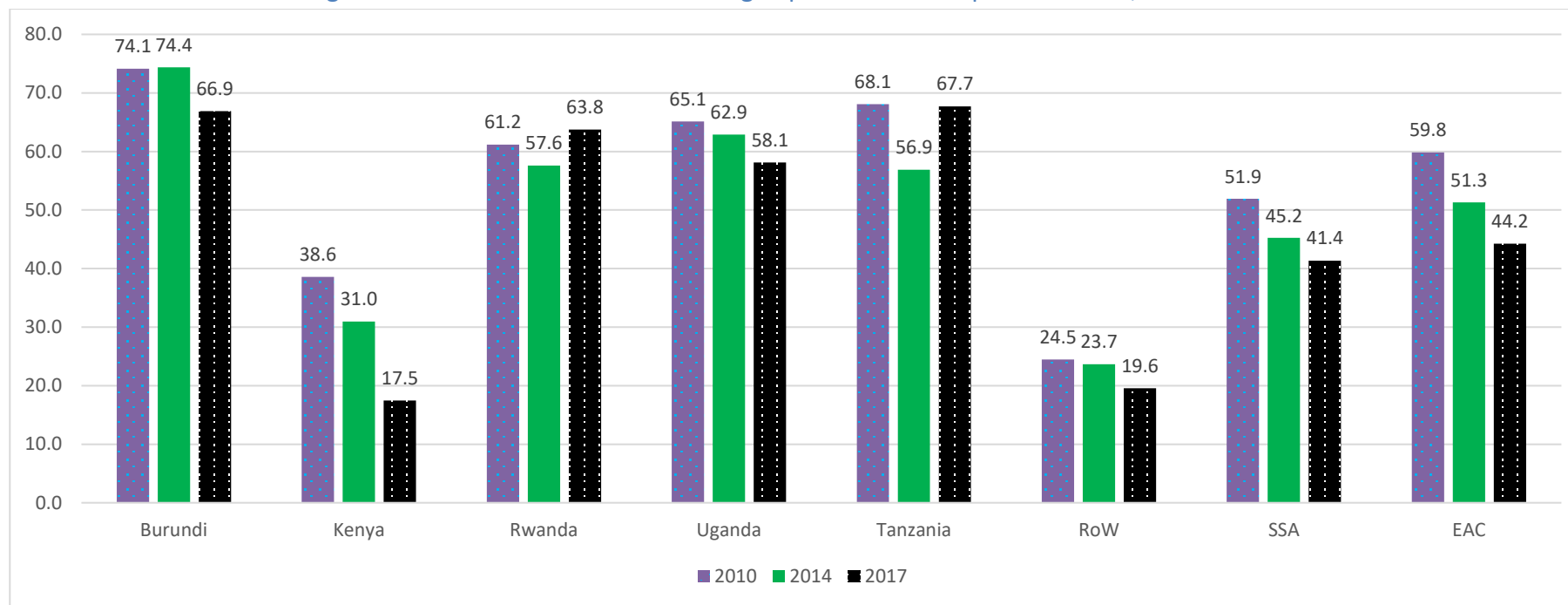
Source: Computed based on UNCTADSTAT, 2018

- In 2014, close to 60 percent of all EAC manufacturing exports went to the Sub-Saharan African region, that is, about 32 percent to the EAC and 26 percent to Sub-Saharan Africa (SSA) (excluding EAC). Regional markets are absorbing an important share of the EAC Region's manufacturing exports. All countries, apart from Rwanda, exported a larger percentage of manufactured goods, as well as medium and high-tech products to the EAC, than to the rest of the world.⁹
- Since 2010 there has been a slight contraction in Kenya and Tanzania's intra-regional manufacturing exports. The EAC Industrial Competitiveness Report 2017 indicates that the two Partner States diversified their markets more to non-EAC Sub-Saharan African countries (mainly Congo, DRC and Zambia in the case of Tanzania), and outside of Sub-Saharan Africa (mainly the USA, Serbia, India and China in the case of Kenya). Jointly, therefore, intra-regional manufactured trade has slowed down significantly, from an annual growth rate of 16 percent between 2000 and 2010, to only 2 percent between 2010 and 2017. 'EAC manufacturing firms have therefore lost market share in one of the most dynamic regions, where demand for processed goods has been increasing at almost 17 percent per annum since 2010.'¹⁰

⁹ EAC Industrial Competitiveness report 2017

¹⁰ idem

Figure 7: Share of EAC Manufacturing Export in Total Export for 2010, 2014 and 2017



Source: Calculation based on UNCTADSTAT, 2019

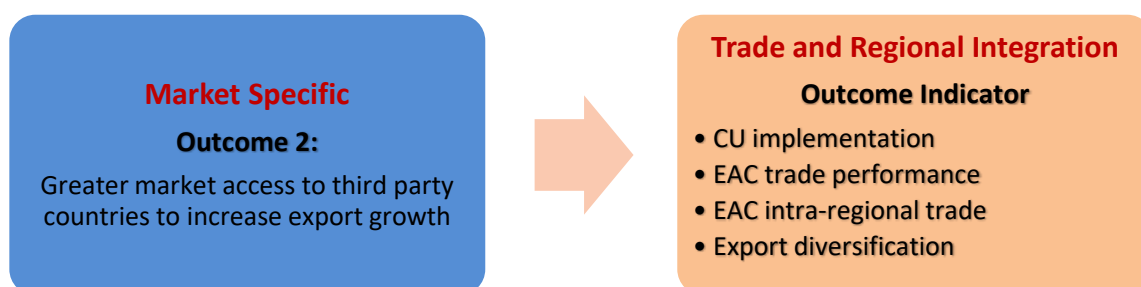
- EAC manufacturing exports as a percentage of total exports has increased substantially for Rwanda, unlike Kenya whose share has continued to drop over the period. The EAC provides the largest market share for EAC manufactured exports compared to SSA and the Rest of the World, contributing more than 40 percent of the period 2010-2017.

Key Takeaways:

- There has been minimal change in the Partner States' GDP composition following the implementation of the CU in 2005.
- The EAC MVA per capita, which is an indication of the level of industrialisation, is still low when compared to other regions and countries.
- Manufacturing exports as a percentage of total exports stood at 30% of total exports in 2014, surpassing the target set in the EAC Vision 2050, with light manufacturing exports constituting a growing share of the Region's intra-regional exports.
- Whilst rapid growth in intra-regional manufacturing trade had been driving manufacturing exports, this trend has recently showed signs of deceleration.
- Agro-processing, including food, beverages and tobacco, together with apparel sectors, contributed to 40 % of manufactured exports in 2014.
- Intra-regional trade, through the expansion of manufactured exports has the potential of spear heading and sustaining Africa's industrialised economic transformation.

2.4 Deepening Trade and Regional Integration

The ARII Report 2016 ranked the EAC as the top performing REC on Regional integration overall.¹¹



According to the Trade Integration index, the EAC scored the highest among the eight RECs in terms of trade integration, scoring 0.78 out of the highest possible score of 1. The EAC Region also has higher than average scores across each of the dimensions of the regional integration indicators, except for financial and macroeconomic integration (**Annexe 4: ARII 2016 for EAC Region**)

This section looks at trade integration, through four indicators, namely:

- (i) Implementation of the Customs Union;
- (ii) EAC Trade Performance;
- (iii) Intra-regional trade, and;
- (iv) Export diversification.

2.4.1 Implementation of the EAC Customs Union

The EAC Customs Union Protocol (CUP) Article 2(4) provides for the (i) elimination of customs duties on intra-EAC imports; (ii) the removal of non-tariff barriers (NTBs) to trade; and (iii) the establishment of a common external tariff (CET) on goods imported into the partner states from foreign countries. With the tariff phase-down complete, all Partner States since 2010 apply zero percent import duties on good originating from within the region, as long as they meet the

¹¹The index is constructed considering five key dimensions of trade integration i.e. regional infrastructure, Financial and macroeconomic integration, free movement of people, productive integration and trade integration. Within these five dimensions are sixteen indicators.

EAC Rules of Origin requirement. Table below shows the asymmetric tariff phase-down schedule which was applied to the region.

Table 5: Evolution of intra-EAC tariff regimes (%)

	2003	2007	2010
Burundi			
Weighted average	5.9	2.0	0.0
Maximum rate	40.0	30.0	0.0
Kenya			
Weighted average	16.7	0.0	0.0
Maximum rate	60.0	0.0	0.0
Rwanda			
Weighted average	2.1	2.4	0.0
Maximum rate	60.0	30.0	0.0
Tanzania			
Weighted average	1.8	1.6	0.0
Maximum rate	25.0	50.0	0.0
Uganda			
Weighted average	3.3	1.1	0.0
Maximum rate	7.0	9.0	0.0

Source : Karingi, S., Pesce, O., & Sommer, L. (2016).

The adoption of the three-band CET¹² and the progressive phasing out of internal tariffs, with significant opening up of the once relatively closed Kenyan market, has contributed to strengthening the integration process.¹³ The EAC CET also contains a number of exceptions in the form of a sensitive products list which have CET rates set above 25% and used as a trade policy tool for the protection of strategic industries.

These trade policy tools aim at facilitating and reducing the cost of trade and making the region's exports competitive. However, a number of practices such as the imposition of stays of application, cumbersome non-tariff measures (NTMs) in the form of regulations, laws and procedures, application of rules of origin (RoO) and the imposition of NTBs, frustrate the implementation of the CUP. The stays of application are often used as a way to circumvent the CET and agreed tariff reduction schedule. To fully benefit from the preferential tariff regime applicable in the Region and reap the benefit of the CET, Partner States need to focus on the following:

- Ensure complete elimination of tariffs and equivalent measures affecting intraregional trade;
- Ensure elimination of NTBs;
- Ensure greater effective implementation of the CET;
- Continue the process of harmonisation and mutual recognition of sanitary and phytosanitary standards measures (SPS) and standards creating technical barriers to trade (TBT);
- Monitor the prevalence of stays of application and their real impact on intra-regional trade.

¹² The three-band Common External Tariff (CET) - 0% for raw materials, capital goods, agricultural inputs, certain medicines and certain medical equipment etc.; 10% for intermediate goods and other essential industrial inputs; and 25% for finished products.

¹³ Karingi, S., Pesce, O., & Sommer, L. (2016). *Regional opportunities in East Africa*. United Nations University World Institute for Development Economics Research Working Paper 2016/160.

A number of accompanying measures such as the implementation of the Single Customs Territory (SCT) since 2014, the establishment of over 15 one-stop border posts (OSBPs) in the Region, and the adoption of common customs procedures have contributed to the significant progress observed in terms of regional economic integration with EAC.

2.4.2 EAC trade performance

The EAC recorded a 7.3% decline in total trade in 2015 to US\$ 55.4 billion from US\$ 59.8 billion in 2014. This contraction is due mainly to the decline in commodity prices and high prevalence of NTBs, which constrains regional trade.¹⁴ The EAC Trade and Investment report 2015 states that the decline in 'Trade in goods volumes as well as investment inflows remained flat or declined as a result of a number of challenges: Non-Tariff Barriers (NTBs) that raised the cost of doing business and affect intra-Regional trade which decreased by 10.0% in 2015 due to: poor infrastructure at the ports and along the main transport corridors; discretion in the implementation of the exemption regime that distorts the implementation of the CET; and low value addition in the Region that affects the export earnings of the Partner States. In 2015, total EAC exports fell by 17.5% to US\$ 16.0 billion from US\$ 19.4 billion in 2014 due mainly to a contraction of exports to the SADC, COMESA and the EU. Recent figures¹⁵ indicate that EAC exports continued to decline by a further 6.8 percent in 2016. Intra-EAC exports amounted to 19.6% of total exports, also registering a drop of 3.2% for the same period. In 2016, the decline continued with total intra EAC exports amounting to US\$2.5 billion, i.e. 16.7% of total exports. Total EAC imports fell by a modest 2.5% to US\$ 39.4 billion in 2015 from US\$ 40.4 billion in 2014 (Table). In 2016, imports continued falling by 24.6%, to US\$29.7 billion.

Table 6: EAC Trade, Trade Balance, Total trade, Imports & Exports (2014-2016)

		US Million \$			% Change EAC Trade Flows		
	Destination/Origin	2014	2015	2016	2014	2015	2016
Exports	Total EAC Exports	19,374.29	15,991.34	14,906.3	30	-17.5	-6.8
	Intra-EAC Total Exports	3,230.40	3,128.30	2,467.8	-12.7	-3.2	-21.1
	COMESA	2,763.15	2,334.49	2,402.2	53.4	-15.5	2.9
	SADC	3,067.11	1,495.70	1,312.8	44.2	-51.2	-12.2
	Rest of Africa	787.48	514.98	1,255.7	81.5	-34.6	143.8
	EU	2,696.84	2,401.64	2,121.4	23.5	-10.9	-11.7
	USA	651.17	521.91	545.2	44.9	-19.9	4.5
	RoW	6,178.12	5,594.35	4,801.2	46.8	-9.4	-14.2
Imports	Total EAC Imports	40,376.59	39,371.71	29,674.5	7.8	-2.5	-24.63
	Intra-EAC Total Imports	2,402.45	1,941.42	1,750.2	14	-19.2	-9.85
	COMESA	1,043.70	1,027.40	924.5	26	-1.6	-10.02
	SADC	2,146.65	1,895.72	1,625.0	-1.9	-11.7	-14.28
	Rest of Africa	33.6	43.7	750.4	-73.6	30.1	1,616.87
	EU	5,285.84	5,237.86	3,798.0	11.5	-0.9	-27.49
	USA	2,421.16	1,770.97	849.3	125.1	-26.9	-52.04
	RoW	27,043.19	27,454.63	19,977.2	2.5	1.5	-27.24

¹⁴ EAC Trade and Investment Report 2015

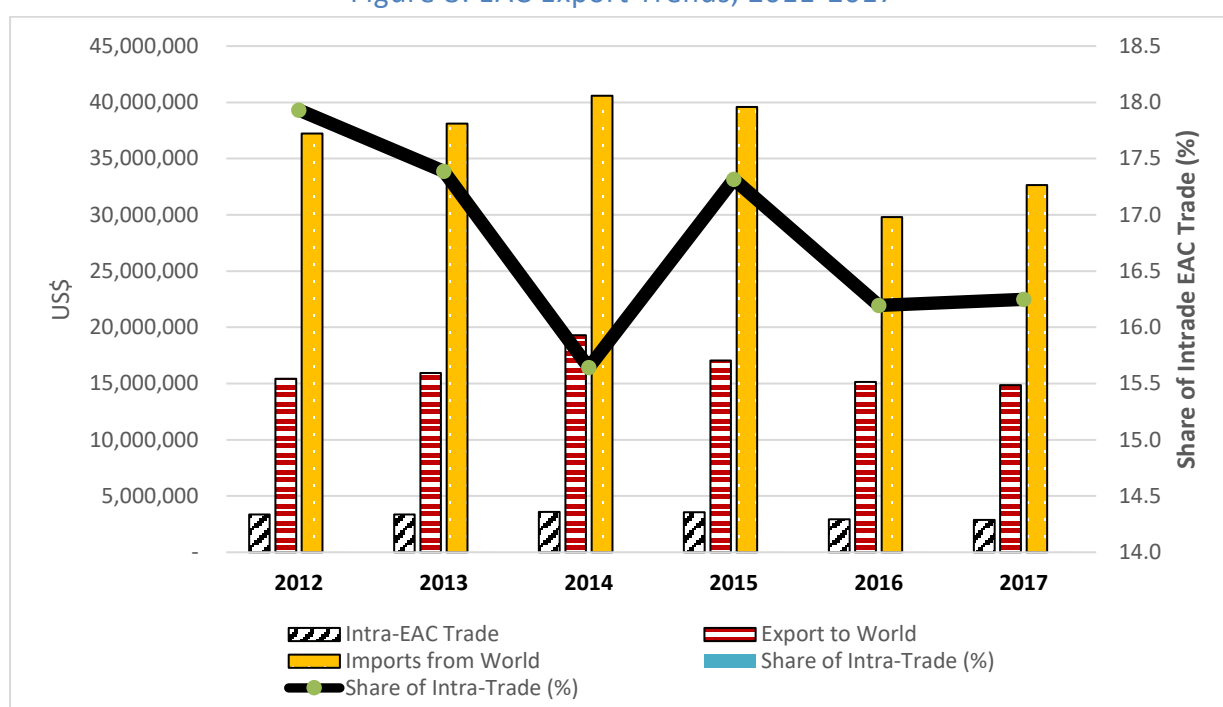
¹⁵ EAC Trade Report 2016

Total trade	Total intra EAC Trade	5,632.90	5,069.70	4,218.0	-3	-10	-16.8
	Total Trade	59,750.90	55,363.00	44,580.8	14.1	-7.3	-19.5
	EAC Trade Balance	-21002.3	-23380.4	-4,768.2	-6.9	11.3	-36.8

Source: EAC Trade and Investment Report 2017

The overall trend for EAC export is positive, with fluctuations linked mainly to the volatility in commodities exports, i.e. HS 26 - Ores. The region will need to continue to expand its exports in order to sustain the current growth and transformation required to reach the targets set in the EAC vision 2050.¹⁶

Figure 8: EAC Export Trends, 2011-2017

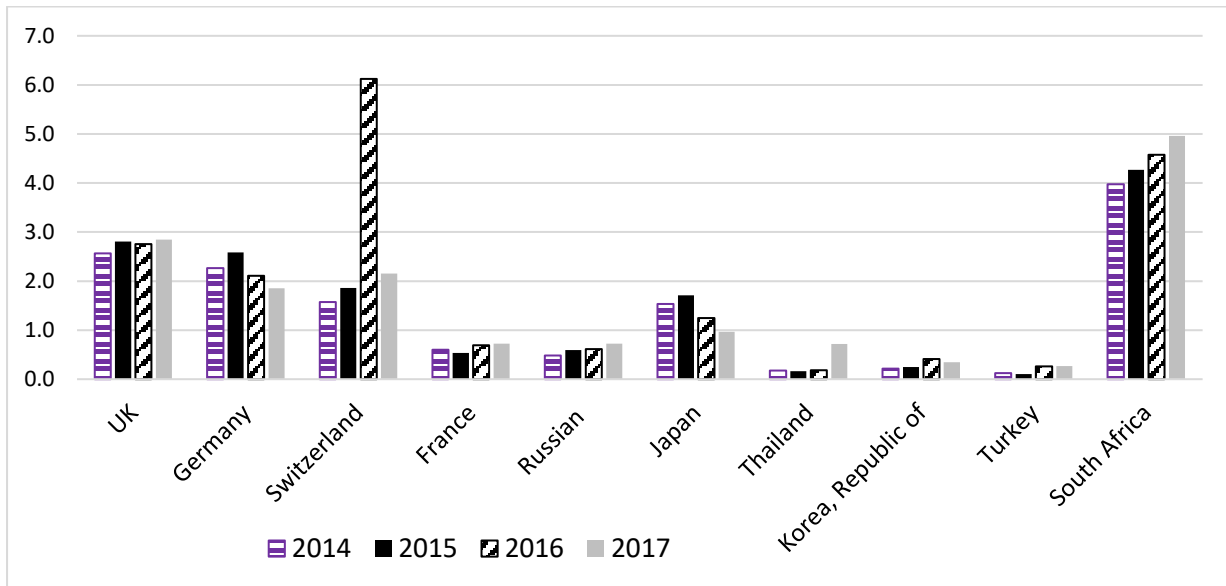


Source: Authors calculation based on UNCTADSTAT, 2019

In 2015, the bulk of EAC exports were destined for COMESA and the EU, amounting to 14.6% and 15% of total exports, respectively (Table). Top EAC export destinations as a share of total exports, over the period 2014-2016, include Switzerland, India, Kenya, Uganda, South Africa and China.

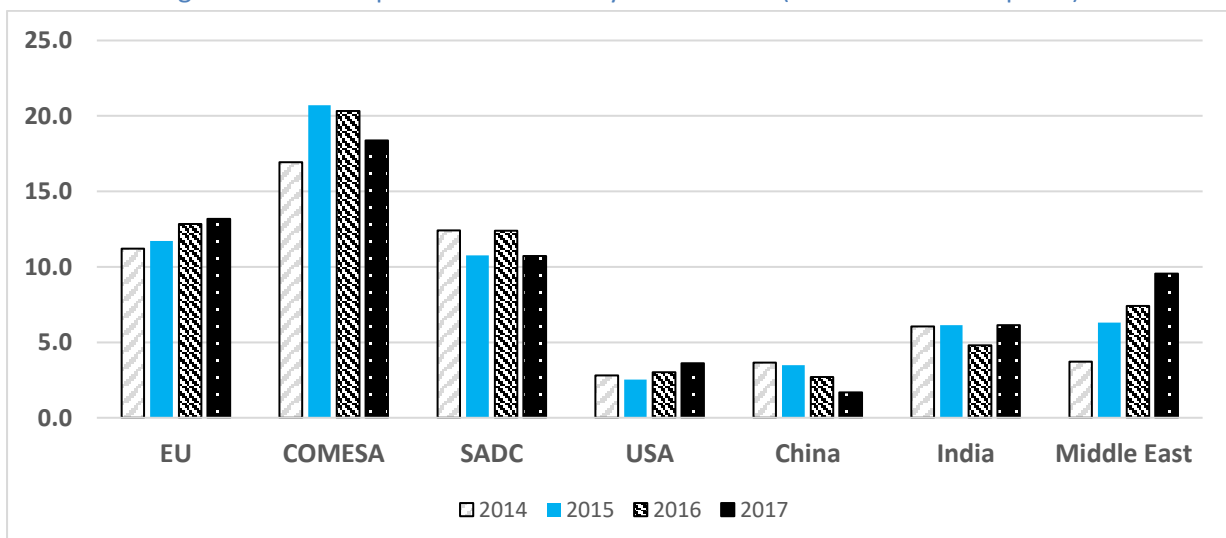
¹⁶ Idem

Figure 9: EAC Main Export Market in % share



Source: Computed based on UN Comtrade, 2019

Figure 10: EAC Exports 2014-2017 by destination (% of total EAC exports)



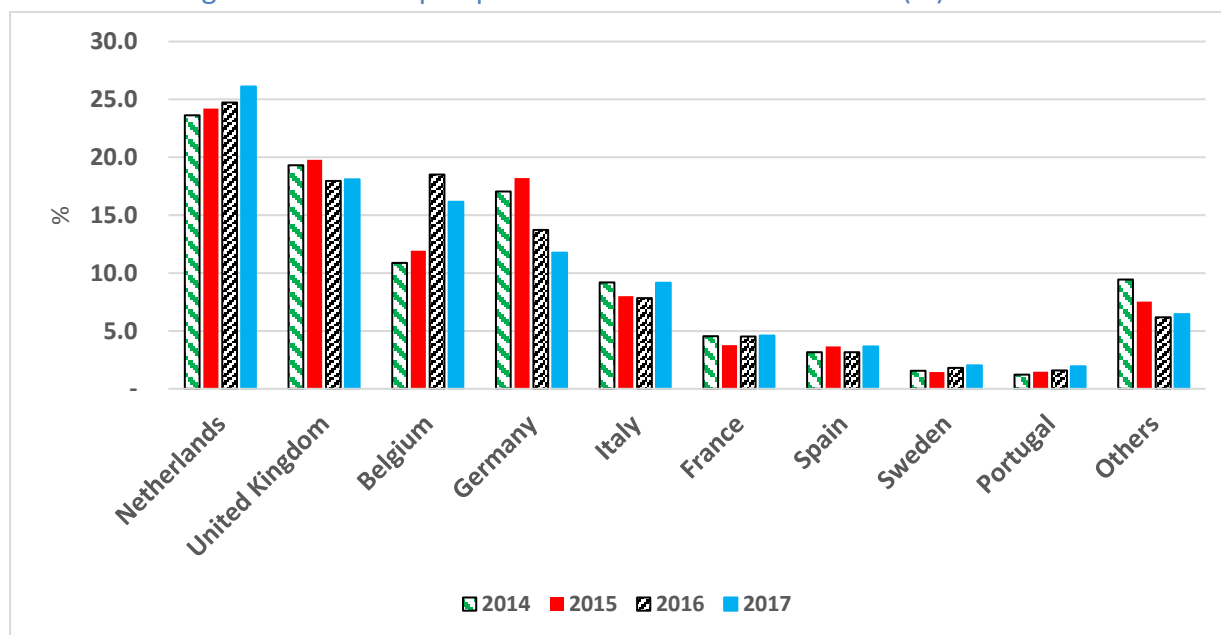
Source: Computed based on UN Comtrade, 2019

Overtime, there has been a gradual diversification of EAC export markets with a growing market share going to the intra-EAC and the wider African region, particularly COMESA and SADC, at the expense of the EU market. The share of EAC exports to the EU has gradually declining, from over 50 percent in the early 1990s to less than 15% of total EAC exports. However, the EU remains a strategic market for the EAC and presents a gateway to expansion into 'new' EU markets.

Looking at the breakdown of EAC exports to the EU, new trends have been observed in recent years with the emergence of new trading partners within the EU, including Poland, as well as an important segment of 'other destinations' which represent close to 7% of all EAC exports to the EU, half of it consisting of Nordic countries. Central and Eastern Europe, namely Poland and Romania are new emerging markets for the EAC and the EAC has steadily increased its exports of gold, coffee, fish, vegetables and nuts. These new trends present opportunities for

diversifying EAC's export destinations. The share of Belgium in EAC exports to the EU has also significantly progressed over the period 2014-2017, the country emerging as the third major EU destination for regional exports. Exports to Italy, France and Spain have also progressed while Germany and the UK, on the other hand, have seen their share in EAC exports to the EU decline significantly (Figure 11).

Figure 11: EAC Top export destination within the EU (%) 2014-17



Source: Computed based on UN Comtrade, 2019

In 2016-17, the main exports to the EU were coffee, tea, cut flowers, tobacco, vegetables, fruits and nuts, making up for almost 80 percent of total exports to the EU.

The main export market for EAC in the Asian region include, China, United Arab Emirates (UAE), India, Pakistan, Vietnam, Hong Kong, Japan and Thailand.

EAC's export basket reveals that the main products traded by the Region in 2017 were coffee, tea, mate and spices (20%), gold and precious metal (18%), edible fruits and nuts (5.5%).

2.4.3 Intra-regional trade and Intra Africa Trade

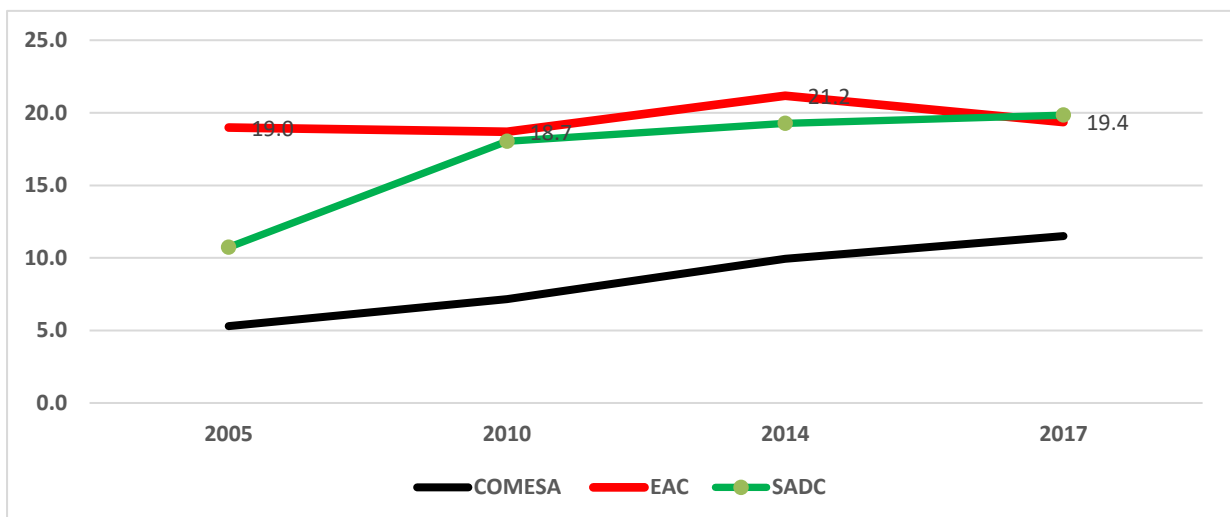
In 2014, the EAC's intra-regional trade stood at 21.2 percent of total trade¹⁷, making it the most integrated regional bloc in Africa. The average country in the EAC sources 86 per cent of its African imports from other EAC countries. EAC countries already have considerable coverage through their EAC single market and the COMESA FTA. Including the TFTA, the EAC countries would on average cover 99 per cent of their intra-African trade. However, EAC still trades less as a percentage of total trade than other developing regions such as the Association of Southeast Asian Nations (ASEAN), where intra-ASEAN trade as a share of total trade stood at 24% in 2015.¹⁸

¹⁷This figure is for EAC trade with EAC Partner States

¹⁸ASEAN Secretariat 2016

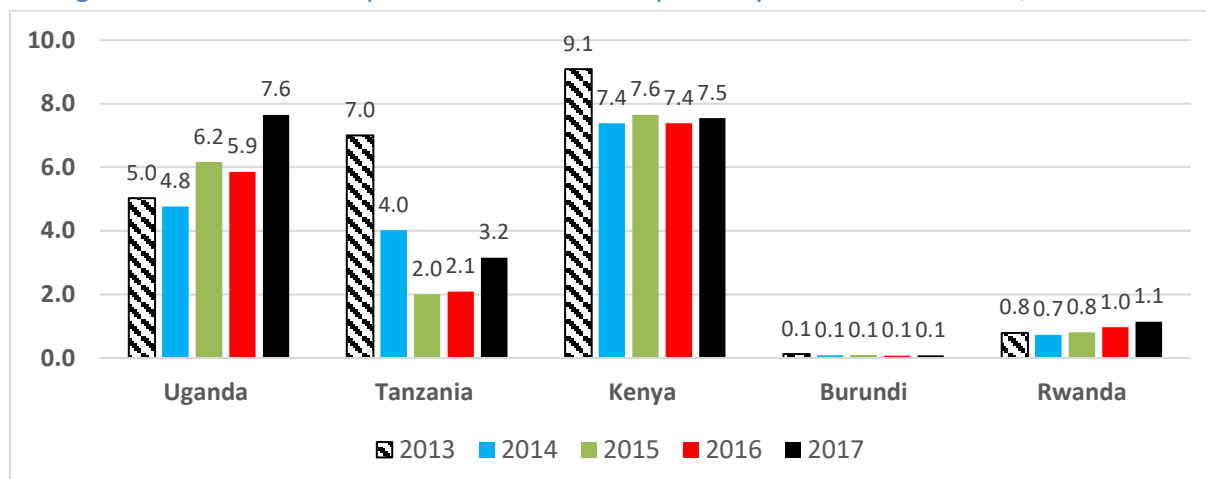
Taking a long run view of intra-regional trade, the EAC has been more successful in maintaining a relatively high level of intra-regional trade (between 19 and 21.2% of total trade since 2005). However, the share has not been growing significantly over the last decade. In the short run, intra-regional exports continue to constitute a small proportion amounting to only 19.4% of total EAC trade despite the implementation of Single Customs Territory that provides for removal of tariffs and other barriers to trade among Partner States. Total intra-EAC exports declined by 24.2% to US\$2.9 billion in 2017, from US\$3.6 billion in 2014. With the exception of Rwanda, EAC Partner States experienced a decline in the value of their exports. Tanzania experienced the highest decline of 44% while Burundi and Kenya experienced decline of 16.9% and 6.9%, respectively. However, exports to COMESA region, excluding EAC Partner States, increased by 2.9% to US\$2.4 billion reflecting growing trade relations between EAC and COMESA. The EAC Trade report 2016 concludes that the prolonged drought experienced by EAC Partner States that resulted in lower yields further affecting exports of agricultural products, an inadequate trading regime which restricts the export of certain commodities to Partner States, lack of product diversification and existence of Non-Tariff Barriers, stay of application and ceiling on existing remission schemes in the region have affected intra-regional trade.

Figure 12: Intra Regional Trade in COMESA, SADC and EAC (2005–2017)



Source: Computed based on UN Comtrade, 2019

Figure 13: Intra-EAC exports as % of total exports by EAC Partner State, 2013 -2017



Source: Computed based on EAC Trade and Investment Data, 2019

Table 7: Evolution of intra EAC Exports by Partner State, 2010-2013 (US\$ million)

	2013	2014	2015	2016	2017	Average
Uganda	802.8	922.5	1036.7	950.9	1,126.3	7.6%
Tanzania	1,118.0	779.5	337.4	338.3	464.5	-36.8%
Kenya	1,451.0	1,430.8	1,285.9	1199.0	1,110.5	-7.0%
Burundi	20.1	15.7	14.8	12.3	11.5	-15.2%
Rwanda	125.8	141.6	135.2	157.4	167.4	6.6%
Total	3,517.6	3,290.1	2,823.0	2,681.4	2,898.2	-5.3%

Source: Computed based on EAC Trade and Investment Data, 2019

- The asymmetrical opening up to EAC imports, with significant opening up of the previously relatively closed Kenyan market, helps explain why the share of Ugandan and Tanzanian exports to the EAC increased following the introduction of the CU, while the share of Kenyan exports to the EAC declined.
- While intra-EAC trade has grown substantially in nominal terms, the share of intra-EAC imports in total imports has decreased since the implementation of the CU and remains relatively low. Overall, imports are less integrated than exports in the EAC. In 2015, intra-EAC exports as a share of total EAC exports represented 20% whereas intra-EAC imports as a share of total EAC imports only represented 4.9%¹⁹, a sharp decline from the 10% reported in 2005. A recent study (Karingi, Pesce, & Sommer, 2016) explains the weak integration of imports in Partner States' trade with the region, as a reflection of the EAC's growing reliance on imports from the RoW.

2.4.4 Export Diversification

Looking at indicators for product and market diversification, covering a 10-year period (2006-2015), it can be observed that some progress has been made in the Region, in particular Rwanda, Burundi and Uganda which have more than double the number of products exported over a 10-year period, albeit starting from a relatively low level of exports. The EAC EPS 2013-

¹⁹ EAC Trade and Investment Report 2015

2016 sets export diversification as one of its targeted outcomes (Outcome 1), with a baseline of:

- Measure of Export Diversity: 0.3 in 2011
- Herfindahl-Hirschman Index (HHI) for Export Diversity²⁰ (0.2)

However, the EAC EPS 2013-2016 does not set an expected target for these two indicators. It is also not clear which measure of 'Export diversity index' is being used (Finger-Kreinin or Theil, etc.). Looking at the Export Product Concentration Index (HHI index), there was a significant decrease in the HH export product concentration in the five Partner States, indicating higher level of product diversification (HH declines as number of products increases and share of each product falls).

Table 8: Market and Product Diversification Index

Indicator	Rwanda		Burundi		Tanzania		Uganda		Kenya	
	2006	2015	2006	2015	2006	2015	2006	2015	2006	2013 ²¹
Product Diversification										
Number of exported products	140	332	91	113	527	607	392	624	3486	3277
Number of imported products	678	822	532	526	958	987	875	918	4182	4082
HH export product concentration (0 to 1)	0.178	0.068	0.178	0.151	0.132	0.082	0.085	0.045	N/A	N/A
HH import product concentration (0 to 1)	0.042	0.012	0.081	0.053	0.064	0.250	0.050	0.041	N/A	N/A
Market Diversification										
Number of export markets (max. 237)	52	76	50	42	118	130	101	111	174	169
Number of import markets (max. 237)	101	117	86	89	131	147	120	129	152	170
HH export market concentration ²² (0 to 1)	0.118	0.139	0.139	0.118	0.076	0.192	0.071	0.077	0.06	0.05
HH import market concentration (0 to 1)	0.119	0.073	0.051	0.054	0.052	0.192	0.060	0.089	N/A	N/A

Source: Aid for Trade 2017

Whilst these indexes provide an overall picture of increasing export diversification, export composition provides details on how exports are being diversified. Table 9 indicates that manufacturing exports have also increased substantially, especially over the past decade. The number of distinct products exported by Uganda, for example, rose from around 100 in 1980 to more than 500 in 2010, with more than 300 products in manufacturing.²³

²⁰ The Herfindahl index is calculated as the sum of component shares (for output, the components are economic sectors; for exports they are different export products). A smaller number indicates greater diversification.

²¹ 2015 not available for Kenya.

²² Hirschman Herfindahl index is a measure of the dispersion of trade value across an exporter's partners. A country with trade (export or import) that is concentrated in a very few markets will have an index value close to 1. Similarly, a country with a perfectly diversified trade portfolio will have an index close to zero.

²³ Nikoloz, Ginineishvili; Mauro, Paulo; Wang, Ke. How solid is economic growth in East African Community, IMF 2014

Table 9: Share of manufactured products in total export in the EAC

	2010	2014	2015	2016	2017
Burundi	6.73	12.90	11.09	11.44	8.92
Kenya	31.52	32.20	31.21	33.14	27.24
Rwanda	11.53	15.04	12.61	7.64	10.44
Uganda	26.23	28.32	27.14	22.56	17.50
Tanzania	16.17	11.94	17.24	13.99	13.47
Average	18.44	20.08	19.86	17.75	15.51

Source: Computed based on UNCTADSTAT, 2018

Export diversification has been the most prominent for Kenya, with some progress being made by Rwanda and Uganda. However, it should be noted that the EAC EPS 2013-2016 was one of many policies and strategies in place which has likely impacted the region's export diversification potential. The important trend observed is the increasing share of manufacturing exports in the Region, although low and not sufficient yet to drive the Region's target transformation into a middle-income region by 2050.²⁴ There is, nevertheless, a renewed drive by all Partner State to boost their respective Industrialisation Plans as Partner States are increasingly focusing on moving up the value addition chain and the level of export sophistication is increasing. The trends in manufacturing exports, which are discussed below, confirm the Region's progress in export product diversification, but substantially more needs to be done.

- Market penetration remains low as depicted by the 'Export Market Penetration Index'.
- Export markets remain highly concentrated for Rwanda and Burundi and there have not been significant increases in the number of export markets for the region as a whole..
- For all the five Partner States, there is scope for expanding exports in existing, or traditional, markets, while greater opportunities lie in exploiting new markets for existing products.

Overall, the Region has been diversifying its exports at different rates and that diversification is happening more rapidly with respect to intra-regional exports.

Key takeaways:

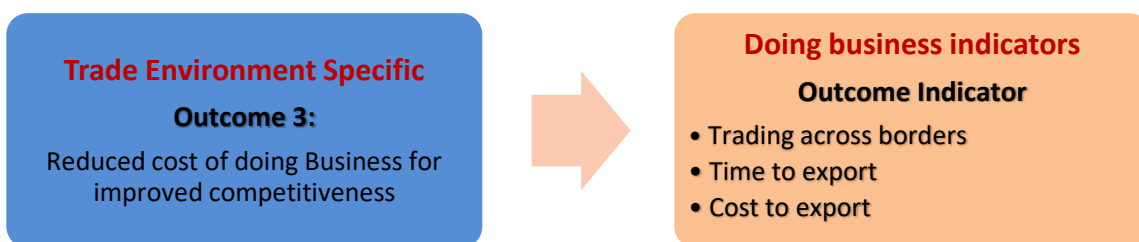
- The Africa Regional Integration Index (ARII) Report 2016 ranked the EAC as the top performing REC on Regional integration overall (Annexe 4: ARII 2016 for EAC Region)
- The adoption of the 3-band CET, and the progressively reduced internal tariffs has contributed to strengthening the regional trade integration process. However, a number of practices such as the imposition of stays of application, cumbersome NTMs in the form of regulations, laws and procedures, application of RoO and the imposition of NTBs, frustrate the implementation of the CU protocol.
- EAC total trade expanded by 4.1% from \$4.8 billion in 2011 to \$5 billion in 2015. Imports continue to dominate the region's trade increasing by 13% between 2011 and 2015. The value of exports increased by 45.5% to \$15.9 billion between 2010 and 2015.

²⁴ EAC Vision 2050 aims 'The policy aspires for the region to enhance the manufacturing sector's contribution to the regional GDP, currently at an average of 8.7%, to an average of 25% by 2032; diversify the manufacturing base and raising local value-added content (LVAC) of manufactured exports to at least 40% from the currently estimated value of 8.62%; and increasing share of manufactured exports to the region relative to imports from the current 5% to about 25% in the same period.

- Export growth fluctuated in the last 3 years from single digits, to a high of 30% and declined abruptly in 2015 by 17%. The upcoming EAC EPS will need to target its strategic interventions on expanding trade, with a special focus on penetrating the COMESA and SADC markets through provisions of the TFTA, whilst maintaining its exports to the EU, and exploring new market opportunities, in particular with Central and Eastern Europe.
- EAC exports to the RoW are concentrated on agricultural commodities, sold mainly in bulk. As part of its export diversification, the region should focus on developing new exports of existing products to new markets, focusing on the neighbouring countries and new emerging EU markets.
- On average, intra-EAC exports as a share of total EAC exports remained largely unchanged following implementation of the CU, more recently it has been falling.
- Intra-regional imports remain low, with Partner States importing most of their good from outside the Region, which is a lost opportunity that the EAC need to reclaim.
- Whilst intra-EAC exports continues to drive the region's trade expansion, there is a need to further expand intra-regional trade, as well as to tap into potential new market opportunities in neighbouring African countries.
- The region has been steadily diversifying its export basket, with manufacturing exports contributing increasingly to the region's exports and intra-regional exports driving diversification in the Region.
- The boost in value-added manufacturing presents opportunities for the exploration of new markets outside of the Region, i.e. exports with extensive margin.

2.5 Business environment: reduction of business costs and improved competitiveness

This section focuses on three indicators, namely trading across borders, time to export, and cost to export, with a view to establish how the Partner States have progressed with respect to the EAC EPS 2013-2016 outcome 3: 'Reduced cost of doing business for improved competitiveness'.



According to the African Competitiveness Report 2017, Kenya and Rwanda are ranked among the top 10 most competitive African countries, while Tanzania and Uganda improved their performance for five consecutive years since 2010. The EAC Region as a whole has reported significant progress in the area of business climate reform which has had a direct impact on the costs of export and competitiveness of the Region. Some of the main trends with respects to the cost of doing business are presented below:

- Over the last ten years, the EAC has been undertaking reforms, which have been led at the national and regional level, in the area of trade facilitation, with respect to border management, investment, in both hard and soft infrastructure, and customs reform and

management. These reforms are captured in the Ease of Trading Across Borders indicator. Over the last five years all of the Partner States, with the exception of Tanzania, have consequently moved up the rank. Kenya and Rwanda are the two Partner States driving reform in the area of trade facilitation and business reform.

Table 10: Ease of doing business indicators in the EAC (2013-2018)

	2013	2014	2015	2016	2017	2018	2013-2018 change
Burundi	157	140	152	152	157	164	-7
Kenya	122	129	136	108	92	80	+42
Rwanda	52	32	46	62	56	41	+11
Tanzania	136	145	131	139	132	137	-1
Uganda	126	132	150	122	115	122	+4

Source: World Bank, Doing Business reports

Table 11: Trading across borders indicators in the EAC (2013-2018)

	2013	2014	2015	2016	2017	2018	2013-2018 change
Burundi	179	175	169	160	160	164	+15
Kenya	157	156	153	107	105	106	+51
Rwanda	160	162	164	131	87	87	+73
Tanzania	137	139	137	180	180	182	-45
Uganda	164	164	161	141	136	127	+37

Source: World Bank, Doing Business reports

The implementation of the SCT in 2015 has contributed to the reduction of the time for cargo transit. Figures from 2015 show that, on the Northern Corridor, the turnaround time for the movement of goods has reduced from 18 to 4 days from Mombasa, Kenya, to Kampala, Uganda, and from 21 to 6 days from Mombasa to Kigali, Rwanda. Overall, the costs of doing business have been significantly reduced over the last 5 years, due to reduction in border compliance cost and documentary compliance.

The effective implementation and impact of the initiatives set under the EAC EPS 2020-2025 are linked to the Region's continued progress on reducing transaction cost at the border.

According to the 2016 World Bank Logistics Performance Index (LPI), EAC countries climb up the efficiency ladder. The survey indicates that EAC Partner States competed strongly, with Kenya being ranked second in Africa, Uganda coming fifth, and Tanzania and Rwanda settling in the tenth and eleventh position, while Burundi occupies thirteenth place. Out of 160 countries, Kenya is in position 42, Uganda 58, Tanzania 61, Rwanda 62 and Burundi 107. The report attributes the progress of the region to the reforms undertaken in the area of SCT Clearance procedures, OSBPs, the implementation of an electronic cargo tracking system and other internal reforms, such as performance measurement all aimed at quickening the clearance process.

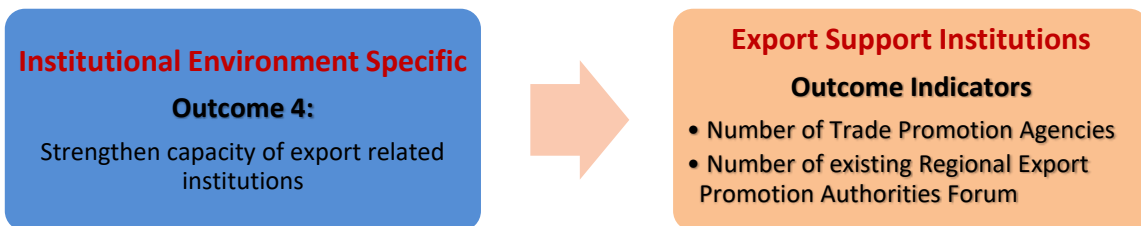
Key takeaways

- Overall, the cost of doing business has been significantly reduced in recent years in the EAC Region, due to reductions in border compliance costs and documentary

compliance. Initiatives under the EAC Trade Facilitation Action Plan, have pushed forward the efficiency reforms needed to bring down the cost of doing business.

- The major reforms which have contributed to the improvement in cost and efficiency in trading across borders, are linked to the regional initiatives such as the implementation of the Single Customs Territory Clearance procedures, the set-up of the OSBPs, and implementation of cargo tracking system.
- NTBs, including high transport costs, bureaucracy, corruption, and expensive settlement of payments, continue to stifle trade, despite the efforts put in place to monitor and eliminate NTBs.

2.6 Strengthening the Capacity of the Export-related institutions



A number of initiatives under the EAC EPS 2013-2016 were targeted at building PSO capacities, mainly through training and awareness building.

CHAPTER III - ASSESMENT OF THE EAC EPS 2013-2016 IMPLEMENTATION

The major challenges faced with implementing the approximately USD 84 million action plan were:

- (i) Inadequate financial and human resources, which impeded the EAC Secretariat and Partner States’ capacity to implement the EPS 2013-2016 action plan;
- (ii) Actions laid out in the Strategy action plan were predominantly national and required implementation at national level;
- (iii) The EPS 2013–2016 was not sufficiently mainstreamed into the individual Partner States’ Export Strategies and national priorities leading to weak implementation by Partner States;
- (iv) The Strategy was not sufficiently focused on the provision of Regional Public goods required to enhance the regions export potential.

3.1 Key findings from the review

The main findings from the ‘Review’ exercise of the EAC Export Promotion Strategy 2013-2016 are presented below:

Objectives and Outcomes of EAC EPS 2013-2016	Key takeaways from the Review exercise
Overall Objective: Export growth of 20 % p.a. reducing the trade deficit to 8 % of regional GDP by 2017	The region has sustained steady growth rate and will need to maintain this upward trajectory. However, export growth, whilst on an upward trend, has declined in 2015 and it is still behind Region’s expected 20% p.a. growth target set in the EPS 2013-2016. Export growth fluctuated in the past 3 years from single digits, to a high of 30% and declined abruptly in 2015 by 17%. The upcoming EPS will need to target its strategic interventions on expanding trade, with a special focus on penetrating COMESA and SADC market through provision of the TFTA, whilst maintaining its exports to the EU and the EAC Region.
Outcome 1: Promote the Production of diversified and high value exports from Partner States	The region has been steadily diversifying its export basket, with manufacturing exports taking a bigger part of countries exports and intra-regional exports driving diversification in the region. Market diversification is also increasing in the Region. Understanding export diversification, from the perspective of intensive and extensive export margins, provide a better understanding the export trends within the EAC. The boost in value added manufacturing presents new opportunities for exploring new market outside the Region, i.e. exports at the extensive margin. The emphasis of the next Strategy will be on exports diversification through value addition. The manufacturing sector’s production and exports have been growing, though slowing down in recent period. Whilst manufacturing exports still make up a small share of total exports, an interesting trend can be observed in terms of its changing export composition. Light manufacturing exports constitutes a growing share of the region’s intra-regional exports, presenting the region with huge potential for boosting industrialisation and expanding intra-regional trade. However, whilst rapid growth in intra-regional manufacturing trade had been driving manufacturing exports, this trend has recently showed signs of deceleration. The region is losing

	share in its own dynamic market due to constrained production capacity. The next EPS 2020-2025 will focus on closely aligning its strategic interventions with the EAC Industrial policy, with a view to boot the regions productive capacity and competitiveness and grow its market share in Intra-regional manufacturing exports.
Outcome 2: Greater market access to third party countries for increased export growth	The EAC registered the strongest performance on Trade Integration compared to the eight RECs in 2016. However, it still trades less as a share of GDP than other developing regions such as East Asia and Latin America'. The prevalence on NTBs and protectionist practices, constrain the EAC's capacity to fully exploit its intra-regional trading potential. Curtailing protectionist practices essential for ensuing that the expected objects set out in the next EPS are reached. 'On average, intra-EAC exports as a share of total EAC exports remained largely unchanged following implementation of the CU' ²⁵ . However, whilst intra EAC exports continues to drive the region's trade expansion, there is a need to further expand intra-regional trade, as well as tapped into potential new market opportunities in neighboring African countries'
Outcome 3: Reduced cost of doing business in the EAC Region for improved competitiveness	Overall, the cost of doing business has been significantly reduced over the last 5 years, due to reduction in border compliance cost and documentary compliance. Initiatives under the EAC Trade Facilitation Action Plan are focused on pushing forward the efficiency reforms needed to bring down the cost of doing business. The reduction in cost of doing business has a direct impact on export competitiveness and on boosting cross border trade. The effective implementation and impact of the initiatives set under the next EPS will invariably be linked to the Region's continued progress in reducing transaction cost at the border.
Outcome 4: Strengthen capacity of export related institutions to engage in export promotion activities	A number of initiatives under the EPS 2013 -2016 aimed at building PSO capacities, mainly through training and awareness building. Their role was mainly as a beneficiary of the EPS 2013-2016 though capacity building activities. The next EPS will focus on promoting a more active role of PSOs as both beneficiaries and potential implementers of the strategy.

3.2 Lessons Learnt

The key lessons learnt from the implementation of the EPS 2013-2016 include:

Challenges Identified	Recommendations
The absence of a comprehensive M&E framework, with SMART indicators and regular monitoring of the EPS has been a major challenge in assessing the impact of the EPS.	Recommendation 1: Set up strong institutional and governance architecture, able to coordinate, monitor, analyse, support, and recalibrate implementation processes in response to dynamic market challenges and opportunities.
The lack of regular monitoring has also resulted in limited feedback from the Partner States on the implementation of the EAC EPS 2013-2016.	Recommendation 2: Establish a comprehensive M&E framework and carry out yearly and a mid-term and final review of the EAC Export Promotion Strategy 2020-2025
Weakly defined indicators which has made monitoring difficult.	Recommendation 3: Establish through consultation with partner states an agreed set of indicators and benchmarks, against which the EPSs will be monitored.
Whilst the institutional structures overseeing the implementation of the EPS were strong, the coordination mechanisms and process, between the key stakeholders was weak.	Recommendation 4: Proactively mainstream the EAC Export Promotion Strategy 2020-2025, with relevant
The EPS 2013 -2016 is delinked with the Partner States National Strategies and plan, which resulted	

²⁵ Karingi, S., Pesce, O., & Sommer, L. (2016) - Regional opportunities in East Africa. UN-WIDER

in limited implementation of the EAC EPS 2013-2016 and significantly weakened the impact of the EAC EPS 2013-2016	national and regional policy frameworks, with a view to ensuring complementarity between the national and regional activities.
For most effective impact and efficient implementation, the EAC EPS should have been synchronised with the EAC Development Plan both in terms of objective, timing and budgetary allocation.	
The EAC EPS 2013-2016 is too broad in its intervention areas and overlaps with other regional strategies such as the EAC Industrial Strategy 2012-2031, EAC Regional Trade Facilitation Plan, EAC Private Sector Development Strategy, etc.	Recommendation 5: Focus specifically on Export Promotion and regional aspects related to Export Promotion in the region, with a view of complementing national initiatives and providing a regional public good.
One of the main weakness of the EPS 2013-2016 is that some of the actions which are covered in the action plan fall under the remit of Partner States and are best implemented from a national level	Recommendation 6: Allocate adequate human resources and national and regional level for coordinating the implementation of the EAC Export Promotion Strategy 2020-2025.
The lack of human and financial resources available has significantly hampered the implementation of the Strategy.	Recommendation 7: Mobilise adequate and sustainable funding, through the EAC Budget, Partner States co-financing and donor funding.

PART 2 – EAC SITUATIONAL ANALYSIS

CHAPTER I - EAC TRADE POLICY ENVIRONMENT: Export Promotion schemes and Trade Related Policies and Strategies

1.1 Overview of export promotion schemes in the EAC

Export promotion strategies and policies generally consist of fiscal incentives, special credit packages, and direct support to exporting firms. Specific aspects such as the tax reductions schemes or the accompanying organizational arrangements are defined under Article 25 of the CUP which states that ‘the Partner States agree to support export promotion schemes in the Community for the purposes of accelerating development, promoting and facilitating export-oriented investments, producing export competitive goods, developing an enabling environment for export promotion schemes and attracting foreign direct investment’. Such schemes are specific to exports, and, in the event that such goods are sold in the customs territory, they attract full duties, levies and other charges provided in the Common External Tariff. The article also makes provision for all goods being sold in the customs territory to be subject to authorisation by a competent authority and to be limited to 20% of the annual production of a company. All East African Community (EAC) Partner States agreed to support the following export promotion schemes:

- **Duty Drawback schemes:** This entails refunding of the duty paid for the imported goods. The duty drawback scheme is a special type of subsidy that governments give to exporters. According to WTO rules on duty draw backs the scheme can be used if the amount of refund does not exceed the amount of duties paid, and a verification has to be made that the duties have actually been paid on imports.
- **Duty and value added tax remission:** This scheme allows a waiver of duty or refrainment from exacting of duty. Part X, sections 138-140 of EAC Customs Management Act (EAC, 2004) provides for duty remission for industrial inputs imported for manufacture goods.
- **Manufacturing under bond schemes:** This scheme allows manufacturers to import plant, machinery, equipment and raw materials tax free, exclusively for use in during manufacturing of those goods for that are exported.
- **Export processing zones (EPZ):** They are designated customs area or region where participants can import machinery, resources used for the manufacture of export goods without payment of duty. The imported goods are subject to customs control at importation, through the manufacturing process, to the time of sale/export, or duty payment for home consumption. Currently, the export promotion schemes in each member states are still different. A study was undertaken to harmonise EPZ in the region²⁶.

²⁶ **Free Zones/ Export Processing Zones:** Article 25(3) of the East African Community Customs (EAC) Union Protocol restricts the sale of goods in the customs territory to 20 per centum of the annual production of a company. Such a threshold has been considered small by a number of Partner States namely Uganda and Kenya, especially for EPZ enterprises who largely depend on the EAC/local market as their main market. It has been recommended that this EPZ domestic sales threshold be increased to at least 40 percent in order to allow the domestic enterprises to compete favorably foreign companies which may have an edge due to their already established international markets.

Table 12: Export promotion policies in the EAC Partner States

	Kenya	Rwanda	Burundi	Tanzania	Uganda
Duty Draw Back Schemes		✓		✓	✓
EPZ	✓	✓		✓	✓
Export promotion (manufacturing)	✓	✓			
Export duties to favour local manufacturing	✓	✓			
Duty and value added tax remission:	✓		✓	✓	
Manufacturing under bond schemes:	✓		✓	✓	✓
VAT exemption on exports				✓	✓

The EAC has a number of export promotion schemes in place. These schemes have been put in place by EAC Partner States to help bear a portion of private cost of production of exports and thus to help lower the cost of export and build EAC exports competitiveness. Currently, export promotion schemes in place in each Partner States are different from one another and have not established all the schemes as stated in the Protocol. There have been some efforts in trying to harmonise the schemes such as the EPZ and SEZ schemes.

1.2 Export Promotion in EAC Partner States

Export development should enable us to produce the required quantities and quality on a sustainable and regular basis and to add value to what we produce, while export promotion should enable us to ‘get’ our products and services onto the market and ‘keep’ them there²⁷

As EAC Partner States have moved into deeper implementation of the EAC CUP and Common Market Protocol (CMP), industrialisation and export policies have increasingly taken centre stage in their respective development strategies. Export-led growth strategies are seen as one of the transmission channels for transforming the Community into an upper-middle income region by 2050. In order to meet the set objective, the EAC as a region will have to attain and sustain annual growth rates of, at least, 8.5 % yearly. The five Partner States will need to maintain macro-economic stability, namely: low inflation and low budget deficits; deepen financial sectors to mobilize domestic savings; develop stable institutions and a conducive business climate that promotes private sector participation and public-private partnerships.

The EAC Vision 2050 envisages that per capita incomes will grow ten-fold to US\$10,000 by 2050, spurred on by sustained economic growth rates of at least 10 % per annum. Industrial growth and the expansion of export are seen as some of the main enablers for supporting the Region’s sustained economic growth and henceforth its structural transformation. Exports are seen as an integral part of the three main pillars of the EAC Vision 2050, as indicated in Table 13 below.

The EAC 5th Development Strategy also identified improve competitiveness, diversification of exports and the elimination of anti-export biases as key fundamentals which will be needed to propel the region into upper middle-income status²⁸.

²⁷Export Growth for Economic Development and Transformation – The National Export Development Strategy 2015/16 – 2019/20

²⁸EAC Development Strategy (2016/17 – 2020/21), page 23 – not yet approved

Table 13: Key trade related objectives of the EAC Vision 2050

Vision 2050	
East African Community will be transformed into an upper-middle income region within a secure and politically united East Africa based on the principles of inclusiveness and accountability by the year 2050	
Agriculture, Food Security and Rural Development	– Liberalizing cross-border trade in agricultural produce and products between Partner States
Pillar 4: Industrialisation	– Diversify the manufacturing base and raising local value-added content (LVAC) of manufactured exports to at least 40% from the currently estimated value of 8.62%; – Increase share of manufactured exports to the region relative to imports from the current 5% to about 25% in the same period.
Pillar 5: Tourism, Trade and other Services Development	– Increase of intra-EAC trade in goods and services – Increase in value added exports leading to positive balance of trade with the Rest of the World. – Enhanced regional integration and economic cooperation with other Regional Economic Communities (RECs) and countries such as China, USA, and Turkey.
EAC 5th Development Strategy	
Strategic Development Objective 7.0: Attaining a fully functioning Customs Union.	Strategic Interventions: – Promote Micro, Small and Medium Enterprises (MSMEs) to enhance intra and export trade in goods and services – Enhance collection, analysis and dissemination of trade information – Improve Market Access for EAC Exports Promote fair trade, consumer health, safety and environment

Feeding into this overarching strategic framework, is an intricate web of regional and national industrialisation, trade and investment strategies and policies which guide the implementation of the CUP and CMP. The Partner States’ respective national visions²⁹, and their accompanying national development strategies and medium terms plans (see Table), chart out the region’s development path, which is captured in the EAC vision 2050 and the 5th EAC Development Plan.

Table 14: EAC National Export Strategies

Burundi Diagnostic Trade Integration Study 2012	Export diversification remains the top trade priority for Burundi and has to be driven by a combination of quality improvements of its traditional products (such as coffee and tea) and a gradual expansion of non-traditional exports (such as such horticulture and services).
Kenya: The National Export Development and Promotion Strategy for Kenya	The National Export Development Strategy is focused on ‘enhancing the national capacity to leverage exports for foreign exchange generation through higher production and export to global markets’
Rwanda National Export Strategy II (NES II)	NES II identified and recommended the following 4 strategic objective areas: 1. Direct interventions in selected segments of the export sector with high growth potential; 2. Improving access of Rwanda’s exports of goods and services to markets; 3. Upgrading firm capacity to enter and grow in export markets; 4. Establishing an export growth facility

²⁹Burundi Vision 2025, Rwanda Vision 2020, Tanzania Vision 2025, Kenya Vision 2030, Uganda Vision 2040

Tanzania National Export Strategy (2010 - 2014)	The vision for the National Export Strategy is: “To sustain development and wealth creation through export led growth in line with MKUKUTA goals and cluster strategies”. ³⁰
Uganda: National Export Development Strategy (NEDS) 2015/16-2019/2020	Promotion of dynamic export sector fully responsive to available export opportunities, especially in preferential markets. NEDS 2015/16-2019/20 is hinged on two tenets, namely “export development” and “export promotion”. Export development should enable the country to produce the required quantities and quality on a sustainable and regular basis and to add value to what Uganda produces, while export promotion should enable the country to ‘get’ its products and services onto the market and ‘keep them there’.

These strategies/policies cover a range of area from industrial development to export promotion, foreign direct investment (FDI) promotion, cross-border trade promotion, including more recently national strategies for the elimination of NTBs, trade facilitation plans, local content development plans, etc.

1.2.1 Burundi: The Vision 2025

‘Pillar 4 of the Burundi Vision 2025, focuses on Regional Integration as a means for economic diversification through industrial diversification and export competitiveness’

The Private Sector Development Strategy and the National Strategy for Regional Integration set the country’s export priorities. Burundi’s Export promotion strategy is focused on consolidation of existing markets, in particular in neighbouring countries such as DRC and South Sudan.

1.2.2 Kenya: The National Export Development and Promotion Strategy (NEDPS)

The NEDPS is focused on enhancing the national capacity to leverage exports for foreign exchange generation through higher production and export to global markets³¹.

In September 2014, Kenya achieved lower middle-income status, effectively joining the ranks of middle-income countries, sixteen years ahead of its Vision 2030 goals. International Trade is identified as a key driver for sustained economic growth. The Export sector is expected to contribute towards the delivery of the country’s macroeconomic goals through sustained GDP growth. Kenya’s export development strategy is focused on the promotion of priority high value chains; growing international demand and markets sectors with an emphasis on diversification and expansion of its export basket; targeting export ready firms, etc.

Kenya has recently launched its ‘Buy Kenya Build Kenya’ strategy. This strategy aims to promote and enhance the consumption of Kenya’s own products and services in both absolute figures and as a proportion of the gross domestic product (GDP). It is expected that enhanced consumption of locally produced goods and services will contribute amongst others to; employment creation, and poverty reduction, promote value addition, stimulate production and product diversification; and encourage growth of local industries³²

³⁰MKUKUTA is the Kiswahili acronym for Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania, the National Strategy for Growth and Reduction of Poverty (NSGRP)

³¹The National Export Development and Promotion Strategy for Kenya (NESDP)

³²Buy Kenya, Build Kenya Strategy - June 2017, Government of Kenya

1.2.3 Rwanda: The Economic Development and Poverty Reduction Strategy (EDPRS II)

EDPRS II set out to increase exports revenues from US\$1.277 billion in 2013 to US\$4.515 billion in 2018 or approximately 28.7% average annual growth over the next 5 years.³³

Rwanda aims to reach middle-income status by 2020, using export expansion as one of its main growth transmission channels. However, exports are constrained by the limited basket of products and services available for exports. Investment in its productive capacities and export capacities is key to unlocking Rwanda's export growth³⁴. Rwanda's National Export Strategy II (NES II) is focused on finding new markets for products currently exported and diversifying products exported to well establish markets. It aims at consolidating its products and market base and minimise the export risk associated with export discovery. Rwanda's export strategy is also focused on supporting firms improve their survival rates in new markets through a range of cross-cutting interventions. Regional markets are seen as an important entry point for firms to engage in exports. Rwanda Vision 2020 also recognises that stimulating the private sector, particularly with regard to the promotion of exports and competitiveness is not achievable without broadening and deepening the financial sector such as banking, insurance, capital market, strong market information and the application technology. Thus, trade finance tools, R&D and market intelligence are essential elements of the Rwanda Export Promotion strategy.

Four Strategic Objectives (SO) of the NES II:

S.O. 1: Sector interventions

S.O. 2: Improved access to markets

- International Markets
- Regional and African Markets
- Cross-Cutting Market Access and Trade Policy Considerations
- In Market Support (Multi-Service Centres)

S.O. 3: Upgrade firm capacity to access and grow in export markets

- Access to Government funded support measures
- Trade information centre
- Export capacity program
- Trade promotion and buyer outreach i.e.
 - ✓ Group branding
 - ✓ 'Buy from Rwanda' Export Portal (www.buyfromrwanda.rw)
 - ✓ Buy from Rwanda promotional materials
 - ✓ Trade fairs program
 - ✓ Market linkages program
 - ✓ President's award for exporting

S.O. 4: Export Growth Facility

1.2.4 Tanzania: The Tanzania Sustainable Industrial Development Policy (SIDP 2020)

'Tanzania Export strategy is inextricably link to its industrial development. The Tanzania Sustainable Industrial Development Policy (SIDP 2020), focuses on achieving economic transformation, equitable development, and expanding exports, through industrialisation and expansion of its manufacturing base'

The 2009 National Export Promotion Strategy for Tanzania lays out the country vision for "To sustain development and wealth creation through export led growth in line with MKUKUTA goals and cluster strategies". Tanzania Export strategy is inextricably link to its industrial development. The Tanzania Sustainable Industrial Development Policy (SIDP 2020), focuses on achieving economic transformation, equitable development, and expanding exports, through industrialisation and expansion of its manufacturing base. Tanzania views exports as an integral part of its industrial strategy and as such does not have a stand-alone export promotion strategy. In 2010, Tanzania launched its Integrated Industrial Development Strategy (IIDS) 2025 which is focused on promoting an export-oriented manufacturing sector. The Tanzania

³³ 'Rwanda National Export Strategy II' Ministry of Trade and Industry, 2013

³⁴ 'Rwanda National Export Strategy II' Ministry of Trade and Industry, 2013

Industrial Competitiveness Report focuses on linking export promotion with industrial development, and diversification of exports from traditional commodity exports to high value-added manufacturing exports. As of 2013, medium- and high-tech products accounted for just 25% of Tanzania's total manufactured exports³⁵. However medium-tech export growth increased from 7.3% to 13.6% between 2000 and 2010. A report by the United Nations Industrial Development Organization (UNIDO) indicates that³⁶ the share of Tanzania's medium and high-tech manufacturing exports in total manufacturing exports has increased at an average annual rate of 12% between 2010 and 2013. During the same period, declining growth rates of exports of resource-based (by 10%) and low-tech products (3%) was recorded.

1.2.5 Uganda: The National Export Development Strategy (NEDS) (2015/16 - 2019/20)

The Vision of the National Export Development Strategy 2015/16 - 2019/20 is to develop:

'a focused and dynamic export sector fully responsive to available export opportunities, especially in preferential markets. The sector should be a key driver of economic development and transformation in the country; and the trade deficit as a percentage of exports should be narrowed to a maximum of negative 35% from the current average of negative 85%'

Uganda's vision 2040 set the path forward for economic transformation, through industrial development. It focuses on adding value through processing and increasing exports of higher value agricultural and mineral products. The NEDS 2015/16 – 2019/2020, builds on the Vision 2040, with the ultimate objective of increasing Uganda's export market share and the value of exports, through value addition.

To complement the overall National Export Development Strategy, Uganda has developed sector specific policies and strategies such as Uganda National export strategy for the coffee sector and coffee roadmap; the handicraft export strategy; the apiculture export strategy. Uganda has also recently launched its *"Buy Uganda, Build Uganda"* local content policy, which encourage the consumption of locally produced goods and services. The policy's objectives are to promote consumption of local goods and services; promote the use and conformity to standards to guarantee quality goods and services; and to provide capacity building programs to local suppliers of goods and services.

NEDS's Specific Objectives:

- Narrow the trade deficit as % total exports from the current annual average of negative 96% to at most negative 35% over the next five years;
- Control exchange rate volatility through increased and sustained export earnings;
- Increase the value of priority products exported to the preferential markets by an average of 25% for the regional markets (EAC & COMESA) and 40% for the EU annually over the next five years;
- Increase the value of priority products exported to the selected unilateral preferential markets (USA, India and China) by an average of 40% annually over the next five years;
- Increase the value of priority products exported to the selected non-preferential markets (Singapore, the UAE and Hong Kong) by an average of 35% annually over the next five years;
- Provide a two-way communication mechanism between the productive sectors and export markets with a view to fostering export-oriented investment and production.

³⁵ Tanzania Industrial Competitiveness Report 2015, 'Tanzania at a Cross Road: Shifting Gears Towards Inclusive and Sustainable Industrialisation', Government of United Republic of Tanzania, 2016

³⁶ UNIDO (2015) 'Tanzania Industrial Competitiveness Report 2015', Unpublished draft, October 2015

1.3 EAC Private Sector Role in Trade

The private sector is the driving force of economic growth and development in the Region. It contributes to regional integration in a number of ways, firstly directly through productivity growth, wealth and job creation in the agriculture, manufacturing and services sectors, driven by import and export activities, investment, technological innovation, etc.

‘Informal’ private sector also has an important potential for poverty alleviation. Informal cross-border trade, which is hard to measure due to the lack of reliable data, is estimated to account to close to 30% to 40% of the EAC trade flows. Informal trade occurs under the radar and extends from the sale and bartering of large volumes of agricultural goods – sorghum, cassava, maize and pulses, none of which appear in official data – to the trading of millions of tons of rice, crude oil, petroleum products, cash crops and consumer goods through extensive informal networks. It is therefore critical that when looking at export promotion in the Region, due consideration is also given to the informal sector, which is also predominantly represented by women and small traders.

Finally, the Private Sector Organization (PSO)/Business Support Organization (BSO) play a key role in the EAC regional integration agenda, by garnering the potential for collective action around common interests. They can organise themselves as a network of national and regional actors supporting reforms and implementation of the EAC Trade protocols. Their role spans from policy advocacy, public-private dialogue to business advisory support in the form of management, market and product information.

The growing importance being given to the private sector in the areas of policy advocacy and business support, has led to the emergence of a number of accompanying measures and guiding frameworks which have been put in place both at national and regional level with a view to enhance the participation of private sector in the regions’ development. At national level, Partner States have in place a number of policy frameworks such as:

- National Private Sector Strategies
- National Export Strategies (NES)

At the regional level, several instruments, policies and institutions have been set up to promote the participation of the private sector in regional integration, such as:

- The EAC Private Sector Development Strategy (PSDS);
- The Policy Framework for regional PPP and Strategic Business Plan for implementation of PPP;
- The East Africa Private Sector Fund³⁷ - finances firms, involved in the implementation of regional projects in the five EAC Partner States.

³⁷ This newly set up fund will focus on issues such as establishment of single territory customs, improving labour conditions and taxation standardization, firm competitiveness and productivity, etc.

Box 1: Role of the private sector in the EAC

A conducive environment for the effective participation of the private sector is a major priority of the Region. The EAC Treaty emphasizes the major role that the private sector should have in the construction of the EAC, especially in chapter 12 “Cooperation in investment and industrial development” and chapter 25 “The private sector and the civil society”. The EAC Treaty calls for the formulation of:

- An East African industrial development strategy to create an enabling business environment for the establishment of an internationally competitive single market and investment area. The strategy is expected to promote self-sustaining and balanced industrial growth, improve the competitiveness of the industrial sector, and encourage the development of indigenous entrepreneurs. The strategy was formulated against the background of obvious disparities in levels of industrial development in the Partner States.
- A Private Sector Development Strategy to enhance the harmonization needed for private sector-driven development of the Region.

EAC Strategies promoting Private Sector:

- **EAC Private Sector Development (PSD) Strategy:** The vision of the EAC PSD Strategy is to build a strong and globally competitive regional private sector for wealth creation through investment and trade. This is to be achieved through the creation of a conducive business environment that facilitates private sector competitiveness and growth for increased investment, productivity and trade. The PSD Strategy is based on the concept of people-centred development and on and the heterogeneity of the private sector.

The objectives of the PSD Strategy are to:

- Increase space of the private sector in development of the regional economy;
 - Focus on removing regional level constraints and tap economies of a larger regional market;
 - Promote competitiveness by focusing on areas of comparative advantage, and develop competitive advantages over time;
 - Identify priority sectors, which reflect potential sources of growth, export and diversification in the Region.
- **The EAC Export Promotion Strategy 2013-2016:** The 4th Pillar of the Strategy is focused on strengthening capacity of export related institutions to engage in export promotion activities.
 - **The EAC Industrialization Strategy 2012-2032:** The overall goal of these strategies is sustainable economic and social development in East Africa. The strategies contribute to varying degrees to the creation of a competitive private sector, supported by an enabling business environment for the establishment of a single market and investment area that would be internationally competitive.

Source: Economic Commission for Africa, from official sources

1.3.1 Private sector in the EAC

The private sector takes on many forms as both a recipient and actor in the implementation of an Export Promotion Strategy. Below is a non-exhaustive list of main actors, which makes up the private sector and/or support the private sector in the region:

Meso level:

- **Non-profit organisations:** Private Sector Apex and umbrella association, business membership organisations (BMO) which include sectoral associations and chambers of commerce, public- private sector platforms. It also includes certification bodies, which can be public or private.
- **Semi-public/parastatal entities:** Export and investment promotion boards, EPZ authorities, SME promotion authorities, cooperatives, banking and savings associations, standards bureau, etc.

These bodies provide a number of services to enterprises, mainly through business development services (BDS), compliance and testing, access to finance and equity. They also provide space and support for policy dialogue, capacity building, business and trade analytics, market information, advocacy and sensitisation.

Micro level:

Firms, which are owners of productive assets and which are directly engaged in production of goods and services as well as informal traders.

The private sector takes on many forms as both a recipient and actor in the implementation of the Customs Union and Common Market Protocol and the Trade Facilitation agreement. Below is a non-exhaustive list of main actors, which makes up the private sector and/or support the private sector.

Key institutions in the Region:

Key institutions supporting the development of the private sector in the EAC include:

- East African Business Council (EABC)
- The EAC Secretary General - Chief Executive Officers Forum
- East African Chamber of Commerce, Industry and Agriculture (EACCIA)
- Eastern Africa Association (EAA)
- Eastern Africa Grain Council (EAGC)
- Federation of East Africa freight forwarders Association (FEFFA)
- Various National Associations

A presentation of the Region's key institutions is presented in Annexe 16: Key institutions in the Region.

Parastatal Bodies:

Partner States have in place a network of semi-public institutions with specialized mandates focused on the promotion exports. These bodies work along government institutions. Below is a non-exhaustive list of Export Promotion bodies (Annexe 16: Key institutions in the Region)

- Kenya Export Promotion Council (EPC)
- Uganda Exports Promotions Board (UEPB)
- Rwanda Development Board (RDB)
- Tanzania Trade Development Authority (TANTRADE).

1.3.2 Private sector engagement strategy in exports promotion

The discussions and interviews carried out during the consultations points to a number of commonly identified challenges, which stifle competitiveness and access to markets and the Region's export performance. These include a wide spectrum of issues ranging from harmonized policies at macro-economic and sector specific levels; capacity of the private sector to undertake evidence-based analysis; weak institutional framework for private sector coordination, governance and advocacy; limited access to financial resources particularly for SMEs; to poor infrastructural support services. The prevalence of NTBs and lack of technical and financial capacity to boost productivity, quality and compliance to SPS and standards was

signalled out as the main issues affecting the EAC private sector's competitiveness. The main challenges are summarised below:

Trade and Export Promotion

- Low visibility of EAC products and services regionally and internationally;
- Limited access to regional and international markets due to high cost and technical capacity for standards and SPS compliance;
- Limited productivity and quality in specific value chains;
- Limited access to sector related market intelligence in specific value chains.

Trade advocacy

- Weak capacity of Private Sector Associations to carry out evidence-based policy analysis;
- Weak institutional capacity of Private Sector Association in particular decentralised ones;
- Weak capacity of Private Sector Associations to inform and sensitise its members on issues related to Customs and Trade Facilitation, EAC Strategic Total Quality Management (STQM) and SPS Protocol, NTBs;
- Weak capacity of private sector associations to provide relevant business development support.

CHAPTER II - SITUATIONAL ANALYSIS: EAC Partner States' Export Potential, Challenges and Priority Interventions

2.1 Changing Landscape of EAC Trading Agreements - Export Challenges and Opportunities

The EAC Partner States are party to a complex web of unilateral and preferential trade agreements, which extend market access to a host of priority markets. Over the last ten years the EAC has geographically diversified its export markets. There has been a gradual diversification of EAC export markets, away from the European Union. Export market share has been growing within the intra-EAC and the wider African region, i.e. COMESA and SADC. A number of new players have emerged, in 2016, India, China, and the Middle East, Switzerland (EFTA) counted as the EAC top export markets. Other significant shifts which are likely to redefine the regions trade relationship are underway. The following trade agreements are likely to have the biggest impact on the region's export trends:

- EAC-EU Economic Partnership Agreements and the effect of Brexit
- Africa Growth and Opportunity Act (AGOA)
- EAC SADC COMESA Tripartite Free Trade Agreement (TFTA)
- Continental Free Trade Area (CFTA)
- EAC-EFTA Joint Declaration on Cooperation

Other countries that have expressed their intent to negotiate an FTA with the EAC: Turkey, China and Singapore. The EAC also plans to initiate a cooperation framework with the Gulf Cooperation Council (GCC)*, with the aim of creating new strategic partnerships.³⁸

2.2 EAC-EU Economic Partnership Agreement and Brexit³⁹

In 2016, EAC countries accounted for 0.1 % of EU imports and 0.2 % of its exports, whilst the EU represented over 21 % (€2.1 billion) of its exports to the rest of the world and 15 % (€3.7 billion) of its imports. The EAC's main exports to the EU are agricultural and horticultural products (coffee, cut flowers, tea, tobacco and vegetables) and fish. The EU export share to the EAC region has gradually been decreasing over time, as the EAC Partner States expands their intra-regional exports and exports to new markets of China, India and Middle East. Despite its declining export market share, the EU still remains a priority market for the EAC region⁴⁰.

The EAC Partner States are currently in the final stages of negotiating a reciprocal trade arrangement with the EU under the Economic Partnership agreement. With respect to tariffs, the EPAs does not confer major market access improvements to the EAC region but in effect commits the Partner States to liberalise their respective markets to the EU. This presents a number of challenges for the Partner States, in terms of competition and potential treats to domestic producers and industries. The EAC has offered to liberalize 82.6% of her imports from

³⁸ SCTIFI directive of February 2016).

³⁹ The EAC Partner States' previously traded with the EU under the EU ACP Cotonou Agreement. Under this non-reciprocal trade agreement, EAC Partner States had duty free market access to the EU Market, with quota arrangement on a select number of commodities i.e. sugar, beef, rice banana, etc. In 2001, this agreement gave way to the Everything but Arm (EBA) which is a DFQT arrangement extended to the LDC members of the EAC Partner States (excluding Kenya)

⁴⁰ 'Economic Partnership Agreement with the EAC, EU Parliament 2018

the EU over a 25-year transition period by initially liberalizing 65.4% on entry into force of the agreement. However, in effective terms, the market access offer is less than on paper, as currently more than half of these imports are imported duty free, not only from the EU but from the rest of the world under the EAC Customs Union Protocol. The products which are being liberalised are predominantly industrial inputs or capital goods i.e. machinery and pharmaceuticals⁴¹.

The current state of play is that the EAC EU EPA has not yet been signed by all EAC Partner States, and in the interim period, EAC export to the EU have maintained DFQF access (LDCs via EBA and Kenya through Market Access Regulation (MAR) Regulation (EU) 2016/1076). A number of Partner States in particular the LDCs member who are currently beneficiaries of the EBA, namely Tanzania, have expressed reservation on the potential implication of EPAs on the regions policy space for industrialisation and Infant industry protection. The implication of BREXIT has also been a cause for re-evaluation of the opportunities and challenge of the EPA for the region. The United Kingdom (refer to Figure 14) accounted for 17% of EAC total Export to the EU in 2016, making it the 2nd most important European Market for the EAC Partner States. Out of the 5 Partner States, Kenya account for over 85% of EAC exports to the UK. Brexit. BREXIT has to be factored into the ongoing EPA negotiations, whilst opening preliminary bilateral discussions on EAC-Brexit implications with the UK Government.

Table 15: UK position in EAC Partner States export destinations

EAC Partner States	Years				
	2012	2013	2014	2015	2016
Burundi	10 th	15 th	19 th	19 th	22 nd
Kenya	3 rd	2 nd	5 th		
Rwanda	10 th	11 th	14 th	11 th	12 th
Tanzania	23 rd	20 th	21 st	27 th	23 rd
Uganda	10 th	15 th	19 th	19 th	22 nd

Source: ITC TradeMap

Exports to the EU remain concentrated on agricultural and horticultural products (coffee, cut flowers, tea, tobacco and vegetables) fish, and commodities. The major challenge faced by EAC export to the EU is the capacity of exporters to meet quality standards and Sanitary and Phytosanitary Standards. There has been limited scope for diversification and exports of value added products to the European Market, and the EAC export basket to the EU has not changed significantly over the years. Markets in the EU have also been concentrated on a handful of countries.

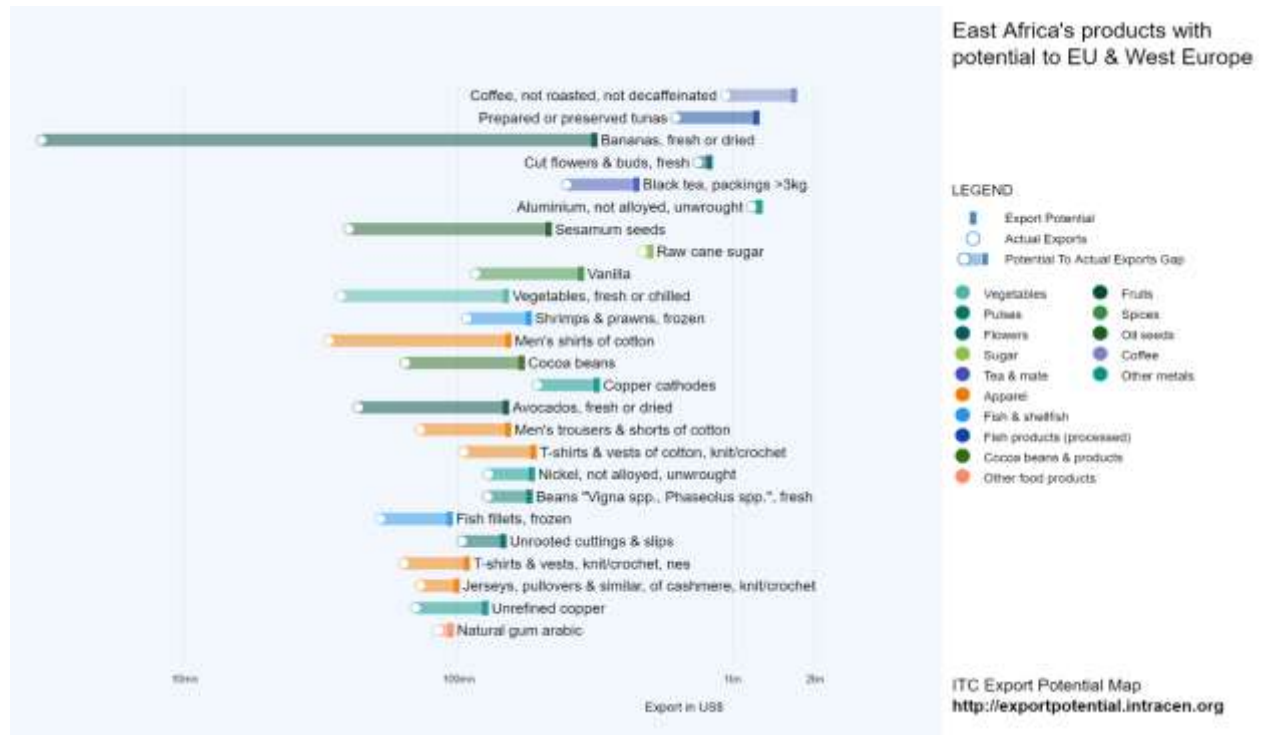
Whilst the lowering of tariffs for EU products to the EAC market, can potentially compete with domestic and regional producers, it is also possible that this could result in cheaper inputs for EAC producers. This in turn can serve as a catalyst for strengthening the competitiveness of some EAC value chains. The flexible EPA Rules of Origins which allows EAC producers to cumulate with other countries which benefit from a GSP Scheme or a FTA will make it easier to label a product as ‘made in’ an EAC country, even if some of its parts originated from other

⁴¹ The EAC has also agreed to liberalize 14.6% in the 7th–15th and 2.6% in the 13th–25th year of entry into force of the agreement. This sums up to a total of 4006 tariff lines to be liberalized under the agreement⁴¹. Only 17.4% (1432 tariff lines) have been excluded from liberalization to presumably cater for the protection of the sensitive products and infant industries

countries, thus allowing for easier duty-free, quota-free (DFQF) access to the EU market. This could also encourage the development of regional value chains.

The products with greatest export potential from East Africa to EU & West Europe are Coffee, Aluminium, and Prepared or preserved tunas. Coffee, not roasted, not decaffeinated shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth US\$ 672.7 million.

Figure 14: EAC Exports with highest untapped Potential to EU Market



The EPA could potentially present a number of opportunities to the EAC region, with the possibility of diversification to Eastern European Markets i.e. Poland and smaller emerging markets. There remains untapped potential in a number of products which is currently exports to its traditional EU Partners, which could be further exploited in new emerging European Markets of Eastern Europe. However, to fully reap the potential export opportunities of the EPA, complementary support and initiatives are needed to boost the capacity of EAC businesses to participate in regional and global trade. In order to reap the full benefits, the EAC EU EPAs, need to be accompanied by a comprehensive strategy for attracting FDI for industrial development and for deploying funding from the European Development Fund and EU blending Instruments

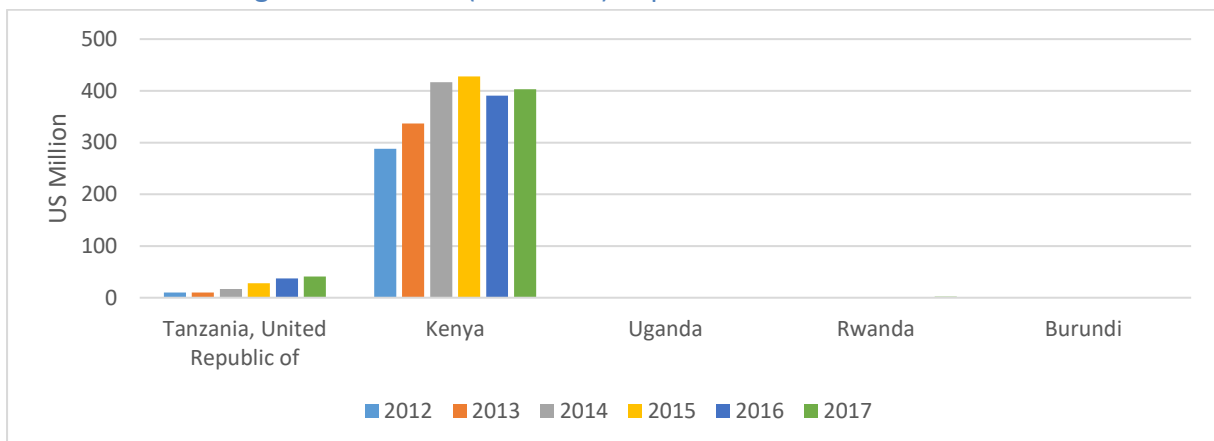
2.3 The African Growth and Opportunity Act (AGOA)

The African Growth and Opportunity Act (AGOA) has been the cornerstone of the United States–Africa trading relationship since 2000 and forms an important component of US development policy towards Africa. In 2015, AGOA was renewed for another 10 years with new provisions, such as an emphasis on National Utilization Strategies, which are designed to ensure that African countries are better prepared to take advantage of AGOA opportunities. The EAC

has developed a regional AGOA Strategy adopted by Council in September 2016. The Partner States also accomplished the alignment of their National AGOA Response Strategies with the EAC AGOA Strategy. Further, the EAC and U.S have a Trade and Investment Framework Agreement (TIFA) signed on 16th July 2008, which establishes a framework for expanding trade and investment.

AGOA provides significantly enhanced market access to the United States for qualifying Sub-Saharan African countries and has been especially valuable in promoting African textile and apparel exports, through the third-party fabric agreement. All EAC countries are beneficiaries of the U.S. Africa Growth Opportunity Act (AGOA) (Burundi is currently suspended from AGOA). A recent report by the EAC Secretariat states that Kenya was able to take advantage of 96% of preferences under AGOA, whereas Tanzania's preferences were only 3%, Uganda 0.4% and Rwanda a mere 0.2%.⁴² The low utilisation rate of the AGOA preferences is attributed to a host of factors, ranging from strict RoO, limited capacity to comply with SPS regulations, limited list of eligible products, to the unpredictability of the non-reciprocal arrangement. Main products exported are textiles and agro products. Kenya, have been able to achieved some export diversification through textiles and apparel, through AGOA provisions. The only two countries which have been able to benefit from AGOA are Tanzania and Kenya (Figure). The trade dispute over the ban on 'used clothing' has heightened the unpredictable nature of the non-reciprocal agreement.

Figure 15: AGOA (excl. GSP) exports to the United States

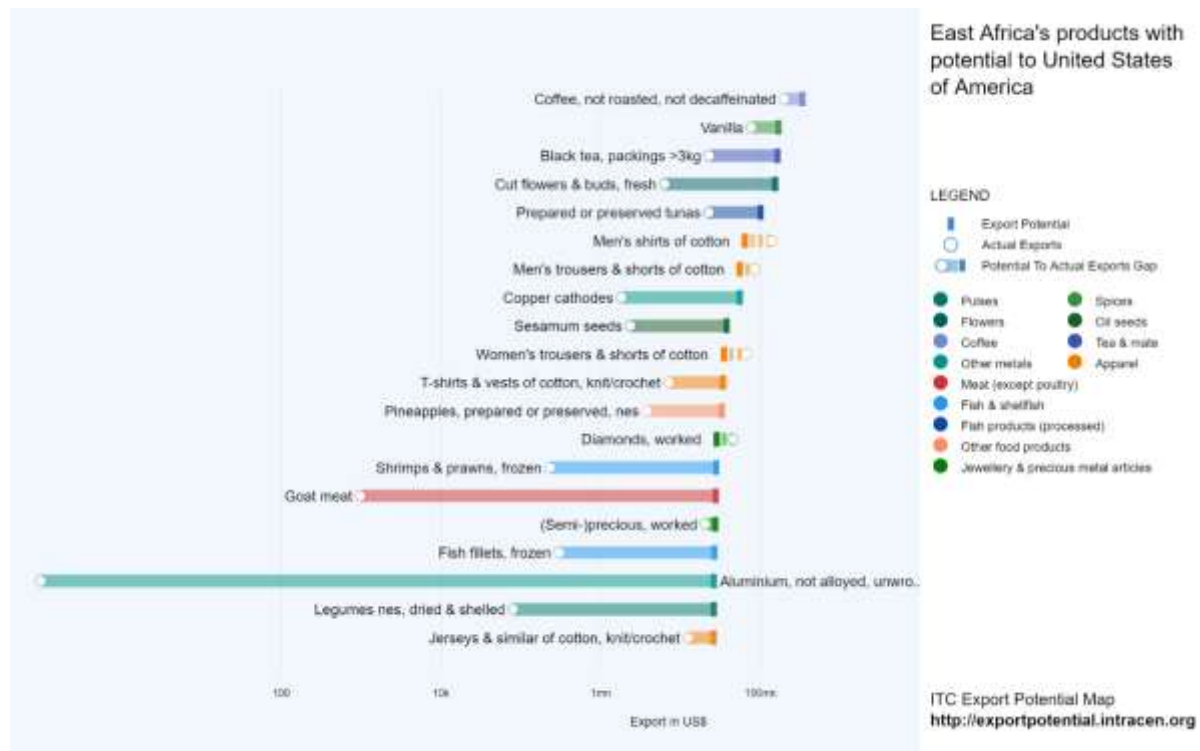


Source: Authors based on Data from TRALAC AGOA.info

Based on the ITC Product potential mapping products with greatest export potential from East Africa to USA are Coffee, Vanilla, Black tea. Cut flowers & buds, fresh shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth US\$ 118.8 million. Main opportunities for diversification are in the textile sector, fish, preserved tunas, shrimps and prawn, Sesame seeds. A cursory analysis of the AGOA list of eligibility products shows that for example, vanilla and sesame seeds do not currently feature on the GSP or list of AGOA eligible products. In view of the post AGOA, the EAC Partner States have to establish a list of products for which they have the potential to export and diversification for the US market.

⁴² Imani Development, 'EAC – The Development of the EAC Regional Trade Policy' Mau 2017

Figure 16: EAC Export Potential to the USA



The EAC has identified several issues to address in the post 2015 AGOA programme. These include:

- The need to work with the US to extend the WTO waiver for AGOA preferences;
- The extension of preferences to products where tariffs remain high or where there are tariff rate quotas, such as for sugar, meat and dairy;
- Support to address the significant SPS and transport barriers to accessing the US market;
- Enhanced awareness raising in the EAC Partner States and private sector networking;
- Address issues relating to technology and technology transfer in order to address the low level of research and technology use in the EAC private sector, and;
- Future agreements with the U.S. post AGOA should be discussed at the continental level in line with the African Regional Integration Agenda.

2.4 Mega Trade Agreements - EAC COMESA and SADC Tripartite Agreement (TFTA) and Continental Free Trade Area (AfCFTA)

In 2015, COMESA, EAC and SADC signed a tripartite trade agreement to enhance market integration, infrastructure development and industrialization. This mega trade bloc constitutes at least half of Africa's countries, its GDP and its population. It presents huge market potential and opportunities for building the region's industrial production, as aggregate demand in the region rises and industrial production is realigned between countries⁴³. It is expected that the TFTA will generate far more benefits than just directly quantifiable ones. For instance, it would

⁴³ Trade, prosperity and peace, Regional Integration in East Africa, International Growth Centre May 2016

open new opportunities for businesses through an improved and harmonized trade regime that would bring down their operating costs, and through an inflow of foreign direct investment into the region. The TFTA's most important benefit is expected to be its catalytic role in achieving economic integration at continental level – a Pan-African Continental Free Trade Area (AfCFTA).

The EAC has concluded tariff negotiations with Egypt (Tanzania) and SACU (Burundi, Kenya, Rwanda, Uganda)⁴⁴. SACU offered to liberalize 87.19% of its tariff lines (66.87% of lines for immediate liberalization at entry into force and 20.32% within 5 years). EAC's offer stands at 90.25% of tariff lines (65.87% for immediate liberalization at entry into force and 24.38% within 5 years).

Products of strategic interest for the EAC in the SACU area are namely textile and apparel, cut flowers and roses, edible oils (Sun flower and palm oil), fruit juices (orange and pineapples), coffee and vegetables (uncooked)⁴⁵. In respect to EAC (Tanzania)/Egypt tariff offer negotiation, Tanzania has provided a tariff offer to Egypt comprising of 96.89% for immediate liberalization and the remaining to be phased down in five years. Egypt has offered of 100% tariff liberalization to all EAC Partner States.

TFTA and the EAC

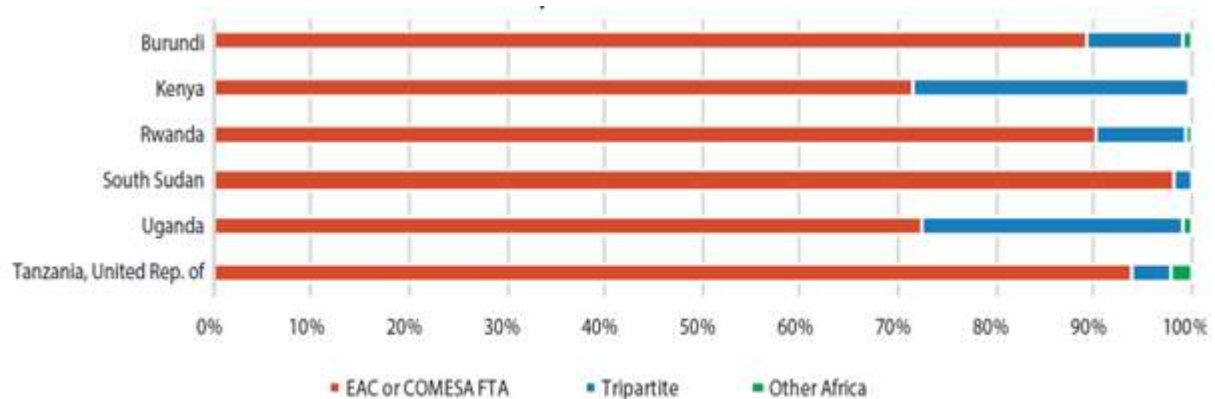
- EAC intra-African trade in the TFTA will average 99%
- Extend preferential access to EAC Partner States which current do not have market access to either SADC and COMESA e.g. Kenya to South Africa, Tanzania to Egypt
- Simulation results show that no EAC country stands to gain more than 11% in trade openness.
- Kenya is to expect the biggest gains in terms of real GDP increase (+0.49%)
- Kenya would profit most from tariff decreases by COMESA and SADC trading partners.
- Increase in industrial production, as aggregate demand rises and industrial production is realigned
- Act as a stepping stone for the AfCFTA
- Small welfare gains expect for EAC members, mainly because Burundi, Kenya and Uganda are already members of COMESA, and Tanzania is already a member of SADC

EAC Partner States already have considerable coverage through the EAC single market and the COMESA FTA. Including the TFTA, Partner States will have an average cover of 99 per cent of all its intra-African trade. The TFTA will be especially important for the COMESA countries that are not in the EAC and are not operating the SADC FTA. Through the TFTA Kenyan will gain preferential access to six more countries that are not members of COMESA or the EAC, i.e. Angola, Botswana, Lesotho, Mozambique, Namibia and South Africa. Currently the EAC Partner States intra-Africa imports are dominated by EAC and COMESA FTA (Figure), making up over 70% of Partner States imports. With the conclusion of the TFTA, the SACU region will likely play a stronger role in regional exports and present potential opportunities for strengthening regional value chains, though partnership with South Africa, which is one of the countries in the TFTA with strongest industrial base.

⁴⁴ As of end of 2017

⁴⁵ SACU has shown particular interest in the EACs light manufacturing and food product market, requesting immediate liberalization of products such as refrigerators, plastic tubes, beef, slat and wine, dairy, motor vehicles and maize, amongst others.

Figure 17: Share of EAC Partner States' intra-Africa imports that enter under FTAs, 2015



Source: ECA calculations.

Lastly, the composition of intra-regional and intra African exports, has had a much stronger impact on spurring on export diversification, than Africa's trade to the RoW. The former tends to be concentrated on manufacturing exports, whilst the latter in contrast has been mainly concentrated on commodities exports. According to the ARIA VIII report, Intra Africa trade is dominated by industrial export of light manufacturing and consumer products, such as Portland cement, beers, chemical, soap and plastics⁴⁶. Similarly, an analysis of the EAC Partner States export to the region, shows that regional exports are predominantly in light manufacturing and semi processed consumer goods. The TFTA and the CTFA thus present the EAC Partner States with the potential for further expansion of exports of manufactured goods. Below are some of the possible opportunities which the TFTA and CFTA, could present to the EAC Partner States:

- Expansion of intra-regional and intra Africa trade, to expand exports, diversify its market and diversify its export composition. This has the potential of spurring on the industrial transformation of the region.
- Strengthen EAC trade with neighboring countries, i.e. the Democratic Republic of the Congo (DRC), South Africa, South Sudan, Comoros, Sudan, which in 2016 made up for approximately 15% of all EAC export;
- EAC exports to the TFTA countries currently makes up for over 50% of Partner States' total exports. The reduction of tariffs and the simplification of RoO, could potentially help build stronger Regional Production Networks and help expand the volume of intra-regional trade. The application of preferential RoO within the TFTA presents an ideal opportunity for the development of Regional Production Networks.

Building export competitiveness is essential for the EAC Partner States to be in a position to capture the potential benefits which may accrue under the TFTA and CFTA. This will require as a priority, sustained investment in its productive capacity, trade infrastructures and business environment reforms. The EAC Partner States will also need to develop proactive commercial diplomacy and active export promotion and marketing efforts towards the TFTA and wider African region.

⁴⁶ Assessing Regional Integration in Africa VIII, 2017 – United Nations Economic Commission for Africa, AU and AFDB

2.5 Partner States Trade Profiles, Challenges, Export Potential and Strategic Priorities

This section presents each Partner States identified trade potential and their respective challenges, based on the findings from the in-country consultations. The export potential analysis and the associated trends presented in this section is based on the International Trade Centre (ITC) Market potential mapping. This section looks at the Partner States' strategic priorities, which are the core themes on which the EAC EPS value proposition is built, with a view to formulate the EPS's Strategic Interventions.

2.5.1 Burundi

2.5.1.1 Burundi trade profile

The EAC Trade and Investment report 2018 reports a 7.5% increase in Burundi's total trade in 2018, from US\$ 905.5 in 2017 to US\$ 973.7 million. Domestic exports from Burundi increased by 14.5% in 2018 to US\$ 165.5 million from US\$ 144.6% in 2017, mainly due to a 31.5 percent and 2.9 percent increase in coffee and tea exports respectively. Whilst total trade contracted, intra-regional trade declined in 2018 by 7.1 percent to US\$ 150.9 million from US\$ 162.6 Million. The decline can be attributed to a fall in the volume of imports of medicaments and petroleum oils. Burundi's exports consist primarily of coffee and tea, which are commodities that are highly dependent on world prices but also subject to the fluctuation of harvests. Gold is another export commodity in Burundi.

Burundi's key trading partners were the EAC, European Union, United Arab Emirates and China. Total trade with the EAC amounted to USD 150.9 million in 2018 down from US\$ 162.6 million in 2017 and accounted for 15.5 percent of total trade. Burundi's imports from the EAC were dominated by maize and cement from Tanzania while exports to EAC were especially coffee exported to Kenya and Uganda.

Trade with European Union amounted to USD 143.9 million and accounted for 14.8 percent of total trade while trade with United Arab Emirates amounted to USD 131.2 million, about 13.5 percent of total trade over the year 2018. Other notable trade partners in 2018 included the COMESA Partner States. Overall, Burundi's trade balance remains in deficit. During the period under review, deficit deteriorated by 1.1 percent to USD 613.3 million in 2018 from USD 606.5 in 2017.

Table 16: Burundi - Trade performance

Export Data	2017	2018	%
Total trade (US\$ million)	905.5	973.7	7.5
Intra EAC total trade (US\$ million)	162.6	150.9	-7.1
Intra EAC trade (% of total trade)	?	15.5	?
Domestic exports (US\$ million)	144.6	165.5	14.5
Re-export (US\$ million)	4.9	14.7	8.1
Total exports (US\$ million)	149.5	180.2	20.5
Intra-EAC total exports (US\$ million)	11.5	16.6	43.6
Export to EU (% of total exports)	?	?	?
Intra-EAC exports (% of total exports)	11.5	16.6	43.6
Burundi trade balance (US\$ million)	606.5	613.3	1.1

Burundi trade balance (US\$ million) with EAC Partners	151.0	134.3	-11.0
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Source: Trade and Investment report 2018

Burundi's trade and export profile are presented in the tables and charts in Annexe 6: Burundi Trade Profile)

2.5.1.2 Burundi Export Related Challenges

- Weak business and trade promotion apex agencies with limited capacity to develop evidence-based trade positions;
- Low products and markets diversification and limited capacity to penetrate new lucrative niche markets;
- High prevalence of NTBs, especially at the regional level which exacerbate Burundi's high trade costs due;
- Trade policy formulation and analysis constrained by lack of reliable trade and industrial statistics;
- Substantial supply-side constraints arising from under-developed, underperforming trade infrastructure including unreliable energy supply and road networks;
- The CFCIB (Chamber of Commerce) faces capacity challenges (mainly financial and technical) that hinder its functions to lead and represent the private sector in important trade policy analyses and negotiations to argue for the businesses cases.
- High costs of the raw materials and high transport costs of transport, couple with its geographical isolation, hinders export competitiveness;
- High cost of energy and utilities hinder enterprise productivity;
- Limited access to product design and export trends;
- Access to trade finance tool is limited and expensive due to the high risk associated with exports.

2.5.1.3 Burundi Trade Potential

A mapping exercise carried out by ITC in 2018 indicates that Burundi's export basket remains limited (Annexe 7a: Burundi's Product Potential Mapping 2018)

ITC export potential map (2018) shows the products with greatest export potential from Burundi to the world are Coffee, not roasted, not decaffeinated, Black tea of packing's >3kg, and Beer made from malt. Black tea of packing's >3kg shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$6.1 million.

The products with greatest export potential from Burundi to East Africa are Soap & organic surface-active products for toilet use, Beer made from malt and Black tea of packing's >3kg. Beer made from malt shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$1.6 million.

The markets with greatest potential for Burundi's exports of all products are Pakistan, Democratic Republic of Congo and Germany. Oman shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$2.1 million. The products with greatest export potential from Burundi to Oman are Coffee, not roasted, not decaffeinated, Black tea of packing's >3kg, and Beer made from malt. Coffee, not roasted, not decaffeinated shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$1.6 million. Furthermore, Burundi has the highest supply capacity in Black tea in packing's of >3kg. Coffee, not roasted, not decaffeinated is the product that faces the strongest demand potential in Oman.

Figure 18: Burundi Product Potential Gap Chart (Export products with highest untapped potential)



2.5.1.4 Burundi's strategic priorities

- Improving the business climate and diversifying exports, notably introducing more intensive systems of agricultural production;
- Professionalisation of producers and the development of private initiatives, and the building of management and sustainable development capacity in the agricultural sector especially concerning non-traditional export products;
- The Government of Burundi regards trade as an important vehicle to deliver its strategy for development, employment promotion and poverty reduction;
- Boosting Intra-regional trade is one of the country's top priorities with a focus on linkages with DRC and Central Africa.

2.5.2 Kenya

2.5.2.1 Kenya trade profile

Kenya's total trade increased by 4.4 percent to USD23.4 billion in 2018 from USD22.4 billion in 2017. The increase in total trade was attributed to increase in both imports and exports during the year. China, EU, India, EAC and COMESA remained Kenya's leading trading partners during the review period. Kenya's total trade with COMESA during the year decreased by 4.7 percent to USD1.2 billion in 2018 from USD1.3 billion in 2017. At the same time, trade with EAC increased by 4.7 percent to USD 1.9 billion in 2018 from USD1.8 billion in 2017. This signifies increasing trade with EAC partners compared to trade with other integration blocs. Kenya's total import bill rose by 4.1 percent from USD 16.7 billion in 2017 to USD 17.4 billion in 2018. Total export earnings rose by 5.3 percent from USD 5.7 billion in 2017 to 6.1 billion in 2018. The continued increase in imports relative to total exports resulted to worsening of the trade deficit from USD 10.9 billion in 2017 to 11.3 billion in 2018. Kenya enjoys preferential market access to the EU, which absorbs 18%⁴⁷ of Kenya's total exports, under the EAC EU Economic Partnership Agreement (EPA). The EPA plays a key role in Kenya trade export-led growth, even more so as the country is a non-LDC (least developed country). Kenya export market structure is relatively concentrated and in need of diversification⁴⁸. It is to be noted that over 70% of Kenya's total exports are destined to 12 countries globally. Kenya has been experiencing declines and market losses in key traditional markets.

Key export commodities include tea, cut flowers, coffee, titanium, essential oils, textile & apparels, tobacco & tobacco products, while the main imports consist mainly of petroleum oils, capital goods, food products and chemical fertilisers⁴⁹.

The Kenyan presence in the Region is strong as the country actively promotes and conducts trade with its neighbours, including war-torn Somalia. Kenya's exports to other EAC Partner States are largely dominated by Uganda and Tanzania while trade with Rwanda and Burundi remains limited. Kenya is by far the largest exporter in the Region, with total intra-EAC trade amounting to US\$ 1.9 billion in 2018 compared to 1.8 billion in 2017. Kenya's trade with Partner States increased by 4.1%. These main trends in Kenya's exports profile are captured in the tables and charts in (Annexe 8: Kenya Trade Profile).

Table 17: Kenya - Trade performance

Indicators	2017	2018	%
Total trade (US\$ billion)	22.4	23.4	4.4
Intra-EAC total trade (US\$ billion)	1862.3	1950.3	4.7
Intra-EAC Trade (% of total trade)			
Domestic exports (US\$ billion)	5.1	5.3	4.2
Re-Export ⁵⁰ (US\$ million)	614.2	705.5	14.9
Total exports (US\$ billion) ⁵¹	5.7	6.1	5.3
Intra-EAC total export (US\$ million)	1272.5	1273.8	0.1
Intra-EAC exports (% of total exports)			

⁴⁷ Kenya is signatory to the EAC EU EPA which allows Kenya as a non LDC DFQF market access into the EU

⁴⁸ EAC Trade and Investment Report 2018

⁴⁹ The National Export Development and Promotion Strategy for Kenya (NESDP)

⁵⁰ The increase was mainly in the re-exports of petroleum products which grew by 11.2% in 2018.

⁵¹ The worsening trade balance was attributed to increasing imports relative to exports.

Export to EU (% of total exports)	19.3%	18.1%	-1%
Kenya trade balance (US\$ billion)	10.9	11.3	-
Kenya Intra EAC trade balance (US\$ million)	682.8	597.3	-12.5

Source: EAC Trade and Investment Report 2018

2.5.2.2 Kenya Export Related Challenges

- Non-tariff barriers and anti-competitive practices impact Kenyan exporters in the region. As the most competitive player in the region, Kenyan companies' face a barrage of NTBs. The issue of trust deficit amongst the Partner States, is seen as an important challenge for Kenya companies operating in the region. Trade Diplomacy is seen as essential for building trust amongst the Member States and essential for the implementation of EAC Protocols
- Kenya faces a large number of NTBs, which come in many forms but mainly as RoO and standards.
- The Ministry for Industrialisation and the Kenya Manufacturers Association Identified counterfeit goods as a growing problem in the region. This has a direct effect on safety and health issues. It is estimated that Manufacturers in the EAC region loses over \$330 million annually due to counterfeit products, and the government loses \$67 million in potential tax revenue.
- Kenya's product standards (e.g. for foods, animals and plants, among others) are not systematically recognised by other EAC Partner States.
- The proliferation of Stays of Application⁵² as a derogation to the CET is seen as a main impediment to the implementation of the Trade Protocol. It was suggested that a regional audit be carried out with a view of assessing the impact and finding a clear methodology for the application of derogations. The audit would also need to set criteria for setting derogations.
- The lack of harmonisation of Export Processing Zones and SEZ schemes across the region was identified as an important lost opportunity for Kenya, given that it has one of the most developed schemes in the region. The risk for trade circumvention was also flagged as non-member states producing in the EPZ were able to exploit tax breaks and slip back good into the markets without paying taxes, placing local firms at a disadvantage compared to their counterparts located in the EPZ. The issue of race to the bottom as the Partner States competed to undercut the other by giving generous incentives was also seen as challenge for Kenyan firms.
- Private Sector organisation are focus in major cities and fail to support smaller firms which are not centrally located, leading to a bias towards city-based businesses and SMEs in rural areas having limited access to TSI services and support. This calls for expanding the reach of PSO/TSI and for providing decentralised services delivery to the private sector.

2.5.2.3 Kenya Trade Potential

The mapping exercise carried out by ITC in 2018 indicates Kenya's export products, such as tea, coffee, cut flowers and agro-products for which it has a well-established market presence in

⁵² A "stay application" is a scheme, under which the EAC CoM can accept a new CET upon the request of a member, which essentially amounts to a temporary suspension of the EAC CET. The new rate should be published in the EAC Gazette

Europe still present important untapped export potential (Annexe 9a: Kenya Product Potential Mapping 2018)

Based on ITC export potential map (2018), the products with greatest export potential from Kenya to the world are Black tea of packing's >3kg, fresh cut flowers & buds, and Coffee, not roasted, not decaffeinated. Black tea of packing's >3kg shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$697.7 million.

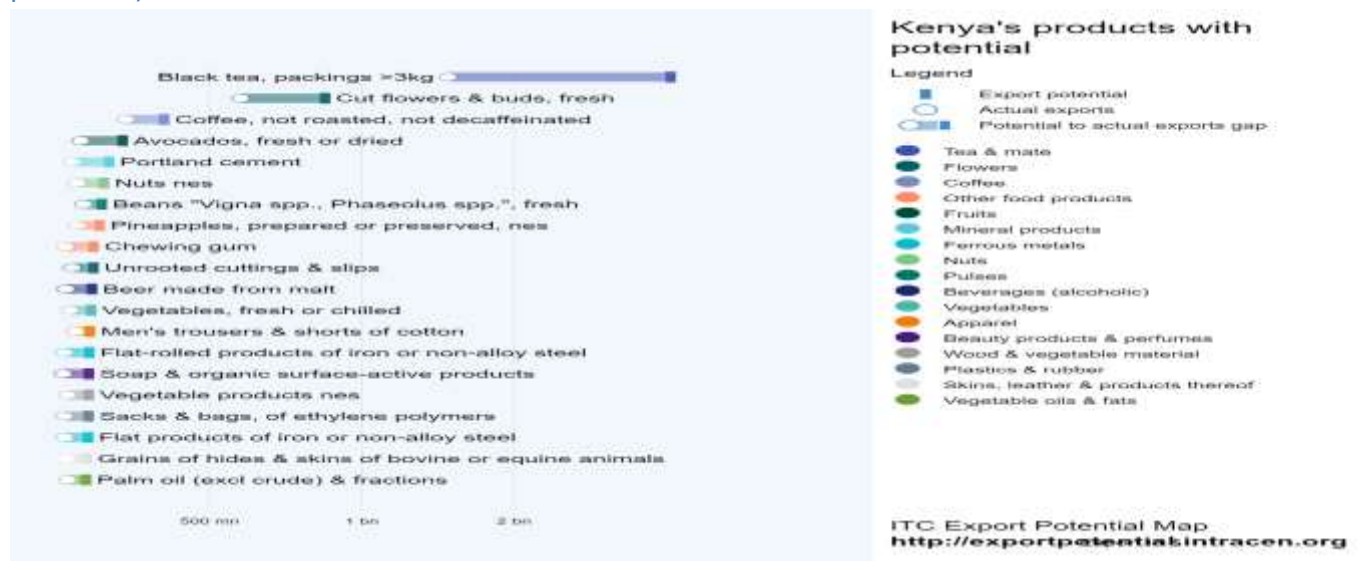
Kenya's current intra-regional exports are focused mainly on consumer goods, light manufacturing, and chemicals. Its top exports to the region are Portland cement, Black tea, chewing gum, Vegetables, Beer, soap, margarine and detergents. The products with greatest export potential from Kenya to the East African region are Portland cement, Black tea of >3kg packaging and Chewing gum. Portland cement shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth US\$ 47.6 million.

The markets with greatest potential for Kenyan exports of all products are Netherlands, United States of America and Pakistan. United States of America shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$431.6 million.

Kenya's best options for export diversification in the United States of America are Cocoa beans, Vanilla and Bananas, fresh or dried. Kenya finds Raw cane sugar easiest to reach. Made-up articles-nes is among the products that faces the strongest demand potential in the USA and for which Kenya could generate significant export revenues.

A mapping of market potential for the main export products above shows that Kenya's exports market potential lies mainly with the EU, USA and the EAC Region. Russia and Kazakhstan, East Asia, the Middle-East and North Africa make up for the bulk of new emerging markets with high unrealised potential. Breaking and deepening market penetration in these new markets will require aggressive marketing and market research with a view to understanding consumer needs. (Annexe 9b: Kenya Market Potential Mapping 2018)

Figure 19: Kenya Product Potential Gap Chart (Export products with highest untapped potential)



Source: ITC Trade Map

2.5.2.4 Kenya's strategic priorities

- Intra-regional trade is one of the main growth and development transmission channels for the Government of Kenya and figures as key element in the vision 2030, which aims to transforming Kenya into a middle-income industrialised country by 2030;
- Regional market expansion, consolidating and diversifying its products to the EU market and position itself in new EU markets.
- Engage in a three-prong approach which is focused on value addition in agro-processing, whilst expanding its industrial and services sector, and strengthen backward and forward linkages, between these 3 sectors.
- Position Kenyan firms as providers of choice for basic manufactured goods in eastern and central Africa, thus Standards, Intellectual Property Right (IPR) and issues related to counterfeit are essential to the countries industrial strategy;
- Support SMEs through government Micro Small Enterprise Authority (MSEA) given the key role which SMEs play along various value chains and their potential for value added processing.

2.5.3 Rwanda

2.5.3.1 Rwanda trade profile

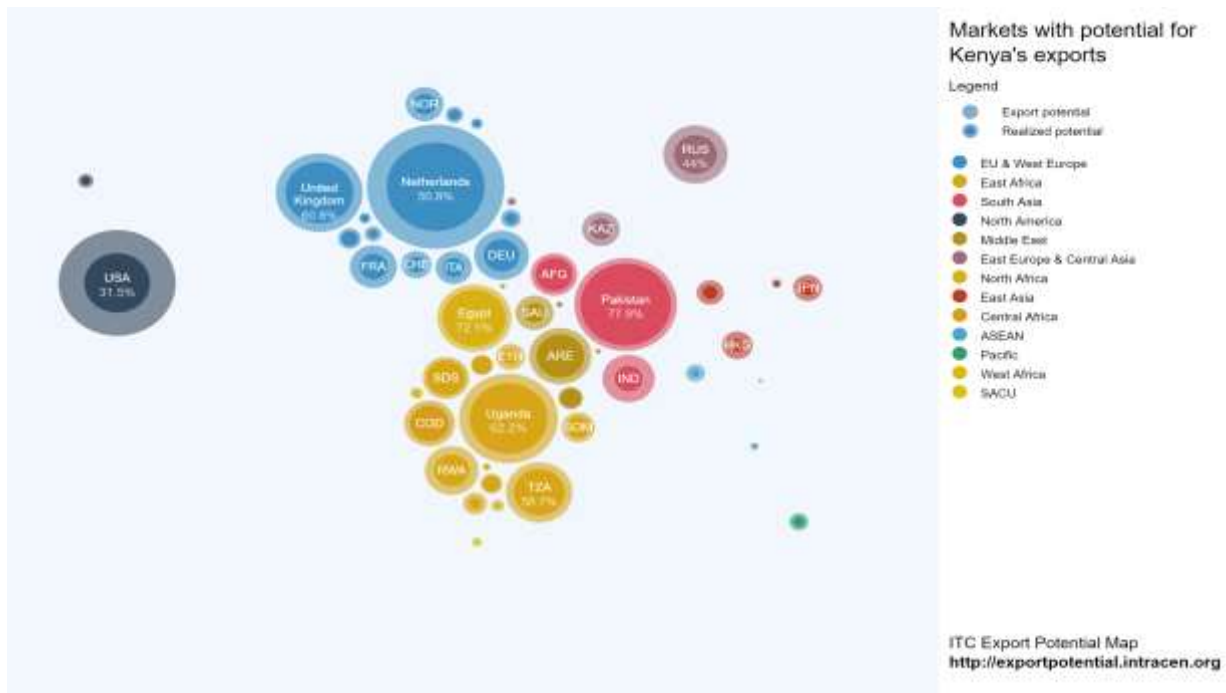
Rwanda's Total External trade increased by 2.5 percent to US\$ 3.9 billion in 2018 from USD 3.8 billion in 2017. Total trade with the EU grew by 6.9 percent to USD479.4 million from USD448.7 million in 2017. Total trade with UAE, USA and Japan declined in 2018 by 22.7 percent, 14.1 percent and 28.4 percent to USD 460.6 million, USD75.9 million and USD67.4 million respectively. Conversely, total trade with the EAC grew by 13.4 percent to USD 638.7 million in 2018 signifying the growing importance of the EAC as a major trading partner. Exports during the year increased by 7.3 percent to USD 1018.8 million and accounted for 25.5 percent of total trade; while imports amounted to USD 3.0 billion and accounted for 74.5 percent of total trade in 2018. China, EU, United Arab Emirates, Uganda and India were Rwanda's main trading partners. Total trade with China, EU, United Arab Emirates, Uganda and India amounted to USD 562.4 million, USD 479.4 million, USD 460.6 million, USD 293.7 million and USD285.2 million respectively. In 2018, trade with EU, Uganda and China increased while trade with United Arab Emirates and India decreased. Overall, the trade deficit decreased by 2.1 percent to USD 1.9 billion in 2018, from USD 2.0 billion in 2017. This decrease in the trade deficit was attributed to a slight increase of 0.9 percent in imports and a higher increase in exports of 7.3 percent in 2018⁵³.

Rwanda's exports remain concentrated in a few key commodities, including coffee, tea, ores, pearls, precious or semi-precious stones, precious metals, products of the milling industry, and furniture, together accounting for 77.2% of its total exports⁵⁴.

The main trends in Rwanda's exports profile are captured in the tables and charts in 8

⁵³ EAC Trade and Investment Report 2018

⁵⁴Idem



Annexe 10: Rwanda Trade Profile.

Table 18: Rwanda - Trade performance

Indicators	2017	2018	%
.Total trade (US\$ billion)	23.8	3.9	2.5
Intra-EAC total trade (US\$ million)	563.2	638.7	13.4
Intra-EAC trade (% of total trade)			
Domestic exports (US\$ million) ⁵⁵	452.2	410.4	-9.3%
Re-export ⁵⁶ (US\$ million)	268.1	327.6	3.9
Total exports (US\$ million) ⁵⁷	681.5	691.1	1.4
Intra-EAC total export (US\$ million)	84.6	89.7	17.2
Export to EU (% of total export)	448.7	479.4	6.9
Intra-EAC exports (% of total export)			
Rwanda trade balance (US \$ billion)	2.0	1.9	-2.1
Rwanda trade balance with EAC Partner States (US\$ million)	-393.9	-459.4	16.6

Source: EAC Trade and Investment Report 2018

2.5.3.2 Rwanda Export Related Challenges

- High trade costs erode Rwanda's competitiveness and access to regional markets;
- Untapped cross-border trade due to inadequate border infrastructure and trade logistics, as well as limited access to trade information, i.e. product and market information;
- High-energy cost, unreliability of energy supply and high cost of utilities are key impediments to business productivity and competitiveness⁵⁸;

⁵⁵The main domestic exports include coffee, tea, ores, pearls, precious or semi-precious stones, precious metals, products of the milling industry, and furniture; which accounted for 77.18 %

⁵⁶The main re-exports products included mineral fuels, mineral oils, animal or vegetable fats and oils and cereals which together make 72.37 % of total re-export value in 2018

⁵⁷The decrease in the trade deficit was due to reduction in both imports and exports during the year.

⁵⁸Electricity and water prices, is more expensive than most of its regional neighbours

- Transport time and transport costs, as well as Rwanda's landlocked geography, significantly hampers exports;
- SMEs capacity to meet product quality requirements and complying with standards and certification requirements is low and hampers their ability to penetrate export markets;
- Rwanda exports are highly concentrated on a few volatile commodities such as like tea, coffee and minerals;
- Limited access to market information and access to market intelligence impedes firms' ability to export and penetrate new markets and develop new products;
- Weak capacity and limited network of Rwanda's commercial attachés⁵⁹ contributes to lost opportunity for expanding exports in international markets;
- Limited access to trade finance and re-risking financial tools.

2.5.3.3 Rwanda Trade Potential

A mapping exercise carried out by ITC in 2018 indicates that Rwanda's export basket remains concentrated in a few products, mainly tea and coffee, with agro-produce exported mainly at a regional level (Annexe 9b: Kenya Market Potential Mapping 2018) Signs of diversification have however been observed as the number products exported grew exponentially from 140 products exported in 2006 to 1147 in 2016.

Based on 2018 ITC export potential data, the products with greatest export potential from Rwanda to world are Coffee, not roasted, not decaffeinated, Black tea of packing's >3kg, and Whole raw hides, split raw hides & skins of bovine or equine animals. Black tea of packing's >3kg shows the largest absolute difference between potential and actual exports in value terms, with an unrealised export potential estimated to be worth US\$ \$38.0 million.

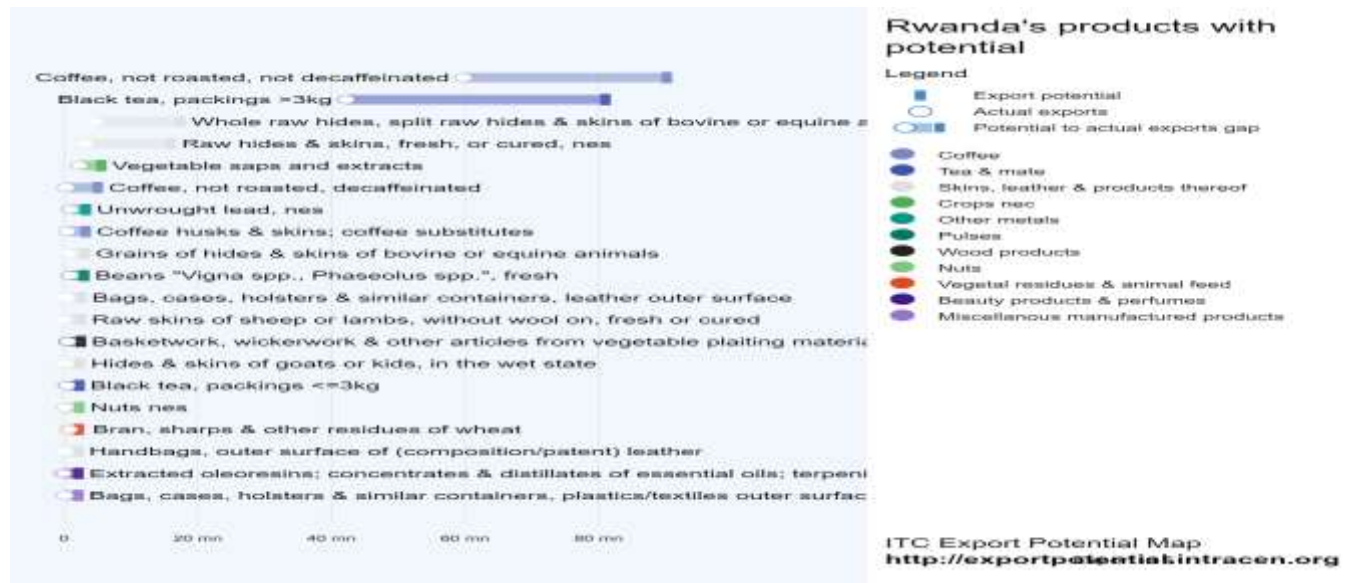
The products with greatest export potential from Rwanda to East Africa are Black tea, packing's of >3kg, Whole raw hides, split raw hides & skins of bovine or equine animals, and Raw hides & skins, fresh, or cured, nes. Black tea, packing's >3kg shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$8.7 million. Black tea is sold largely on the Kenya Tea exchange.

The markets with greatest potential for Rwanda's exports of All products are Pakistan, United States of America and Kenya. United States of America shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$14.7 million. (Annexe 11b: Rwanda Market Potential Mapping 2018).

Rwanda's best options for export diversification in the world are Cocoa beans, Vanilla and Cane molasses from sugar refining. Rwanda finds Cocoa beans easiest to reach. Palm oil (excl crude) & fractions is the product that faces the strongest demand potential in World and for which the country could generate significant export revenues.

⁵⁹ Rwanda currently has commercial Attachés in Mumbai, China and Canada

Figure 20: Rwanda Product Potential Gap Chart (export products with highest untapped potential)



Source: ITC Trade Map 2019

2.5.3.4 Rwanda's strategic priorities

- Given the small size of the domestic market, export-led growth is central to the Government growth strategy;
- Tourism and ICT are priority service sectors of the Economy, which is expected to fuel the country's GDP growth;
- Developing exports of high value horticulture e.g. chilies, green beans, snow peas, avocado, passion fruit, baby banana, eggplant, etc. for EU and Middle East markets;
- The EU and the EAC remain the main strategic destinations, based on proximity and the latter on historical ties and its current architecture of preferential arrangements;
- Develop new market linkages with Asia and middle east;
- Cross border trade with DRC is of strategic importance linking Rwanda with central French speaking Africa;
- As a landlocked cross border trade is critical to boosting intra-regional trade, and formalising informal trade is a priority for boosting regional exports;
- Coordinate its trade liberalization strategies and its export-led strategies with complementary policies to ensure sustainable and equitable growth;
- Consolidating and expanding SEZs aimed at increasing domestic and foreign investment towards export growth and diversification.

2.5.4 United Republic of Tanzania

2.5.4.1 Tanzania trade profile

Tanzania's total trade increased by 2.6 percent to USD 12.4 billion in 2018, from USD 12.1 billion in 2017. The increase in total trade was largely attributed to an increase in merchandise

imports by 9.8 percent relative to a decline of 10.2 percent in export of goods. India, China, South Africa, Kenya and UAE continued to be the main Tanzania's trading partners. An overall trade deficit widening by 34.8 percent to US\$ 4.6 billion in 2018 from US\$ 3.4 billion recorded in 2017. This development is consistent with the decline of exports earnings during the period under review.

Tanzania's imports increased by 9.8 percent to US\$ 8.5 billion in 2018, from US\$ 7.8 billion, with all import categories recording increases except for food and food stuff⁶⁰. The increase in import bill specifically for capital goods (transport equipment, and building and construction) was associated with the ongoing infrastructural development in the country, including construction of standard gauge railway, roads and bridges; airports, and ports. China, India and United Arab Emirates remained the Tanzania's main import source countries accounting for 20.7 percent, 14.3 percent and 10.2 percent, respectively. Tanzania's imports from China included tyres, tractors, motorcycles and flat rolled products of iron, while those from India were mostly petroleum products, pharmaceuticals and vehicles and from UAE mostly sourced petroleum products and plastic items. Other equally important sources of imports were SADC and EU regions.

On the other hand, Tanzania's domestic exports declined by 10.2 percent to US\$ 3.9 billion in 2018, from US\$ 4.3 billion recorded in 2017. The decline in exports was largely explained by decrease in export values of the traditional exports particularly cashew nuts, tea, and cloves⁶¹ export value of tea and cloves also decline⁶². During the period under review, India, South Africa, Switzerland, Belgium and Kenya were the leading destinations for Tanzania's domestic exports. Region-wise, majority of exports went to EU, SADC (mostly to South Africa) and COMESA. Major items exported include gold, tobacco, coffee, cashew nuts, pigeon peas, fish and horticulture products.

Tanzania's total trade with other EAC Partner States in 2018 increased by 14.6 percent to US\$ 811.3 million, from US\$ 707.7 million recorded in 2017. However, Tanzania's trade balance with EAC Partner States remained a surplus amounting to US\$ 205.8 million, down from US\$ 221.4 million recorded in 2017. The development was mainly driven by increase in imports that outweighed the impact of the increase in exports. During the period under review, Tanzania recorded a trade surplus with all EAC Partner States except Kenya.

Table 19: Tanzania - Trade performance

Indicators	2017	2018	%
Total trade (US\$ billion)	12.1	12.4	2.6
Intra-EAC total trade (US\$ million)	707.7	811.3	14.6

⁶⁰ Importation of food and food stuff declined substantially on account of food availability across the country following good harvest during 2017/18 food crop-season

⁶¹ The low performance of raw cashew nuts exports is associated to delays in exporting the crop following government intervention to safeguard farmers from getting lower prices and decision to add value by processing the crop locally

⁶² the decline in export values of tea and cloves was on account of low prices in the world market.

Intra-EAC trade (% of total trade)	5.84%	6.54%	
Domestic exports (US\$ million)	4.3	3.9	-10.2
Re-export (US\$ million)	129.2	186.7	44.5
Total exports (US\$ million)	133.5	190.6	
Intra-EAC total export (US\$ million)	430.5	448.6	4.2
Export to EU (% of total export)			
Intra-EAC exports (% of total export)			
Tanzania trade balance (US \$ billion)	3.4	4.6	34.8
Tanzania trade balance with EAC Partner States (US\$ million)	221.4	205.8	7.0

Source: EAC Trade and Investment Report 2018

2.5.4.2 Tanzania Export Related Challenges

- Low capacities of producers to meet high standards/SPS measures and pay for standards and SPS testing and certification in both regional and international markets;
- Weak business environment which include:
 - (i) Limited access to long-term credit for SMEs - credit is easily available to a few high value borrowers, often large companies with large stocks of real assets; SMEs face some of the highest interest rates;
 - (ii) Limited skills and managerial capacities;
 - (iii) Cumbersome and costly legal and regulatory framework;
 - (iv) Unreliable and expensive utilities;
- The Export Processing Zones (EPZ) and SEZ do not function effectively due to inadequate physical infrastructure, unreliable and expensive energy and water utilities, limited availability of skilled labour force and inadequate resources to operate the EPZ operations
- Tanzania faces significant trade facilitation challenges which impact trade cost and its competitiveness:
 - Institutional capacity weaknesses border management, customs, etc.
 - Procedural and policy weaknesses related to trade clearance (affected areas include Customs, SPS and bio-security conformity assessment, various licensing authorities)
 - Weak trade business environment (bribes, high user service charges, inter alia).
- Tanzania exports consist largely of bulk unprocessed agricultural products, this present on the one hand lost opportunities to profit from value addition, and on the other present challenges in terms of storage and transportation for small producers;
- Lack of capacity, knowledge and limited access to technology for processing and value addition;
- High cost of inputs and high import cost;
- High cost and unreliability of electricity and water;
- Limited access and high cost of trade finance.

2.5.4.3 Tanzania Trade Potential

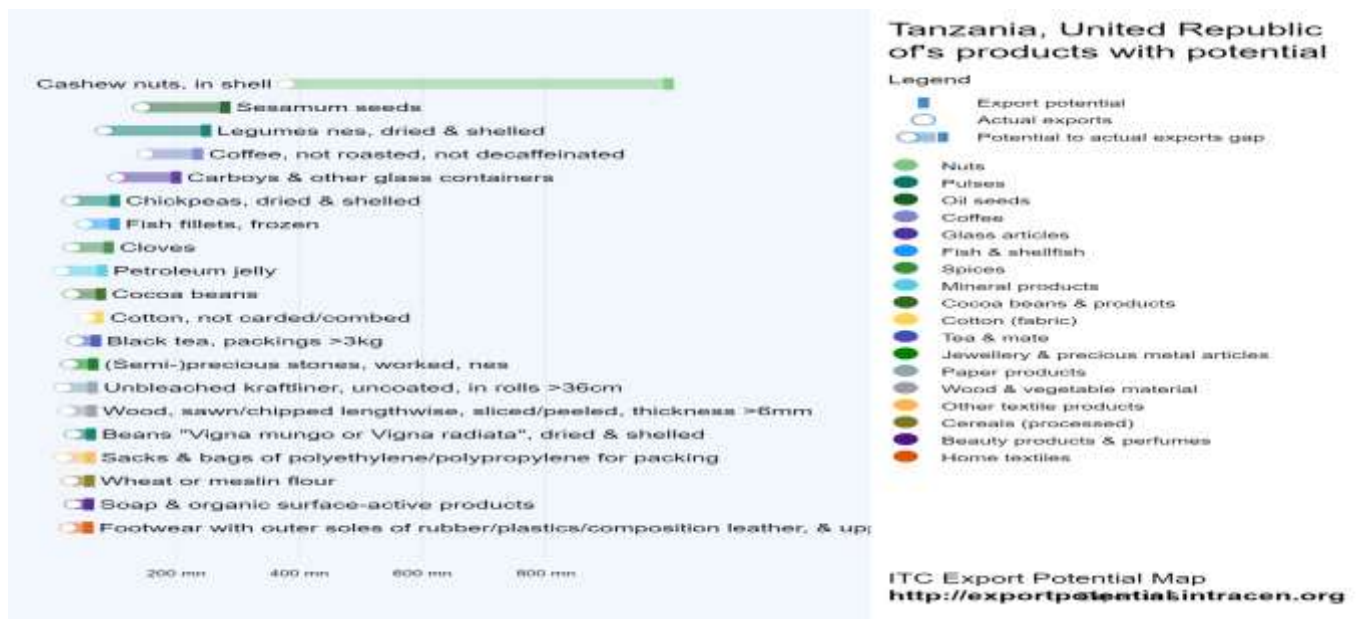
The mapping exercise carried out by ITC in 2018 shows that Tanzania's has important unrealized export potential in a number of its current exports to the SSA region. Its geographical position, bordering countries and its Indian Ocean coastline of approximately 800 km, offers a significant potential for exploring new markets, with the EAC and the broader tripartite region (Annexed 13a - Tanzania Product Potential Mapping 2018)

The products with greatest export potential from Tanzania to the world are Cashew nuts in shell, Sesamum seeds and Legumes nes, dried & shelled. Cashew nuts in shell shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$600.6 million. Tanzania best options for export diversification in the world are; raw cane sugar, Guavas, mangoes & mangosteens, fresh or dried and Flours of fish or crustaceans. Palm oil (excl crude) & fractions is the product that faces the strongest demand potential in World.

The markets with greatest potential for Tanzania exports of all products are India, Vietnam and China. India shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$494.2 million. The products with greatest export potential from Tanzania to India are Cashew nuts in shell, Legumes nes dried & shelled and Chickpeas, dried & shelled. Cashew nuts, in shell shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$322.8 million.

Considering intra-regional trade, the products with greatest export potential from Tanzania to East Africa are Carboys & other glass containers, Petroleum jelly, and Unbleached Kraft liner, uncoated, in rolls >36cm. Carboys & other glass containers shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$34.3 million. Tanzania's best options for export diversification in East Africa are raw cane sugar, Guavas, mangoes & mangosteens, fresh or dried and Palm oil (excl crude) & fractions. Tanzania would find raw cane sugar easiest to reach. Cane or beet sugar & chemically pure sucrose are among the products that face the strongest demand potential in East Africa.

Figure 21: Tanzania Product Potential Gap Chart (export products with highest untapped potential)



2.5.4.4 Tanzania's strategic priorities

- Diversification of exports through value added manufacturing exports in particular in agro-processing and light manufacturing, with particular focus on:
 - (i) Diversify national production and export basket by developing the country domestic production and linkages;
 - (ii) Focus on diversifying products similar to those it is currently producing and exporting, i.e. resource-based, and whose production require a similar endowment of industrial capabilities;
 - (iii) Boost the development of different high-potential agro-industries and processed food products, while increasing their quality standards and exportability;
 - (iv) Diversify in complementary products by focusing on both backward and forward linkages development.
- Market diversification, with a focus on the Middle East and Asia.
- Promote and support investment in technology intensive manufacturing and processing;
- Support MSMEs in the areas of certification and compliance and build capacity in post-harvest process, storage and packaging;
- Build exporters capacity to meet market entry requirements, by focusing on aspects of design, branding and marketing;
- Provide financial and technical support to light-manufacturing industries, as a strategy for building the country's productive and industrial base, and focus on technology transfer and promoting a learning by doing culture amongst enterprises;
- Create comparative advantage through investment, partnership and promotion of FDI in technology intensive export production.

2.5.5 Uganda

2.5.5.1 Uganda trade profile

Overall, Uganda has witnessed an important trend towards export diversification, almost doubling the number exported products over the past decade, from 394 in 2006 to 2172 in 2018. The 2018 EAC Trade and Investment report indicates that Uganda's total trade increased by 15.3 percent in 2018 compared to US\$ 8.5 in 2017, however overall, Uganda continued to experience a trade deficit. The trade deficit widened to US\$ 3.6 billion in 2018, from US\$ 2.7 billion registered in 2017. The increase in trade deficit with the rest of world can be attributed to a 20.3 percent increase in imports in formal imports mainly capital and consumer goods due to high demand in the extractives and private sectors during 2018.

Uganda exported more to EAC than any other trading bloc showing the regions increased importance for Uganda's industrial development. Uganda's intra-regional exports increased by 11.4 percent to USD 1,254.5 million in 2018 from USD 1,126.3 million in 2017. Most of the goods were finished manufactured goods reflecting the country's growing industrial base in manufactured goods but agricultural products also contributed a substantial amount to export earnings. The key agricultural products exports were sugar, bean and maize reflecting a growing agro-processing sector in the country. However, Ugandan exports are still largely dominated by coffee, fish products, tea and agro-products. These main trends in Uganda's exports profile are captured in the tables and charts in Annexe 14: Uganda Trade Profile.

Table 20: Uganda - Trade performance

Export Data	2017	2018	%
Total trade (US\$ billion)	8.5	9.8	15.3
Intra EAC total trade (US\$ million)	1126	1254.5	11.4
Intra EAC trade (% of total trade)			
Domestic Exports (US\$ billion)	2473.5	2624.4	6.1
Re-export ⁶³ (US\$ million)	427.9	463.0	8.2
Total exports ⁶⁴ (US\$ billion)	2900.5	3087	6.43
Intra-EAC total export (US\$ million)	1126.3	1254.5	11.4
Share of intra-EAC export (% of total exports)			
Total EU exports in (US \$ million)	536.6	485.4	-9.6
Uganda's Intra EAC Trade Balance (US \$ Million)	560.8	458.2	-18.3
Uganda's Trade Balance (US \$ billion)	2.7	3.6	-33.33

Source: EAC Trade and Investment Report 2018

2.5.5.2 Uganda Export related Challenges

- Low utilisation of preferences and inability to capture greater export market share is attributed to:
 - (i) limited capacity to implement trade agreement (institutional level);
 - (ii) limited capacity of private sector to produce the right product and the right price, right quality and ensure reliable and consistent supply and overall low capacity for undertaking value addition;

⁶³Telephone, petroleum, sugar and confectionary, rice, animal and vegetable fats and oil

⁶⁴ Exports remained the same due to the decline of price of key commodities such as coffee, cotton and tobacco. Total Exports include Domestic and Foreign Exports (i.e. Re-exports)

(iii) lack of market and product information was seen as a major challenge for exporting firms;

(iv) Limited number of export ready firms able to export regionally and internationally.

- Products losing identity, as they cross borders due to porous borders and weak administration and control of certificate of origin, leading to trade deflection.
- Three major export constraints were identified as (i) standards, (ii) exchange rate and (iii) SPS issues. In 2014, the Government of Uganda (GoU) placed a Temporary Ban on capsicum exports to EU; this was a self-imposed ban to help the industry comply with EU SPS requirements;
- Uganda horticulture sector (main export sector to the EU) faces a number of challenges with respect to reliability of phytosanitary certification and in meeting and conforming to specified import requirements⁶⁵;
- Weak Intra-regional exports at borders requiring more focus on decentralisation of export promotion activities at border posts and wider district level;
- Lack of complementarity between the previous EAC EPS and Uganda's export promotion strategy and other key sectoral strategies, thus the need to synchronise these various strategic tools.
- Limited trade financing tools and an over reliance s on traditional tools such as credit lines, which are not most conducive in a dynamic export environment;
- Need to make fairs more effective and focused.

2.5.5.3 Uganda Trade Potential

ITC's mapping exercise carried out in 2018 indicates that Uganda has an important unrealized export potential in some of its top agricultural and non-agricultural export products such as maize (77% in SSA) and coco beans (59% OECD). Coffee exports seem well positioned in OECD markets (Annexe 15a: Uganda Product Potential Mapping 2018).

The products with greatest export potential from Uganda to the world are Coffee, not roasted, not decaffeinated, Cane or beet sugar & chemically pure sucrose, and Maize seed for sowing. Coffee, not roasted, not decaffeinated shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$158.8 million. Coffee is also the product that faces the strongest demand potential globally.

Uganda's best options for export diversification in world trade are Cashew nuts in shell, Cashew nuts, shelled and Cloves. Uganda finds Cashew nuts in shell easiest to reach. Crude palm oil is the product that faces the strongest demand potential in World. The markets with greatest potential for Uganda's exports of All products are Kenya, United Arab Emirates and Rwanda. United Arab Emirates shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$202.9 million.

⁶⁵In 2014 and 2015, EU notified the GoU of traces of live insects and chemicals in its key commodities, i.e. flowers and capsicum. The issue is that intermediaries fail to follow traceability system and instead just buy commodities from any farmer. GoU has imposed voluntary bans and intends to deregister the companies, which do not comply with the EU Phytosanitary safety standards

The products with greatest export potential from Uganda to United Arab Emirates are; Cane or beet sugar & chemically pure sucrose, Gold semi-manufactured for non-monetary purposes and Bars & rods of iron or non-alloy steel. Cane or beet sugar & chemically pure sucrose shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$30.8 million.

The products with greatest export potential from Uganda to East Africa are Maize seed for sowing, Cane or beet sugar & chemically pure sucrose, and Beans "Vigna & Phaseolus" nes, dried & shelled. Maize seed for sowing shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$69.3 million.

Uganda's best options for export diversification in East Africa are Crude palm oil, Cane molasses from sugar refining and Cloves. Uganda finds Cloves easiest to reach. Soap & organic surface-active products for toilet use are among the products that face the strongest demand potential in East Africa.

Figure 22: Uganda Product Potential Gap Chart (Export products with highest untapped potential)



Source: ITC Trade Map 2019

Uganda export strategy should therefore focus on expansion products which have 'realized' strong export potential, into new markets, coupled with exploring new products penetration in existing markets. For example, expanding exports of coco beans in stable coffee markets, and consolidating its maize, beans and rice exports in the wider sub-regional markets.

2.5.5.4 Uganda's strategic priorities

- Regional integration, boosting competitiveness along the value chains
- Agro-processing and export and industrial expansion are key priorities of the government;
- Uganda's trading interest lies within the broader region (South Soudan), COMESA and EAC region and internationally with the EU (the EU emerged as Uganda's second trading partner). Looking at consolidating existing products and existing markets for next 5 years;
- The Private Sector is a main driver for growth. However, based on preliminary consultations there may be a need to build stronger alliance for ensuring closer alignment of interest;
- Three trade agreements critical to Uganda are the EAC CU Protocol, CM protocol and EAC-EU EPA.

Strategic Objectives of the Uganda Export Promotion Board (UEPB):

- To strengthen efforts to increase Uganda exports of goods and services in strategic markets
- To improve and promote an efficient and effective export market information services delivery system.

UEPB is expected to deliver better services to private sector with a view to:

- Increasing production for exports and increased number of exporters
- Increasing export marketing and promotion of value added products
- Enhancing efficient and effective client-focused service delivery system by focusing on linking the services to the users

PART 3 - EAC EXPORT PROMOTION STRATEGY 2020-2025

CHAPTER I - THE CASE FOR THE DEVELOPMENT OF THE EAC EPS 2020-2025

One of the drivers of economic transformation in the EAC region has been the Partner States export-led strategies and policies. In order to boost the exports, EAC Partner States are engaged in a number of export promotion policies and strategies, and the EAC Secretariat has over the years provided support to the Partner States through the EAC Export Promotion Strategy (EPS), value chain studies and other forms of promotion initiatives such as regional fairs, etc. Partner States have put in place Export Processing Zones (EPZ) and Special Economic Zones (SEZ), as well as support institutions such as the Export Promotion Councils, accompanied by a host of export-led policies and strategies as discussed in Part 2 - Situational Analysis.

Whilst the trend in terms of export development in the EAC region has been positive and Partner States are making significant progress in deepening regional and international trade integration, the regional integration agenda is far from being achieved. Taking a long run view of the EAC Exports shows an overall upward trend with fluctuations linked mainly to the volatility in commodities exports. However, gauging the region's performance against the overall expected outcome of the 2013-2016 EPS, i.e. to reach export growth of 20% p.a. and reduce the trade deficit to 8% of GDP by 2017, the EAC has yet to meet these set objectives as export growth has fluctuated and export expansion is below the targeted 20% p.a. milestone.

Exports in the EAC face a number of key challenges, ranging from Partner States limited capacity to meet market entry requirements, market information asymmetry, capital market imperfections, to market failures in the discovery and survival of companies in innovative and new markets. The region will need to continue to expand its exports in order to sustain the region's growth and transformation required to reach the targets set in the EAC vision 2050.

The new EPS aims to consolidate gains accruing from the Customs Union and expand EAC trade within the Tripartite region, the rest of Africa and the rest of the world (RoW). The EAC EPS 2020-2025 will need to focus on adding value to the national strategies and focus on providing a strategic vision on common shared challenges. Additionally, this Strategy would need to focus on creating regional public goods to support the Partner States' national export strategies.

1.1 Challenges and Constraints of Export Expansion and Diversification in the EAC

The capacity to expand and diversify a country's export base is inextricably linked to its industrial capacity and competitiveness, which in turn is contingent on the overall quality of a country's soft and hard infrastructure. All aspects of a country from its skills base, to trade and industrial legal and institutional systems, trade and industrial policy environment, its trade related infrastructure, energy, ports and roads, all have a bearing on country's exports capacity. As such weaknesses in these areas can directly and indirectly constrain the region's capacity to expand and diversify its exports. The EAC EPS 2020-2025, complements and supports the existing industrial and trade policy/strategic frameworks in place and focuses specifically on export promotion strategies and interventions. This section therefore looks at the region's exports challenges and constraints purely from the strategic perspective of marketing and export promotion.

1.1.1 Highly concentrated export baskets

Higher level of per capita income tends to be correlated with a more diverse production structure, at least until relatively late in the development process when specialization effects begin to dominate⁶⁶. Successful export diversification requires not only entry into new export products and markets, but also the survival and growth of exporters. Dependence of export revenues on just a handful of products can create excessive short-run volatility in national income. All five Partner States have highly concentrated export baskets. In particular, food items, ores and metals and agricultural raw materials, accounted for 43 per cent, 21 per cent and 8 per cent of total EAC exports between 2013 and 2017. A large proportion of the foreign exchange earnings in the EAC depends on the limited number of products/sectors and is concentrated on a limited number of markets (Part 2, Section 2.2. Partner States Trade Profiles, Challenges, Export Potential).

1.1.2 Difficulties meeting market entry requirements

The capacity for exporters to meet market entry requirements continues to be a major obstacle to a deeper integration of Partner States in international trade, which are often associated with NTMs, as well as quality and compliance issues⁶⁷. In particular, meeting and understanding export market requirements in terms of design, functionalities, consumer taste and idiosyncrasies, i.e. all factors essential to moving up the value addition ladder, appears to be challenging for exporters and potential exporters within the Region.

Market information asymmetry in terms of access to timely information, both in national and international markets, affects firms' profitability even if the production is efficient. In this case, rather than export or production subsidies, recommended policies involve public information provision. Other important market information such as the identification of potential buyers and retail networks and the assessments of their reliability, trustworthiness and capabilities, is critical for efficient market penetration but appears to be a costly and time-consuming process for private firms⁶⁸. Provision of market intelligence by a public entity such as the EAC Secretariat would greatly support firms in their market penetration efforts. While the publishing of information is a pre-requisite, a particular attention should also be paid to the dissemination of the information on those market requirements within the EAC.

Capital market imperfections in terms of the cost of and access to finance continue to be important barriers to exporters in the Region. To date, there are few specialized trade finance instruments at national level (e.g. Rwanda Export Growth Fund to Ease Access to Finance for Exporters). A number of regional projects and programs are available through EXIM banks as well as through the Eastern and Southern African Trade and Development Bank, commonly known as PTA Bank. Whilst these banks offer a broad range of products and services, across both the private and public sectors, including debt, equity and quasi-equity as well as guarantees, access to these instruments remains limited, especially for small and medium-sized

⁶⁶ Imbs, J. and R. Wacziarg (2003), 'Stages of Diversification', American Economic Review.

⁶⁷ UNCTAD background note on Market Access, Market Entry and Competitiveness, Geneva 2004

⁶⁸ Rangan, Subramanian and Robert Lawrence, 1999, 'Search and Deliberation in International Exchange: Learning from International Trade about Lags, Distance Effects, and Home Bias', NBER Working Paper, 7012.

enterprises (SMEs). Information on trade finance initiatives is limited, as well as knowledge on how to harness trade finance options. There is also lack of innovative financing schemes such as direct support grants, impact and Angel investors, crowdfunding, social capital instruments. Thus, strengthening capacity of banking sector as well as Business Support Organisations (BSO), and equity funding agencies on designing, managing and harnessing trade finance options is a priority for EAC Export Promotion. The EAC EPS 2020-2025 focuses on interventions aimed at subsidizing credit and facilitating information transmission and providing credit insurance from a regional perspective.

Market failures in the discovery and survival phases limit EAC firms' investment in innovation and exploration of new markets and new products. Empirical evidence shows that success in exporting a product for the first time (from a given country) generates valuable information on the structure of foreign demand and production costs, in turn leading to an 'imitation' effect, that is the ability for other firms to benefit from the market information collected. While imitation has a positive social benefit, it can also reduce the returns to the first movers, who, in the case of within-the-frontier discoveries, cannot be protected by intellectual property rights. The result is a tendency to underinvest in innovation⁶⁹ and for firms to export similar products. One of the common problems raised during the country consultations was that the five Partner States have very similar product mixes, resulting in very high competition amongst EAC firms, trying to export similar commodities in similar markets.

The lack of 'product discovery' as firms are deterred to invest in costly initiatives to develop new products and new markets. In this case, public efforts to improve access to information about technologies and markets, as well as subsidies and investment in upstream innovation capacities, can assist firms in the process.

The following support has the effect of potentially reducing the risk and cost for innovation:

- a. Improving information transparency, which is particularly important for new exporters, who typically encounter discrimination in the provision of public support for exporting;
- b. Reducing the cost of experimentation through strengthening the national innovation system, including business incubators, technology parks for more mature firms, technology support services (although the quality of many existing service providers is low), and stronger linkages between research centres and enterprises;
- c. Improving the supply of financial services to innovative firms. Such financial services may include business-angel networks, provision of mixed debt and equity financing, as well as government support in facilitating access to bank financing for risky ventures, such as innovation-oriented credit guarantee schemes and assistance to small firms in dealing with commercial banks;
- d. Addressing coordination failures through clusters and networks, including encouraging local producers to link into international supply chains and making use of the diaspora;
- e. Emphasizing new activities, targeting market failures, subsidizing activities presenting

⁶⁹R. Newfarmer, W. Shaw, and P. Walkenhorst, 2015, 'Breaking into new markets: emerging lessons for export diversification', World Bank

significant spillovers effects, incorporating sunset clauses for all subsidy activities, rewarding rather than picking winners, or ‘champions’, and bundling support (R&D, product development, design, management process, and upscaling to marketing).

Another problem faced by EAC firms is the *‘high death rates’ in new markets*. This is often attributed to the fact that the costs of securing long-term export contracts are substantial when compared to the costs of “testing the waters”. Hence, the low survival rate of new export activities may result from the high costs of obtaining information and uncertainties concerning order size and reliability of buyer’s networks. Support at early stage is essential to ensure that exporters who are breaking into new markets penetrate and maintain a presence in the new markets. Export promotion agencies and commercial attachés can play a significant role in assisting firms identify and reaching third-country markets. The high-income countries have for decades used embassies to expand exports into new markets. The use of EAC embassies and commercial attachés need to be strengthened through sharing of information, networking and promotion of joint EAC market exploration initiatives.

The above sets of constraints have an important bearing on the competitiveness of enterprises to meet today's global market requirements for economy of scale, quality, value addition and price requirements.

Based on the assessment of the Partner States identified challenges (Part 2, Section 2.5), Table 26 below also summarises the main problems faced by the EAC Partner States when exporting. It includes the 12 most problematic factors for exporters in the EAC region, in order to identify mutual problematic factors. The table includes highlighted in red the top 5 problematic factors for each member state.

Table 21: Most problematic factors to export

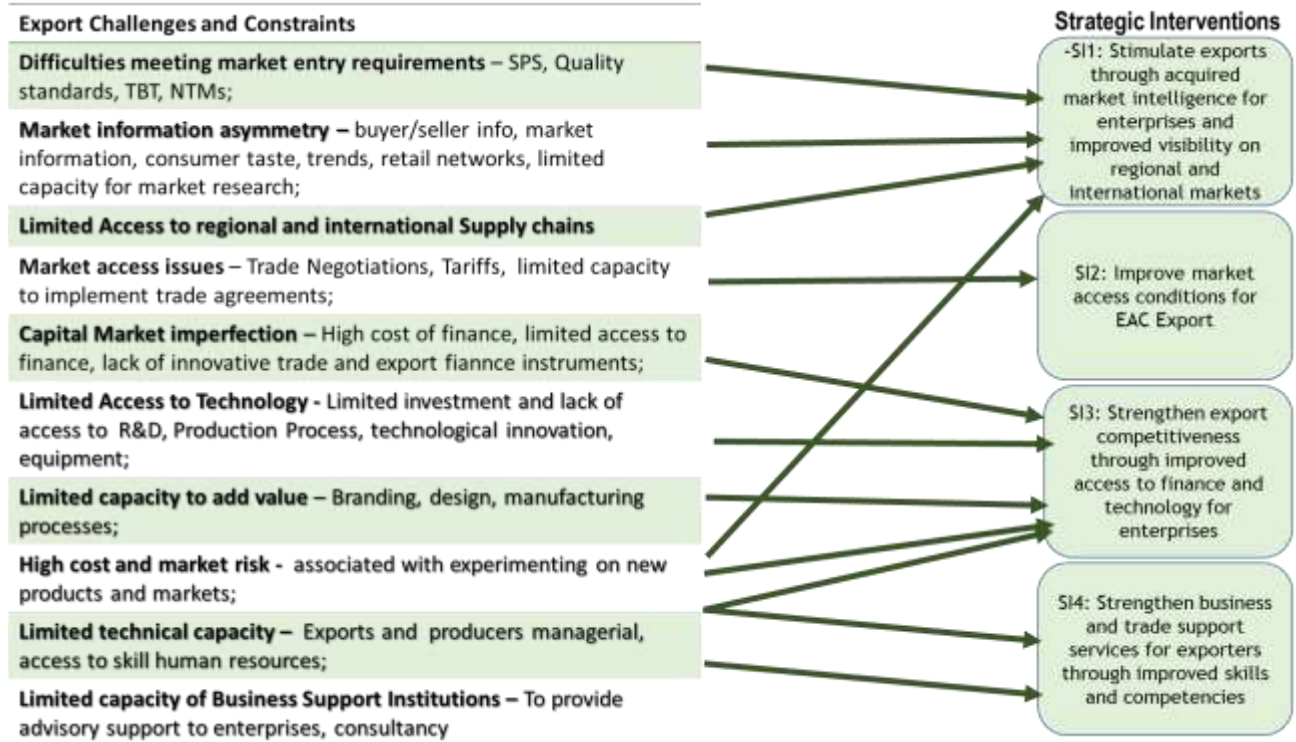
Problematic factors	Kenya	Uganda	Tanzania	Rwanda	Burundi
Access to trade finance	11.5	8.3	13.4	13.6	22.5
Identifying potential markets and buyers	11.4	14.4	15.1	13.5	12.5
Access to imported inputs at competitive prices	7.0	3.9	5.0	9.2	12.4
Difficulties in meeting quality/quantity requirements of buyers	13.2	16.7	14.0	11.0	11.0
Inappropriate production technology and skills	5.6	9.1	11.1	12.3	8.4
High cost or delays caused by international transportation	4.7	6.2	3.3	13.0	8.4
High cost or delays caused by domestic transportation	8.9	8.7	7.9	3.9	7.8
Corruption at foreign borders	8.0	3.8	4.7	3.6	5.2
Burdensome procedures at foreign borders	7.5	5.6	4.8	4.3	3.8
Technical requirements and standards abroad	7.8	8.9	8.8	6.9	3.7
Tariff barriers abroad	8.9	8.3	6.0	5.2	2.9
Rules of origin requirements abroad	4.9	6.0	5.6	3.6	1.5

Source: WEF Global Enabling Trade Report 2016 based on Source: World Economic Forum, Executive Opinion Survey 2015

In the face of such challenges, EAC Partner States need to choose an appropriate export development strategy and policy response to help mitigate these challenges. In order to

mitigate the export challenges faced by the EAC Partner States, four priority strategic interventions are proposed as below. These four Strategic Interventions aim to address the main Export Challenges identified the EAC Partner States.

Box 2 – Export Challenges and Constraints with corresponding strategic response



1.2 EPS and Complementing Strategies

Unlike the previous Export Promotion Strategies which included a broad array of interventions spanning from investment promotion, industrialisation strategies, market access negotiations, business environment, investment climate responses and various elements of behind the border supply side constraints, the 2020-2025 EAC Export Promotion focuses specifically on strategic intervention areas which target regional aspects of Export Promotion. Central to the EPS are a number of core strategies which are inextricably linked to boosting the region's export potential, these include the EAC regional and national industrial strategies, private sector development strategies, investment promotion strategies and regional and partner states transport and infrastructures strategies.

Given the cross-cutting nature of export promotion activities, the EPS is built on and complements the existing trade related strategies which are currently being implemented at regional and national level by the EAC Partner States. The diagram below depicts some of the key strategies on which the EPS is built⁷⁰.

⁷⁰ Please note that this is not an exhaustive list of strategies and policies in the region but an indicative presentation of the main strategic frameworks in the EAC.



CHAPTER II - EAC EXPORT PROMOTION STRATEGY 2020-2025, PRIORITY INTERVENTIONS

Based on the above identified challenges and priority interventions areas, the EAC Export Promotion 2020-2025 Strategic Interventions is based on the following principles:

- Work with strategic regional partners, such as EABC and national private sector apex organisations, Regional Financial Institutions, with a focus on sectoral and professional associations, as well as associations which are decentralised;
- Focus on reaching MSME and informal traders via a number of strategically chosen OSBP and Regional Integration Centres (RICs);
- Mainstream activities to Women and Youth entrepreneurs;
- Focusing on sectors with high trade potential as identified in section 2 and country Market Potential mapping⁷¹ and a selected number of value chains in line with country priorities and comparative advantage, as well as the selected value chains under the EAC Industrial Strategy;
- Complement and build on-going programmes related to trade and private sector, such as EU EAC Markup Programme, GIZ Country Strategy, USAID Support Programme, and other main development partners engaged in the area of trade and export development;
- Targets interventions at both the regional and national firms and promote the networking and collaboration of firms from Partner States from across the region, keeping in mind the subsidiarity principle;
- Provide direct support to firms through technical assistance, direct assistance grant schemes; adoption of new technology schemes;
- Mainstream private sector in all components of the Strategy
- Use calls for proposal in an effective and efficient manner for implementation of project components, making use of ongoing projects and set ups where possible;
- Add value to the existing architecture of Strategic and policy framework in place at Partner State level;
- Not overlap with national strategies and policy framework;
- Harness where possible multiplier effect with National Export Promotion Strategies;
- Ensure that the EPS 2020-2025 focuses on providing regional public goods which support and promote product and market diversification in the region.

What is a Regional Public Good?

- “Regional public good” is any good, commodity, service, system of rules or policy regime that is public in nature and that generates shared benefits for the participating countries and whose production is a result of collective action by the participating countries”
- A regional public good is a service or resources whose benefits are shared by neighbouring countries.
- The benefits of pure regional public goods are “non-rival” (one country’s consumption does not subtract from the amount available to other countries) and

⁷¹ Refer to Market Potential Mapping Annexes 5a,b, 7a,b, 9a,b, 11a,b and 13a,b

- “Non-excludable” (no country in the region can be excluded from benefiting, except at prohibitive cost).
- The production of regional public goods typically requires cross-border collective action that engages all, or most, of the members of the spillovers group.

Some of the key activities which the Partner States identified as key areas of intervention for collective action in the area of exports promotion include:

- Regional branding;
- Regional Technical Assistance Support Programmes for Exporters
- Regional Direct Support Assistance Schemes
- Regional Technology Diffusion and Innovation Schemes
- Export Readiness Support
- Regional EAC strategies for networking of commercial diplomatic officers for consolidating market intelligence and promoting national and regional products abroad;
- Regional policies and guidelines on EPZs and SEZs;
- Regional programme for transfer of know-how on export promotion experiences;
- Regional export finance instrument;
- Twinning and exchange programmes between export promotion institutions in the Region;
- Other cross-cutting issues such as traceability, regional standards, etc.

2.1 Strategic interventions

The four strategic intervention areas proposed in the EPS 2020-2025, will aim to promote and support enterprises in developing a new business model that meets the **ABC principle**: **A** for **availability** of products to meet the quantity demand consistently, **B** for **better quality** in case of food (safe, nutritious, colour, taste, texture, etc.) and **C** for **competitive price** only possible through cost effective production. The identified activities which are discussed below and presented in the Implementation Framework have been designed with this key principle in mind.

Approach: The Strategy will focus on a two-pronged approach to product and market diversification aimed at:

- (i) Improving quality of existing exports and focus on ways for existing exports to break into new geographic markets; and
- (ii) Promoting export discovery process that has the broadest impact and where support will be in the form of non-discriminatory targeted public goods.

Special provisions will also be craved in for small cross border traders and women and Youth entrepreneurs.

Overall Strategic Objective: *Build a firm foundation for transforming the East African Community into a stable, competitive and sustainable lower middle-income region by 2021.* This objective is also the overall goal of the 5th EAC Development Plan.

Strategic Objective: Sustained economic growth through inclusive and equitable diversification and expansion of intra-regional exports and exports with the rest of the world.

Strategic Priorities:

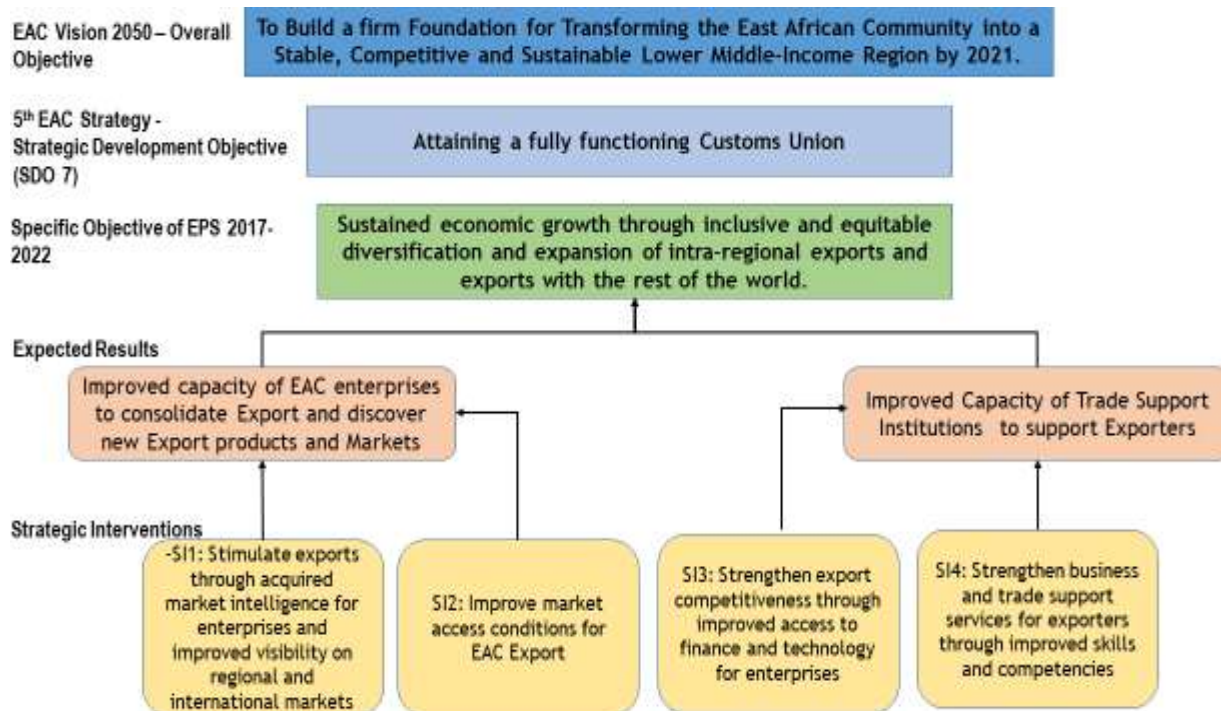
- (i) Improved capacity of EAC enterprises , which include MSMEs, Producers and Exporters to consolidate Exports and discover new Export products and Markets, and;
- (ii) Improved Capacity of Trade Support Institutions to support Exporters

Strategic Interventions: the EAC EPS 2020-2025 is built around four strategic interventions (SI) aimed at expansion and diversification of exports:

- SI1: Stimulate exports through acquired market intelligence for enterprises and improved visibility on regional and international markets¹
- SI2: Improve market access and conditions for EAC Exports
- SI3: Strengthen export competitiveness through improved access to finance and technology for enterprises¹
- SI4: Strengthen Trade Support Institutions and Partnerships

2.2 Target activities under the key Strategic Interventions

Figure 23: EAC EPS 2020-2025 Intervention Logic



Note regarding the activities foreseen under each Strategic Intervention:

A set of proposed activities is presented in section 5.5. Implementation and Monitoring Framework. These activities are indicative and will be established through consultation and planning processes, highlighted in the Governance Structure.

Strategic Intervention 1: Stimulate exports through acquired market intelligence for enterprises and improved visibility on international markets

Exporting firms, and SMEs in particular, face important hurdles in accessing market and product information, as well as high cost associated with obtaining market and product information. Under this strategic intervention, activities aim at supporting exporters to acquire market intelligence and product information, as well as support firms participate in regional and international trade fairs. More specifically, activities focus on enhancing market entry options for exporting firms through improved market intelligence, promoting business to business networking and targeted export promotion strategies.

Expected results under this strategic intervention include:

- The collection, analysis and dissemination of trade information is enhanced and regional market intelligence is strengthened
- The targeted participation in trade fairs and study tours is increased
- The network of buyer and seller available to EAC exporters is strengthened

- The access to information of specific products and market is improved
- A regional EAC brand image is adopted by Partner States
- Public and Private Sector Bilateral Roadshows and Public relation activities is increased

Activities: A set of proposed activities is presented in section 10 – implementation and monitoring framework. These activities are indicative and will be established through consultation and planning processes, highlighted in the Governance Structure.

Strategic Intervention 2: Improve market access and conditions for EAC Export

EAC Partner States enjoys a number of preferential market access regimes through the EAC Custom Union Protocol and the entry into force of the Common Customs Territory in 2015. Partner States enjoy an intricate web of preferences through other regional agreements such as the TFTA, as well as bilateral preferential schemes such as GSP schemes with the EU, i.e. Everything-But-Arms (EBA), and AGOA with the USA. A number of ongoing negotiations are currently outstanding and require further deepening.

The following expected results will allow the EAC to strategically improve market access for regional exports:

- *Market access conditions for EAC exports are improved*
- *Participation of Private Sector in market negotiations is strengthened*
- *The capacity of the Partner States to fully utilise the trade and investment agreements of the EAC is strengthened*
- *Export promotion initiatives within the Region are harmonized*
- *The capacity and regulatory framework for promotion of local content and procurement in the Region is strengthened*

Strategic Intervention 3: Strengthen export competitiveness through interventions like improved access to finance and technology for enterprises, in particular SMEs

While they represent more than 95% of EAC enterprises, SMEs account for a limited share of the region's exports, the realisation of their export potential being a priority in all five Partner States. Small companies face special challenges, as they do not possess the necessary resources to overcome even minor trade barriers and explore new markets and products. However, it should be noted that the issue of access to finance and technology is not limited to SMEs and also affects larger firms, at a different scale.

In particular, access to trade finance remains a major hurdle for exporters. If a number of EXIM banks have a commercial presence in the region, as well as other financial institutions which provide forms of trade finance, the information available on the type of facilities available at national and regional level is however limited. There is also limited understanding of the trade finance needs of exporters and in particular SMEs. Under this intervention area, the aim is to broaden the trade finance instruments to support exports in the EAC. Regional de-risk facilities such as credit lines and credit guarantees will be set up to provide access to finance to

exporters. These facilities will help lower the cost and terms of credit for applicants. Credit guarantee fund facilities will be mobilized from regional and/or international development finance institutions (DFIs) in collaboration with the International Trade Centre (ITC).

The Strategy will also provide targeted support to promote the internationalisation/regionalisation of SMEs, innovative companies and entrepreneurs with initiatives including partial subsidy programmes with co-payment by the companies, through the setup of a regional matching grant programme. The Matching Grant Facility will be set up as part of a tri-partite financing mechanism, including ITC, banks (and international financial institutions (IFIs)) as well as SMEs benefiting from the project. This new financial and institutional facility will improve access to financial resources and cash flow for the private sector that will be re-invested in enhancing production capacities, creating value addition for selected products and innovating on new technologies, as well as in meeting standards compliance and international regulations.

Access to technology, R&D equipment and specialized know-how is also a major constraint for enterprises to build up competitiveness and meet the required quality standards, design and taste. Conditions under which enterprises operate in the region are commonly characterized by; inadequate infrastructure, inferior technologies and equipment if any, lack of required competences (specialized expertise) in both managerial (finance, marketing, procurement etc) and technical (Food Scientists, technologists, agronomist, electrical engineers, mechanical engineers, etc.) positions and low production capacities. Products or services can only be competitive if they are of attractive overall quality not limited to safety, meet required design and functionalities. However, quality and design come with a cost, which is often too heavy for enterprise to bare individually.

Improving the business environment is an important aspect on increasing competitiveness, through reduction in cost of power, elimination of NTBs, and harmonising and strengthening of institutional regulatory frameworks to reduce cost of doing business within the EAC.

Finally, under this Strategic Intervention, particular attention will be placed on strengthening Regional Women and youth Cross Border Association with a view to expanding cross border trade, by expanding the volume of trade and diversifying the portfolio of products which are traded across borders.

The achievement of the following expected results shall ensure the successful implementation of the Strategic Intervention 3:

- *Trade finance instruments to support exports are broadened*
- *Trade Finance de-risk facilities are set-up*
- *Regional firms export readiness capacity focused on standards, quality, design and technology (R&D) is enhanced and an export Readiness Matching Grant Scheme is set up to support firms bare the cost of investment.*
- *An information alert system on non-complying products in the Region is set up*
- *Regional Women and youth Cross Border Association capacities are strengthened*
- *Reduced cost of doing business in the EAC Region for improved competitiveness*

Strategic Intervention 4: Strengthen Trade Support Institutions and Partnerships

Trade and Investment Support Institutions (TISIs) (including national TPOs, investment promotion agencies (IPAs), chambers of commerce, sector and business associations, technical centres, such as on packaging services) are essential for the internationalization of SMEs in the region. However, they lack the capacity to deliver to their mandate often due to poor management and sub-optimization of the resources and equipment they have at their disposal.⁷² More efficient TISIs could provide more effective support to the SMEs through advocacy, networking, direct services, technical and market development. The consultations conducted in the five Partner States flagged out weak meso level support from BSOs as one of the priority intervention areas. While a number of export promotion bodies have been set up in Partner States, the collaboration and coordination at regional level between these entities appears to be limited. TISIs capacity have to be strengthened, through stronger collaboration and networking with international organisations, such as ITC, export bodies and technical assistance.

Other areas of weak institutional support were identified at the level of Embassies and Ministries of Foreign Affairs (MoFA). The five Partner states have in place trade counsellor at the embassies and a select number of Partner States i.e. Kenya are establishing commercial diplomatic initiatives. There is a strong need to coordinate and harmonise activities at the level of embassies and MoFA. The EAC EPS 2020-2025 will aim at strengthening the capacities of trade attachés in embassies as well as trade counsellors with a view to improve the efficiency of EAC export promotion activities.

Based on these two areas of intervention, the following expected results have been defined:

- *TISI/TPO and Business Support Organisation capacities are strengthened:*
- *The regional commercial diplomacy is strengthened*
- *Creation of Centres of Excellence in Partner States*

2.3 Risks and Assumptions

The EAC EPS 2020-2025 recognizes the following risks that may adversely affect its implementation. Factoring these risk factors and planning for mitigation measures is an essential part of the successful implementation of the EAC EPS.

Risks	Potential impact	Risk mitigation strategies
Low capacity and limited resources of the EAC Secretariat Trade Directorate to collate market and product information and disseminate information	High	<ul style="list-style-type: none"> • Allocate dedicated staff to Supporting the Implementation of the EAC EPS 2020-2025 • Seek technical assistance to support the EAC EPS 2020-2025 • Include Enterprise Survey data from EAC Partner States as part of the Trade and Investment Report

⁷²ITC MarkUp Project 2017

		<ul style="list-style-type: none"> Expand the scope of the Trade Investment report to include product and market information
Low participation of Partner States in Joint regional activities	High	<ul style="list-style-type: none"> Establish a strong awareness and visibility campaign for the implementation of the EAC EPS 2020-2025 Ensure that the EAC Secretariat adequately budget for Partner States participation in joint activities Set up quarterly video conferencing for follow up on the implementation of the Strategy Ensure timely six-monthly reporting on the implementation of the EAC EPS 2020-2025
Trade Helpdesk not funded and not operational, due to lack of data and financial support	High	<ul style="list-style-type: none"> Set up an interdepartmental working group to monitor the functioning of Helpdesk Set up a full-time staff to support the Helpdesk Secure funding and Technical Assistance to support the Helpdesk
The joint programmes and projects formulated under EAC EPS 2020-2025 remain unimplemented	Medium	<ul style="list-style-type: none"> Establish a light governance and steering mechanism to ensure that the planned joint programmes are formulated and realistically budgeted for Ensure that annual work planning exercise is given high priority and includes all planned activities Ensure timely reporting and monitoring of the EAC EPS 2020-2025
Lack of commitment of Partner States to collectively collaborate on harmonization of Export Promotion Policies and schemes	High	<ul style="list-style-type: none"> Set up a road map for the harmonization of EAC Export Promotion Policies and Schemes
Stalled negotiations of the TFTA, the Continental Free Trade Area (CFTA) and ongoing bilateral negotiations	Medium	<ul style="list-style-type: none"> Ensure that Partner States have technical support to participate in developing common negotiation positions Ensure that Partner States are able to participate actively in the negotiations
Risk adverseness of international financial institutions (IFIs) to participate in setting up innovative trade finance instruments	High	<ul style="list-style-type: none"> Establish effective linkages at the commencement with financial institutions at national/regional/international levels engaged in financing productive and trade related investments and SME finance
Limited absorption capacity of the local counterparts resulting in delays in implementation	High	<ul style="list-style-type: none"> Engage local stakeholders Ensure that institutional support to private sector bodies and trade and investment support institutions is included in the work plan
Lack of government commitment in providing necessary support and resources (human and financial) for achieving objectives	High	<ul style="list-style-type: none"> Ensure a wide engagement of government actors in the project governing bodies (REC and national) Foster coordination and collaboration between different EAC Partner States at required appropriate levels Demonstrate early results and communicate achievements effectively
Firms unwilling and / or unable to invest counterpart funds and resistant to change	Medium	<ul style="list-style-type: none"> Communicate sound business opportunities Demonstrate quick wins and communicate achievements effectively

Political instability and conflict in the region and beyond	Medium	<ul style="list-style-type: none">• Advocate for adherence to the principles of good governance, democracy, rule of law, and respect for human rights• Advocate for regional conflict prevention and resolution mechanisms• Participate in election monitoring and good will missions
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CHAPTER III - THE IMPLEMENTATION AND MONITORING FRAMEWORK

The successful implementation of the Strategy hinges on a host of factors, which include having in place a responsive and transparent monitoring and operational framework for coordination between EAC Partner States. The key lessons from the review of the EAC EPS 2013-2016 point to a number of recommendations, the following being focused on institutional and governance requirements:

- Setting up a strong institutional and governance architecture;
- Establishing a comprehensive monitoring and evaluation framework (M&E);
- Proactively mainstreaming the Strategy with relevant national and regional policy frameworks
- Establishing strong coordination and platform for consultation with key stakeholders.

To achieve the vision laid out by the national export strategy, a concerted effort needs to be undertaken on a variety of fronts by all stakeholders. For this to happen it is necessary to create an adequate environment and framework for its implementation. The following section presents some of the key success conditions considered necessary for the EPS to be effectively implemented and achieve self-sustainability and long-lasting benefits for the EAC.

3.1 EPS Governance Structure

The first objective of the EPS implementation arrangements is to ensure that the required governance structures are established and operationalised. The implementation of the EAC EPS 2020-2025 will require a strong institutional setup, able to effectively coordinate, monitor, support, and recalibrate the implementation in response to dynamic market challenges and opportunities.

The Customs and Trade Directorate of the EAC Secretariat is entrusted with coordinating and overseeing the implementation of two fundamental pillars of the Treaty establishing the EAC, which are the CUP and the CMP. The Directorate is therefore at the core of the institutional set up governing the implementation of the EAC EPS 2020-2025. At the national level, the implementation and mainstreaming of the EAC EPS 2020-2025 will fall under the aegis of a host of stakeholders, ranging from trade-related institutions, such as the Export Promotion Authorities and trade-related Ministries. From a private sector perspective, TISIs, such as the Chambers of Commerce, EABC, have a dual role of implementer and beneficiary. At the highest level lies the policy guidance organs, that is the Council of Trade Ministers and the Summit, which provide overall policy guidance and strategic guidance.

Based on the above, an EAC Regional Export Promotion Sub-Committee dedicated to the Implementation of the EAC EPS be set up under the EAC Trade Committee. The Export Promotion Sub-Committee will be set up as a regional public-private platform, which will coordinate activities with leading trade support agencies from across the entire trade support network in the EAC Partner States. Correspondingly, a National Export Promotion Sub-Committees dedicated to export promotion will be set up in each Partner States. The activities

and functions of these committees will be coordinated by the International Trade Department of the EAC Secretariat.

The EAC Regional Export Promotion Subcommittee will be governance body to provide overall policy guidance and oversight on export development in the EAC, as well as oversee the implementation of the EAC EPS 2020-2025. The main functions of Sub-committee should be the following:

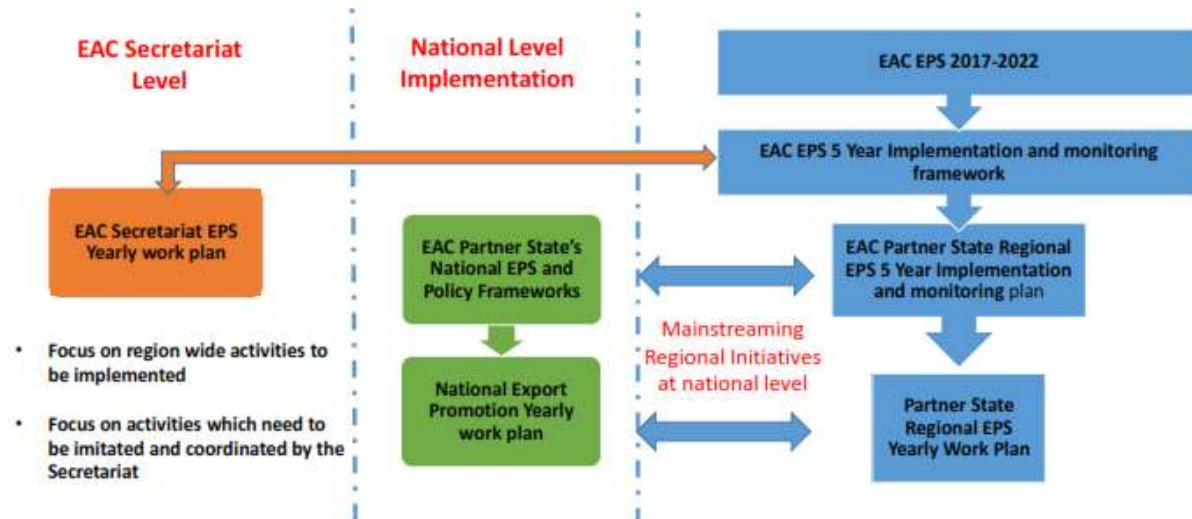
- Act as a consultative group pertaining to the Exports, enabling the private sector and Government representatives to identify and discuss priority issues and formulate guidance for EPS implementation,
- Steer, coordinate and monitor the implementation of the EPS so as to ensure implementation is on track;
- Identify and recommend allocation of resources necessary for the implementation of the EPS;
- Elaborate and recommend revisions and enhancements to the EPS so that it continues to best respond to the needs and long-term interests of the country;
- Propose key policy changes to be undertaken, based on EPS priorities, and promote these policy changes among national decision makers;
- Guide the Executive Secretariat in its monitoring; coordination; resource mobilization; and policy, advocacy and communication functions so as to enable effective implementation of the EPS.

3.2 Implementation modality and set up: Transposition and Implementation

The EAC EPS 2020-2025 is a strategic framework which will guide the EAC Partner States policy and export related interventions for the next five years. The successful implementation of the Strategy requires that the proposed objectives, strategic interventions and activities are transposed into the Partner States respective national strategies and policies.

The implementation will include at all stages the Public Sector and the Private Sector. This implies having in place an overarching '5-year Regional Export Promotion Implementation and Monitoring framework' which is part of this Strategy. This framework will cascade into five 'EAC National Export Promotion implementation plan and a regional Export Promotion Implementation Plan (coordinated by the Trade Directorate). Each Partner States' EAC National Export Promotion Implementation Plan will be also linked to their respective national policy framework. This split-level implementation process will provide each Partner State with the policy space to adjust the EAC regional export priorities with their national priorities, giving Partner States the flexibility to implement the EAC EPS 2020-2025, at their pace. Figure 8 below captures the tools and process which will be set up for ensuring the timely, effective and efficient implementation of the Strategy.

Figure 8: Implementation set-up and planning tools



These plans will include priority policies and strategic intervention to be transposed, together with flagship projects to be implemented and major reforms to be undertaken. The five-year EAC EPS 2020-2025 implementation plan will be accompanied by yearly work plan and a monitoring framework, which will serve as a starting point for initiating priority activities. These activities should be clearly defined through public private sector consultations, with set timelines for implementation and assigned responsible parties. They will be dynamic and reassessed through the evaluation and monitoring process. The role of the Private sector in identifying and prioritising these activities is essential for ensuring that Partner States priorities with respect to export market and products are fully captured in the EPS. Private sector representatives will need to be fully engaged in the implementation process.

As the EAC Partner States embark on the implementation of the EAC EPS 2020-2025, the role of monitoring should be the next priority with systems and tools designed to support this function. The progress of transposing the Strategy's commitments into respective national framework of each Partner State should be undertaken at a national level. However, it should be executed within a shared framework and will therefore include:

- (i) A regional overarching EAC Export Promotion Strategy implementation plan and yearly work plans;
- (ii) A Regional Export Promotion Implementation and monitoring plan to be designed by each Partner State;
- (iii) An EAC Secretariat EPS Yearly Work Plan, and;
- (iv) A Monitoring and Evaluation (M&E) system.

3.3 Monitoring and evaluation

The monitoring function provides a feedback mechanism for policy makers, private sector stakeholders, as well as information for the public on the progress achieved. In the case of the EAC EPS 2020-2025, the need for timely information and feedback is essential, namely in ensuring that the Strategy is in line with changing market conditions of supply, demand, trends

and regulations. The monitoring and evaluation in this case is essential to ensure constant adjustments and fine-tuning of the Strategy.

A monitoring system which is able to provide information with sufficient level of disaggregation and which is able to clearly assign responsibility to a narrow set of actors, can go a long way in holding policy makers and public officials accountable any lags in implementation. Conversely, a system that assigns appropriate credit for politically difficult reforms, will also work as a positive incentive, creating the conditions for empowering those responsible for implementation.

Monitoring systems can broadly be classified into two groups:

- (i) Compliance monitoring which checks on the extent of compliance of a country's national legislation and policies; and
- (ii) Outcome monitoring which are focused on assessing impact and measured by indicators.

In the case of the EAC EPS 2020-2025, the monitoring framework which will be put in place, will be outcome based.

Developing Indicators:

The EAC shall develop a set of SMART indicators (Specific - Measurable - Assignable - Realistic - Time-related) which will be included in the EAC Implementation and Monitoring Framework. These indicators will be developed jointly with the EAC Partner States and will be included in the Implementation and monitoring framework. The indicators shall be reviewed on an annual basis by the export promotion experts from Partner States. In addition, the EAC shall pursue the following steps in an effort to monitor the achievements of the strategic plan:

- Develop a revolving work plan with defined outputs and indicators;
- Generate annual reports with an analysis of results achieved, lessons learnt and changes recommended;
- Organize quality video conferencing with EPS Partner States' Expert Groups;
- Organize a yearly retreat to review and recalibrate the EAC EPS 2020-2025 and its work plans;
- Undertake, in addition to the monitoring function, detailed evaluations of the Strategy with a view to assess the progress made in relation to the set outcomes and objectives, its achievements and lessons learnt as well as to inform Partners States of required recalibrations which may be required. More specifically, the following evaluation exercises shall be conducted:
 - Mid-term evaluation shall be undertaken during the 3rd year of implementation. This shall be an internal evaluation that shall involve all Partner States and stakeholders.
 - At the end of the plan, in 2022, a final evaluation shall be conducted utilizing the services of an external consultant.

In addition, the EAC will undertake the following complementary activities to gather information for the monitoring and evaluation framework:

- Undertake a Regional Audit on trade and investment regulations in the 5 partner states
- Update the trade data of the EAC EPS 2020-2025 annually
- Undertake a Regional review of Trade related policies and gap assessment in the Partner States

3.4 Resource mobilisation

One of the major impediments to the implementation of the previous EPS, was the lack of resources. Whilst resource mobilisation is only part of the solution, it plays a crucial and indispensable role in supporting the EPS implementation. Given the regional nature of the EPS, resource mobilisation for the EPS is rather complex and has to happen at two levels:

- 1) At the level of the EAC Secretariat, i.e. for all activities which will be implemented by the EAC Secretariat
- 2) At National Level by Partner States i.e., all national contribution to regional activities

A critical aspect of resource mobilisation will entail aligning the EPS interventions with donors' support programmes.

3.5 Implementation and Monitoring Framework

Implementation and Monitoring Framework. These activities are indicative and will be established through consultation and planning processes, highlighted in the Governance Structure.

Overall Objective: To build a firm foundation for transforming the EAC into a stable, competitive and sustainable lower middle-income region by 2025.

Strategic Objective: Sustained economic growth through inclusive and equitable diversification and expansion of intra-regional trade and trade with the Rest of the World

Activity Cluster	Activities	Targets	Timeframe	OVI	Means of verification	Responsible entity
	Expected Results 1 - Improved capacity of EAC Enterprises to consolidate Export and discover new Export products and Markets					
	Strategic Intervention 1: Stimulate exports through acquired market intelligence for enterprises and improved visibility on international markets					
	<i>Benchmark and Indicators (To be developed in consultation with Partner States)</i>					
AC - 1	<ul style="list-style-type: none"> - Undertake a review of the EAC Trade Helpdesk - Expand and upgrade the functionalities of the EAC Trade Helpdesk into a Comprehensive Trade Hub - Harmonize and coordinate the national trade portal and link Trade Hub - Establish standard benchmarks for designing National Trade Portals - Link up regional and rational trade portals 	<ul style="list-style-type: none"> - Trade Information Hub established - Trade Report published - National trade portals standardised and harmonised - EAC trade Portal and Trade Help Desk linked 	2020--2025	<ul style="list-style-type: none"> - No of users accessing the Trade Hub - Relevant and timely information in the Hub - A chapter on trade in services included in the trade and investment report - Quarterly EAC trade reports produced - EAC Annual Trade Report published by April every year - National Trade Portal updated and harmonised 	<ul style="list-style-type: none"> - User Report - Trade information Report - EAC Annual Report 	-

Activity Cluster	Activities	Targets	Timeframe	OVIs	Means of verification	Responsible entity
AC - 2	<ul style="list-style-type: none"> - Set up a calendar of priority regional and international trade fairs and post events on the EAC Trade Help Desk and the EAC Webpage - Organise training sessions on how to prepare for trade fairs and B2B meetings, as well as an introduction to EU markets requirements, buyers and business practices - Organise follow-up support once export season is over to assess results of the B2B meetings - Organise a technical study tour to a leading country exporting horticulture, with a recognized expertise good post harvesting, business and market access practices - Organise regional study tours for selected beneficiaries, from the public and private sectors, investigating the different technical and commercial opportunities and synergies existing for the both fresh and processed horticulture products within the targeted EAC countries - Organise bilateral delegations roadshows from Public and Private sector. - Partner with the EABC for the organisation of a yearly regional thematic trade fair in collaboration with COMESA and SADC - Participate as EAC in one selected thematic international trade fair per year e.g. Global Seafood Expo, SIAL (Salon International Agro Alimentaire, in French), Fruit Logistica, etc. - Participate as EAC in the Africa Big Seven food and beverage trade show - Support trade fairs which focus on B2B linkages and transfer of technology and joint ventures 	<ul style="list-style-type: none"> - EAC participated in one regional trade fair - EAC participated in one international trade fair - One regional trade fair organised - Calendar of trade fair events set up 	2020-2025	<ul style="list-style-type: none"> - Number of participants in trade fairs 	<ul style="list-style-type: none"> - Activity report 	

Chapter III - The Implementation Framework

Activity Cluster	Activities	Targets	Timeframe	OVis	Means of verification	Responsible entity
AC-3	<ul style="list-style-type: none"> - Set up a buyer/seller network in priority sectors such as coffee, tea, agro-products for select target market, i.e. Turkey, USA, South Africa, EAC, China and the EU - Develop MoU between Apex PSO, EAC Embassies in Strategic Market and respective counterpart in destination market. 	<ul style="list-style-type: none"> - Linkages with strategic buyers in key markets, e.g. South Africa, Turkey, China, EU, established - Linkages in priority exports, e.g. coffee, tea, agro-products, etc., set up - Linkages in new product areas set up 	2022	<ul style="list-style-type: none"> - Number of buyer/seller contacts established - MoU of Strategic Partnerships established in destination country 		
AC-4	<ul style="list-style-type: none"> - Partner with ITC and the United Nations Conference on Trade and Development (UNCTAD) INFOCOMM73 to set up targeted market research and set up of product and market profile fiches for ten products per year 	<ul style="list-style-type: none"> - Ten product fiches per year prepared and posted online on Trade Hub (five products exported by the region and five new potential products) 	2020-2025	<ul style="list-style-type: none"> - Fiche uploaded on website 		
- AC-5	<ul style="list-style-type: none"> - Study to determine the feasibility for developing a regional brand and developing regional branding strategy - Organise workshops on regional branding strategies 	<ul style="list-style-type: none"> - Proposal for EAC regional product branding formulated 	2022-2023	EAC brand adopted		

⁷³<http://unctad.org/en/Pages/SUC/Commodities/Commodities-Profiles.aspx>

Activity Cluster	Activities	Targets	Timeframe	OVis	Means of verification	Responsible entity
	Strategic Intervention 2: Improve market access and conditions for EAC Export					
	<i>Benchmark and Indicators (To be developed in consultation with Partner States)</i>					
- AC- 6	<ul style="list-style-type: none"> - Set up a regional negotiation network for consultations and information sessions on trade and market access negotiations with the Private Sector Apex bodies and exporters - Conclusion of the TFTA negotiations and gazetting of tariff schedules - Set up an implementation plan for the EAC-US Trade and Investment Partnership - Define a clear EAC negotiation position for the CFTA negotiations - Cost benefit analysis on the agreements with third parties finalized - Three other EAC cooperation Agreements with third parties negotiated - Set up of an implementation plan for the EAC EPA - Strengthening the capacity of the Partner States to fully utilise the Trade and investment agreements of the EAC - Develop strategies for utilising the preferential agreements and identify from these agreements priority market and products which remain to be exploited - Disseminate information to SMEs and small traders on key provisions of the EAC Preferential Trade Agreements(PTAs) 	<ul style="list-style-type: none"> - TFTA negotiations concluded and tariff schedules gazetted - Implementation plan for the EAC US Trade and Investment Partnership set up - Cost benefit options on the agreements with third parties adopted - Three other EAC cooperation Agreements with third parties negotiated - Clear EAC negotiation position for the CFTA negotiations defined - Outstanding issues on EPA concluded 	2020-2025	<ul style="list-style-type: none"> - TFTA Phase I concluded and Phase II commenced. - EAC laws aligned to the TFTA agreement - The TFTA Agreement ratified - Report on cost benefit analysis on the agreements with the three other third parties - Three other EAC cooperation Agreements with third parties signed and ratified - EPA Concluded 	<ul style="list-style-type: none"> - Instruments of ratification, - Trade reports 	

Activity Cluster	Activities	Targets	Timeframe	OVis	Means of verification	Responsible entity
- AC 7	<ul style="list-style-type: none"> - Develop strategies for utilising the preferential agreements and identify from these agreements priority market and products which remain to be exploited - Disseminate information to SMEs and small traders on key provisions of the EAC Preferential Trade Agreements 	<ul style="list-style-type: none"> - Strategies for utilising preferential agreements developed 	2020-2025	<ul style="list-style-type: none"> - Three signed Trade and Investment Agreements 	Ratified Trade Agreement	
- AC 8	<ul style="list-style-type: none"> - Develop and implement an EAC-AGOA Strategy - Adopt Special Economic Zones policy and regulations. 	<ul style="list-style-type: none"> - AGOA Implementation Plan set up - Special Economic Zones policy and regulations finalised and operationalised - Trade Promotion Schemes harmonised 	2020-2022	<ul style="list-style-type: none"> - Adopted EAC Export Promotion Strategy - Increase in exports (% change) - Increase in exports under AGOA - Adopted Special Economic Zones policy and regulations 	Trade reports	
- AC 9	<ul style="list-style-type: none"> - Mainstream local content policy and procurement in the region as per the local content clause in the Industrialization Bill - Review the PS local content polices and establish benchmark for harmonisation of local content polices at national level - Workshop and experience sharing with the ASEAN on the application of local content policies 	<ul style="list-style-type: none"> - Benchmark set for regional local content harmonised 	2023	<ul style="list-style-type: none"> - Adopted bench mark for regional local content 	Adopted regional Local Content regulations	

Activity Cluster	Activities	Targets	Timeframe	OVis	Means of verification	Responsible entity
	Expected Results 2 - Improved Capacity of Trade Support Institutions to support Exporters					
	Strategic Intervention 3: Strengthen export competitiveness through interventions like improved access to finance and technology for enterprises, in particular SMEs					
	<i>Benchmark and Indicators (To be developed in consultation with Partner States)</i>					
- AC 10	<ul style="list-style-type: none"> - Review the type and use of trade finance instruments in Partner States - Develop strategies and recommendations for application of innovative trade and equity funding instruments - Sensitise banking and regulatory sectors in private sector on the use and trade finance instruments in the region and beyond - Provide benchmark for developing trade finance instruments 	<ul style="list-style-type: none"> - Inventory of EAC regional trade Finance schemes developed - Regional Trade Finance architecture established 	2020-2025			
- AC 11	<ul style="list-style-type: none"> - Assist in the setup of a credit line from DFIs such as the European Investment Bank (EIB) - Mobilize credit guarantee schemes from DFIs such as EIB, the African Guarantee Fund (AGF), Afreximbank, AfDB, EADB, l'Agence Française de Développement (AFD), etc. to partially make up for the required guarantee and lower the SME credit risks - Sensitize FSPs on de-risk facilities offered by partner DFIs - Facilitate events relating to the implementation of such schemes 	<ul style="list-style-type: none"> - EAC-EU-funded credit line and guarantee scheme established 	2023	Number of loans granted		

Activity Cluster	Activities	Targets	Timeframe	OVI	Means of verification	Responsible entity
- AC 12	<p>Regional firms export readiness capacity is enhanced and an export readiness matching grant scheme is set up</p> <p>Support SME clusters and exporter through cost-sharing programmes supporting export capacity:</p> <ul style="list-style-type: none"> - Support SMEs to comply with standards and the commitments undertaken by PS in the Strategic Total Quality Management (STQM) framework - Support design and adherence to export practices - Support exporters in product design and product conditioning - Comply with quality standards and SPS requirements - Provide technical assistance to support SMEs improve the compliance of their products with quality standards and SPS requirements - Provide certification training and process compliance required to accessing international markets (HACCP / ISO 22000), and Quality Management Systems (ISO 9001), GLOBALGAP - Develop product design and packaging - Carry out market research and study tours - Provide training for SMEs on export procedures and other trade facilitation requirements - Support the introduction of new low-cost technologies and processes through support of technical assistance and equipment - Conduct training in post-harvest processing technology management for quality optimisations, and develop operating manuals and optimisation guides for specific product groups 	<ul style="list-style-type: none"> - Export Readiness Matching Grant Scheme established and operational 	2020-2025	30% increase in the number of export-ready SMEs		

Activity Cluster	Activities	Targets	Timeframe	OVI	Means of verification	Responsible entity
	- Establish a Framework Regional Value Chain					
- AC 13	- Design and set up an alert system on non-complying product	- Information alert system on non-complying products developed	2020-2025	- Regional information alert system on non-complying products developed	- Activity reports	
- AC14	- Carry out an audit and capacity assessment of regional woman cross-border associations, and set up a regional programme supporting the cross-border women associations - Set up framework for a periodic monitoring of the implementation of the Charter on cross-border trade in goods and services charter; - Carry out regional information and sensitisation programme for cross-border traders; - Conduct an identification study of retail and distribution network and infrastructure available for informal cross border traders - Set up product design and organize export readiness workshops - Establish a regional cross-border strategy	- Cross-border trade expanded and product portfolio diversified - Regional cross-border support programme set up - M&E framework on cross-border charter set up - Regional training programmes implemented at strategic borders on SPS measures, standards, market information, NTBs, etc.	2020-2025	- Programme approved by SCTIFI	- Funding Secured for the Programme - M&E yearly Report	
- AC15	Reduced cost of doing business in the EAC Region for improved competitiveness Implement programmes to: - Upgrade and Improve regional physical transport infrastructure - Reduce the cost of power - Eliminate Non-Tariff Barriers	- Programmes implemented on reducing cost of doing business for improved competitiveness	2020-2025	- No. of assessments on cost of doing business undertaken -	- M&E yearly Report	

Activity Cluster	Activities	Targets	Timeframe	OVI	Means of verification	Responsible entity
	- Harmonise and strengthen of institutional regulatory frameworks to reduce cost of doing business within the EAC					
Strategic Intervention 4: Strengthen Trade Support Institutions and Partnerships						
<i>Benchmark and Indicators (To be developed in consultation with Partner States)</i>						
- AC 16	<ul style="list-style-type: none"> - Conduct audits of meso level institutions and provide funding through call for proposals for upgrading the trade-related institutions support services in the area of export promotion and export readiness - Twinning and exchange programmes of TISI with international organisations - Strengthened cooperation between network of TISI/TPO in the five Partner States. - Develop a programme to establish structured inter-regional cooperation on internationalisation through provision of cohesive and sound advice for companies - Set up an internationalisation programme featuring a coordinated process for SMEs, from local growth activities to the global export markets - Enhance partnership and collaboration with export promotion entities - Carry out a light institutional assessment of TISI - Set up institutional managerial and operational capacity building programme - Networking programmes for EACCIA and other key private sector associations with international chambers of commerce 	<ul style="list-style-type: none"> - EAC TPO forums and network established - Yearly meeting held - Joint capacity building Memorandum of Understanding (MoU) developed 	2020-2025	- Institution's reporting	<ul style="list-style-type: none"> - Reports - MoU signed 	

Activity Cluster	Activities	Targets	Timeframe	OVI	Means of verification	Responsible entity
- AC17	<ul style="list-style-type: none"> - Strengthen dialogue between MoFA, Ministries of Trade (MoT) and embassies in key strategic markets - Strengthened coordination between MoFA, MoT in Partner States and export promotion entities - Exploring partnerships with relevant export local entities, including financing partners - Establish a new Foreign Economic Forum to give advice on how best to tackle challenges in the global economy and take advantage of opportunities in international markets. - To strengthen regional effort between MoFA and MOC to harmonise economic interests globally - Establish common Job Profiles for all EAC Trade Counsellors and organise yearly event bringing all trade counsellors of the region to share their yearly work plans and share best practices - Training programme for EAC trade counsellors - Set up a five-year comprehensive blue print for EAC Commercial diplomacy 	<ul style="list-style-type: none"> - EAC Regional Commercial Diplomacy blue print adopted - Foreign Economic Forum established - Regional Foreign Economic Networking e-platform set up 	2021-2024	- Blue Print approved by SCTIFI		

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ANNEXES

Annexe 1: Snapshot of the Status of Implementation of the EAC EPS 2013-2016 Action Plan

Outcomes	Action	State of implementation	Achievements
OUTCOME 1: Promote the Production of diversified and high value exports from Partner States			
Output 1.1: Appropriate regional structures in place to encourage sharing and adoption of technology for production	<ul style="list-style-type: none"> Organise information sharing platforms by December 2014 	High	<p>i) The 1st EAC Manufacturing Business Summit was held at Speke Resort, Munyonyo, in Kampala, Uganda on 1-2nd September 2015. The Summit co-jointly organized by EAC, EABC and hosted by the Government of Uganda in Kampala, Uganda. Record of 500 participants attended the event with over 30 exhibitors showing a diversified range of locally manufactured products</p> <p>ii) Regional Collaboration in Industrial Research, Technology and Innovation: The Secretariat set up a platform to facilitate engagement of industrial research and technology organization in the region (RTOs) in February 2016. The RTOs have prepared a draft MOU to facilitate their engagement. Within the MOU, the RTOs propose for the formation of an EAC Network of Industrial Research and Technology Organizations (EAC-NIRTO). The NIRTO is expected to facilitate collaboration, networking, exchange of experiences and planning activities for collaboration among RTOs in the Region</p>
	<ul style="list-style-type: none"> Establish production clusters for better technology sharing by December 2015 	High	The 1st International High Level Multi-Stakeholders Conference on Promoting Pharmaceutical Sector Investments in the EAC Regional programme for Industrial Upgrading and Modernization (IUMP) for SMEs in the East Africa Region, (UNIDO)
	<ul style="list-style-type: none"> Regional Campaign to promote investment in research centres 	Medium	Assessment Study on the Need for a Centre for the Development of Regional Industries in the EAC Region
Output 1.2: Affordable finance for investment for export diversification	<ul style="list-style-type: none"> Harmonise regional rules and regulations for intra-regional access to 	Medium	EAC Financial Sector Development and Regionalization Project (EAC - FSDRP) I.

	<i>finance by December 2015</i>		
	<ul style="list-style-type: none"> Organise 3 private sector best practice financial education workshops – 1 every 2 years by December 2014 	Low	EAC Hosts Roundtable on Women and Access to Finance in Africa
	<ul style="list-style-type: none"> Review methodologies of existing guarantee scheme across region 	Low	Partner States have set up Export Guarantee Schemes but there are not regional initiatives
	<ul style="list-style-type: none"> Design and run programme to promote effective guarantee schemes in EAC Region 	Low	Not yet done – done at Partner State level
Output 1.3: New Export products developed through R&D for greater export diversity	<ul style="list-style-type: none"> Establish and strengthen R&D initiatives by December 2014 	Low	
	<ul style="list-style-type: none"> Young Professional Development Programme implemented on annual basis (industrial training) 	Low	National Level
	<ul style="list-style-type: none"> Develop market-oriented curriculum for incubation centres by Dec. 2014 	Low	National Level
	<ul style="list-style-type: none"> Establish / strengthen 5 Incubation Centres by December 2015 	Low	National Level
	<ul style="list-style-type: none"> Promote, protect innovations through IPR (Review IPR Law) 	Medium	
	<ul style="list-style-type: none"> Promote and establish linkages for exchange 	Low	Not done

			<i>programs with innovative regions by July 2015</i>	
OUTCOME 2: Greater market access to third party countries for increased export growth				
Output 2.1: EAC Trade Negotiations with key strategic partners finalized	•	<i>Operationalise EAC joint trade negotiation act by July 2015</i>	High	East African Joint Trade Negotiations Act was assented to by the Summit in 2007
	•	<i>Partner states proactive engagement to finalise EAC US TIPPA by December 2014</i>	High	EAC Partner States and the United States are currently engaged in a Trade and Investment Partnership comprising: <ul style="list-style-type: none"> (i) A Cooperation Agreement covering Trade Facilitation, SPS and TBT signed in February 2015; (ii) a proposed Regional Investment Treaty; (iii) continued Trade Capacity Building Assistance, and; (iv) a Commercial Dialogue. Coordination of the implementation of the African Growth and Opportunity Act by Partner States by: <ul style="list-style-type: none"> (i) developing annual position paper on AGOA, (ii) coordinating EAC Partner States participation in the annual AGOA Forum; (iii) Developing an EAC AGOA Strategy which would guide the trade and investment ties between East Africa and the U.S.
	•	<i>Proactive engagement to finalize TFTA market access negotiations by December 2014</i>	High	Ongoing. EAC Partner States to ratify the Agreement before the deadline of June 2016 and also undertake measures to implement it as soon as it comes into force.
	•	<i>Proactive engagement to fully implement single customs union by December 2014</i>	High	Ongoing
	•	<i>Proactive engagement to fully implement EAC Common Market Protocol finalized by December 2015</i>	High	Ongoing

Output 2.2: Exporting firms able to meet standard requirements in high value export markets	<ul style="list-style-type: none"> Regional programme to support national standard bodies be internationally accredited by July 2014 	High	Ongoing programmes at National Level
Output 2.3: EAC TPO market penetration cooperation in strategic sectors and markets	<ul style="list-style-type: none"> Identify additional sources of funding for regional export promotion activities (annually) 	Low	
	<ul style="list-style-type: none"> Organize 1 international trade fair per year (starting 2014) 	Medium	Trade and Investment forum in Berlin, Germany and Stockholm, Sweden; EAC in the annual Global Business Forum (GBF) on Africa.
	<ul style="list-style-type: none"> EAC marketing programme strategy designed by July 2014 	Low	
	<ul style="list-style-type: none"> Establish first joint commercial centre by July 2015 (with 2 in 2016 and 1 in 2017) 	Low	
	<ul style="list-style-type: none"> Undertake annual joint market research in strategic markets starting January 2014 	Low	
	<ul style="list-style-type: none"> Brand regional prioritized products 	Low	
OUTCOME 3: Reduced cost of doing business in the EAC Region for improved competitiveness			
Output 3.1: Upgrade and Improve regional physical transport infrastructure to reduce the cost of trade with the EAC region	<ul style="list-style-type: none"> Upgrade trade corridors by Dec 2017 	High	Northern Corridor Initiative – Central Corridor

<ul style="list-style-type: none"> • <i>Modernize and expand ports (air and water) including off-dock container depots in Mombasa and Dar es Salaam by December 2017</i> 	High	
<ul style="list-style-type: none"> • <i>Rehabilitate and expand railway networks. Complete planning for construction of central corridor railway connection, with construction to start by 2018</i> 	High	<p>Construction of the Mombasa-Nairobi standard gauge railway line in Kenya is now at an advanced stage and progress stood at approximately 70% by March, 2016.</p> <p>The construction of the Nairobi-Naivasha section has also commenced. Similarly, negotiations for financing of the construction of the new standard gauge railway of the Kampala-Malaba section in Uganda is ongoing and construction is expected to commence during FY 2016/17. For the Central Corridor, the procurement process for Finance-Design-Build & Operate of the standard gauge railway for Dar-es-Salam-Isaka-Kigali/ Keza-Gitega-Musongati is in progress and parallel negotiations with development partners for counterpart funding are ongoing.</p> <p>The Secretariat is implementing The EAC Railways Sector Enhancement Project, which commenced in March 2014 and is almost complete. The main objective of the study is to assist Partner States in decision making regarding physical and soft railways infrastructure investments in the region.</p> <p>A final report containing the implementation roadmap for the proposed priority links and other study recommendations has been submitted.</p>
<ul style="list-style-type: none"> • <i>Establish one-stop border posts at all border crossings along the Northern and Central Corridors</i> 	High	<p>Substantial progress was made in establishment of One Stop Border Posts (OSBPs). Out of 15 borders earmarked to operate as OSBPs, 11 were completed and 10 are operational. The completed OSBPs are: Gisenyi/Nemba; Ruhwa/Ruhwa; Rusumo/Rusumo; LungaLunga/Horohoro; Holili/Taveta; Kagitumba / Mirama Hills; Mutukula/Mutukula, Kobero/Kabanga; Malaba / Malaba; Isebania/Sirari; and Busia/Busia.</p> <p>Malaba/Malaba and Isebania/Sirari will become operational as soon as support infrastructure is completed. The Namanga OSBP will be completed by end of May 2016 while Katuna/ Gatuna are in advanced stages of completion. Mugina/Manyovu and Kanyaru/Akanyaru are yet</p>

				to be funded. The EAC OSBP Act was assented to by the Heads of State. The draft OSBP regulations were finalized and are awaiting legal refinement by the Sectoral Council on Legal and Judicial Affairs before adoption while the OSBP Procedure Manuals have been developed.
Output 3.2: Improve competitiveness through reduction in cost of power	<ul style="list-style-type: none"> Implementation of the Regional Strategy on Scaling Up Access to Modern Energy services 			
	<ul style="list-style-type: none"> Establish EAC power pool Establish regional pipelines to increase the supply of affordable oil 			
Output 3.3: Reduction in the cost of intra-regional trade through elimination of NTBs	<ul style="list-style-type: none"> National Monitoring Committees(NMCs) to implement time bound programme 	High		April 1st, 2016, updated the EAC Time Bound Programme (TBP) on elimination of identified NTBs and the progress of elimination of NTBs in the region. The TBP shows that 19 NTBs were reported as unresolved, eight NTBs were reported as new and 98 NTBs were reported as resolved cumulatively since 2009.
	<ul style="list-style-type: none"> Identify source of funding for NMC activities for financial years 2014-16 	High		TMEA and GIZ
	<ul style="list-style-type: none"> Setup EAC NTB Monitoring Webpage including time bound mechanism by June 2014 	Low		
	<ul style="list-style-type: none"> EAC implementation of Tripartite NTB elimination programme by December 2014 	Medium		Ongoing. The Non-Tariff Measures (NTMs) database is to be operational by 2018
	<ul style="list-style-type: none"> Design framework for elimination of NTBs with third parties 	Medium		
Output 3.4: Harmonize and strengthen the institutional regulatory framework to	<ul style="list-style-type: none"> EAC Group of Experts to finalize EAC SEZ policy paper by July 2013 	High		Done

reduce cost of doing business and improve competitiveness within the EAC				
	<ul style="list-style-type: none"> • <i>Sectoral council to approve EAC SEZ Policy by July 2014</i> 	Medium		Ongoing. Secretariat developed an EAC SEZ Policy to ensure that Partner States embrace the evolution of economic zones in a structured and harmonized manner. The Sectoral Council on Trade, Industry, Finance and Investment decided that the approval of the SEZ Policy awaits further analysis on Export Processing Zones (EPZ).
	<ul style="list-style-type: none"> • <i>Uganda, Rwanda and Burundi to establish competition authorities by July 2015</i> 	High		Done. The five (5) newly appointed Commissioners of the East African Community Competition Authority (EACCA) have been sworn in at the EAC Headquarters in Arusha, Tanzania. The appointed Commissioners were approved by the 33rd Meeting of the Council of Ministers held on 29th February 2016,
	<ul style="list-style-type: none"> • <i>Engage partner states to cascade down regional counterfeit regulations to national counterfeit laws by January 2015</i> 	High		
	<ul style="list-style-type: none"> • <i>Harmonize and simplify export license requirements across partner states by July 2015</i> 	Medium		
<ul style="list-style-type: none"> • OUTCOME 4: Strengthen capacity of export related institutions to engage in export promotion activities 				
Output 4.1: Strengthen export promotion agencies to pursue and execute effective export promotion activities	<ul style="list-style-type: none"> • <i>EAC Exporter Portal Established by July 2014</i> 	Low		TradeHelp Desk Established but taken off line
	<ul style="list-style-type: none"> • <i>Establish regional TPO Forum and Export Promotion Capacity Network by January 2015</i> 	Low		

Annexe 2: EAC EPS 2013-2016 Action Plan

Output	Baseline indicators	Target Indicators	Actions	Responsible body	Budget (US\$)	Comment& Assumptions
OVERALL OUTCOME: Export Growth of 20 % p.a. reducing the trade deficit to 8 % of Regional GDP by 2017						
OUTCOME 1: Promote the Production of diversified and high value exports from Partner States						
Output 1.1: Appropriate regional structures in place to encourage sharing and adoption of technology for production	Baseline1: 0 platforms organised by end of Dec 2012	<ul style="list-style-type: none"> 3 technology sharing platforms organised at EAC level (Agro, Manufacturing, Services) by December 2014 	1. Organise information sharing platforms by December 2014	EAC Secretariat / Ministry responsible for trade and technology / Academic and Research Institutions	US\$ 192,500	
	Baseline 2: Regional Performance on Measure of Export Diversity- 0.03 in 2011	<ul style="list-style-type: none"> 6 production clusters per member state by end of December 2015 	2. Establish production clusters for better technology sharing by December 2015		US\$ 150,000	
	(Herfindahl Index for Export Diversity (0.2))	<ul style="list-style-type: none"> 2 research centres per country funded through regional product development initiatives 	3. Regional Campaign to promote investment in research centres (on-going)		US\$ 212,000	
Output 1.2: Affordable finance for investment for export diversification	Baseline 1: at least 2 national initiatives to simplify access to finance procedures in each partner state	<ul style="list-style-type: none"> 3 access to finance initiatives at regional level to support national initiatives by Dec 2015 	<ul style="list-style-type: none"> Harmonise regional rules and regulations for intra-regional access to finance by December 2015 	EAC Secretariat / Ministry Responsible for Finance / Financial Institutions /	US\$ 75,000	

	<p>Baseline 2: 4 export guarantee schemes exist in Partners States with 15 developers benefiting as of Dec 2012</p>	<ul style="list-style-type: none"> 3 private sector best practice financial education workshops organized by December 2014 	<ul style="list-style-type: none"> Organise 3 private sector best practice financial education workshops – 1 every 2 years by December 2014 	Private Sector Organization	US\$ 187,500
	<p>Baseline 3: 3 best practices in export financing exist by December 2012</p>	<ul style="list-style-type: none"> 5 effective export guarantees schemes established by Dec 2015 	<ul style="list-style-type: none"> Review methodologies of existing guarantee scheme across region 		US\$ 45,000
		<ul style="list-style-type: none"> 2500 exporting firms benefiting from export guarantee scheme by 2017 	<ul style="list-style-type: none"> Design and run programme to promote effective guarantee schemes in EAC Region 		US\$ 150,000
<p>Output 1.3: New Export products developed through R&D for greater export diversity</p>	<p>Baseline 1: 26 existing regional sectoral R&D schemes to support product development in EAC as of December 2012</p>	<ul style="list-style-type: none"> 10 product development initiatives established (2 per state) by December 2017 	<ol style="list-style-type: none"> 1. Establish and strengthen R&D initiatives by Dec 2014 2. Young Professional Development Programme implemented on 	EAC Secretariat / Ministries responsible for trade, technology and IPR / Academic and Research Institutions / Private Sector Organizations /	US\$ 440,000
	<p>Baseline 2: 5 initiatives to promote industrial training</p>	<ul style="list-style-type: none"> Young Professional Development Programme established in 			US\$ 1,500,000

<i>established by December 2012</i>		strategic export enterprises (2 per country per year)	annual basis (industrial training)	US\$ 200,000
Baseline 3: 2 enterprises participating in training exchange program	•	50 enterprises participating in training exchange program (10 per country) by July 2015	3. Develop market-oriented curriculum for incubation centres by December 2014	US\$ 350,000
Baseline 4: 5 business incubation institutions / centres exist by December 2012	•	15 business incubation institutions/centres (3 per state). 5 established by Dec 2015	4. Establish / strengthen 5 Incubation Centres by December 2015	US\$ 450,000
Baseline 5: 5 products patented (Indicator of innovation) by December 2012	•	10 products patented by Dec 2017	5. Promote, protect innovations through IPR (Review IPR Law)	US\$ 130,000
	•	Common Market Protocol allowing for free movement of workers fully implemented by (CHECK TARGETS)	6. Promote and establish linkages for exchange programs with innovative regions by July 2015	

OUTCOME 2: Greater market access to third party countries for increased export growth

Output 2.1: EAC Trade Negotiations with key strategic partners finalized	Baseline 1: EAC EPA negotiations underway	December 2013 EAC EU EPA negotiations finalized	1. Operationalize EAC joint trade negotiation act by July 2015	EAC secretariat / Ministries Responsible for Trade / Non-State Actors	-	Reflected in EAC Strategic Plan
		December 2014 TFTA market access negotiations finalized	2. Partner states proactive engagement to finalize EAC US TIPA by December 2014		US\$ 700,000	
	Baseline 2: TFTA negotiations underway		3. Proactive engagement to finalize TFTA market access negotiations by Dec 2014		US\$ 700,000	
	Baseline 3: EAC US TIPA negotiations underway	December 2015 EAC US TIPA Commercial Dialogue, Trade Facilitation and Capacity Building component agreed	4. Proactive engagement to fully implement single customs union by December 2014		US\$ 700,000	
	Baseline 4: Other bilateral negotiations (China, India, Turkey)		5. Proactive engagement to fully implement EAC Common Market Protocol finalized by Dec 2015		US\$ 700,000	
Output 2.2: Exporting firms able to meet standard requirements in high value export markets	Baseline 1: KEPHIS internationally accredited	• National standard bodies internationally accredited by December 2015	1. Regional programme to support national standard bodies be internationally accredited by July 2014	EAC Secretariat / Ministries responsible for Standards / National	US\$ 200,000	

	Baseline 2: EAC SQAM Act 2006		Bureau of Standards /		
Output 2.3: EAC TPO market penetration cooperation in strategic sectors and markets	Baseline 1: 0 number of cooperation programmes to date	July 2014 EAC Region participate in 1 international trade fair per annum	1. Identify additional sources of funding for regional export promotion activities (annually)	EAC Secretariat / Ministries responsible for Trade / Export Promotion Authorities / Private Sector	US\$ 700,000
		December 2014 EAC marketing programme implemented (exhibitions, trade fairs, missions)	2. Organize 1 international trade fair per year (starting 2014)		US\$134,500
		December 2017 Establish 4 joint commercial centres in strategic markets	3. EAC marketing programme strategy designed by July 2014		US\$ 3,272,000
		Starting 2014 1 Joint market research programme in strategic markets per year	4. Establish first joint commercial centre by July 2015 (with 2 in 2016 and 1 in 2017)		US\$ 290,000
			5. Undertake annual joint market research in		

			strategic markets starting January 2014		USD 2,500,000
			6. Brand regional prioritized products		USD 2368500
OUTCOME 3: Reduced cost of doing business in the EAC Region for improved competitiveness					
Output 3.1: Upgrade and Improve regional physical transport infrastructure to reduce the cost of trade with the EAC region	Baseline 1: 3499< Kms of paved cross border roads constructed by December 2012	<ul style="list-style-type: none"> 750 Kms of paved / upgraded cross border roads constructed by end of December 2017 	1. Upgrade trade corridors by December 2017	EAC Secretariat / Ministries Responsible for Transport and Infrastructure / Relevant National Authorities / Private Sector	US\$ 25,000,000
	Baseline 2: 11 international air ports and 9 international water ports in operation as of December 2012	<ul style="list-style-type: none"> 11 international airports and 9 water ports modernized by end of December 2017 	2. Modernize and expand ports (air and water) including off-dock container depots in Mombasa and Dar es Salaam by December 2017		US\$ 8,000,000
	Baseline 3: 4029<kms of railway network in operation as of December 2012	<ul style="list-style-type: none"> Develop 5 new international airports and 8 international water ports by 2017 	3. Rehabilitate and expand railway networks. Complete planning for construction of central corridor railway connection, with construction to start by 2018		US\$ 15,000,000

		<ul style="list-style-type: none"> • 1000< Km of railway network rehabilitated by 2017 	<ul style="list-style-type: none"> • Establish one-stop border posts at all border crossings along the Northern and Central Corridors 		Already Funded
Output 3.2: Improve competitiveness through reduction in cost of power	<p>Baseline 1: 850.4< megawatts generated by member states as December 2012</p> <p>Baseline 2: 48< megawatts exported by member states by December 2012</p> <p>Baseline 3: 1500<Kms of pipes connecting regional countries by December 2012</p>	<ul style="list-style-type: none"> • 1000< megawatts generated by member states by 2017 • Cross-border Interconnection Power Projects Implemented by 2016 • 500 kms of oil pipes connecting region by 2016 	<ol style="list-style-type: none"> 1. Implementation of the Regional Strategy on Scaling Up Access to Modern Energy services 2. Establish EAC power pool 3. Establish regional pipelines to increase the supply of affordable oil 	EAC Secretariat / Ministries Responsible for Energy /Relevant National Authorities / Private Sector	<p>US\$ 1,500,000</p> <p>US\$500,000</p> <p>US\$10,000,000</p>
Output 3.3: Reduction in the cost of intra-regional trade through elimination of NTBs	<p>Baseline 1: 40 unresolved NTBs as of March 2013</p>	<p>December 2013</p> <p>Elimination of existing unresolved NTBs excluding infrastructure NTBs</p>	<ol style="list-style-type: none"> 1. NMCs to implement time bound programme 2. Identify source of funding for NMC activities for financial years 2014-16 	EAC Secretariat / Ministries Responsible for Trade / Private Sector	US\$350,000

		December 2013	Full Implementation of EAC Time bound Programme specifying timeframes for elimination of reported NTBs	3. Setup EAC NTB Monitoring Webpage including time bound mechanism by June 2014		US\$ 100,000
		July 2014	NTB Monitoring mechanism institutionalized within EAC partner states	4. EAC implementation of Tripartite NTB elimination programme by December 2014		Activity 4 & 5 US\$ 724,000
				5. Design framework for elimination of NTBs with third parties		
Output 3.4: Harmonize and strengthen the institutional regulatory framework to reduce cost of doing business and improve competitiveness within the EAC	Baseline 1: Baseline World Bank Doing Business Ranking 2013: Burundi: 159 Kenya: 121 Rwanda: 52 Tanzania: 134 Uganda 120	July 2014 July 2015 January 2015	EAC Special Economic Zone Policy approved by Sector Council EAC Competition Policy fully implemented by all Partner States	1. EAC Group of Experts to finalize EAC SEZ policy paper by July 2013 2. Sectoral council to approve EAC SEZ Policy by July 2014 3. Uganda, Rwanda and Burundi to establish competition authorities by July 2015	EAC Secretariat / Ministries Responsible for Trade / Justice / National Authorities responsible for laws and regulations	Budget Covered within existing EAC Activities

Enact Counterfeit Law and Regulations by all Partner States

December 2017

All 5 EAC Partner States Ranked in top 100 countries on ease of doing business

4. Engage partner states to cascade down regional counterfeit regulations to national counterfeit laws by January 2015

5. Harmonize and simplify export license requirements across partner states by July 2015

OUTCOME 4: Strengthen capacity of export related institutions to engage in export promotion activities

Output 4.1: Strengthen export promotion agencies to pursue and execute effective export promotion activities	Baseline 1: EAC Exporter Portal exists between three TPOs	July 2014	1. EAC Exporter Portal Established by July 2014	EAC Secretariat / Ministries responsible for Trade / Export Promotion Authorities / Private Sector	US\$ 580,000
	Baseline 2: No Existing Regional Export Promotion Authorities Forum	Creation of an EAC Exporter Portal including guide to exporting from the EAC and exporters directory	2. Establish regional TPO Forum and Export Promotion Capacity Network by January 2015		US\$ 651,000
		January 2015			
		Regional Export Promotion Authorities Forum established including Exporter Capacity Building Network			

Annexe 3: EAC Import and Export 2014-2018

Trade Flow Destination/Origin		2014	2015	2016	2017	2018				
							2015	2016	2017	2018
Exports	Total EAC Exports	19,373.4	16,819.6	16,234.5	14,727.3	14,027.9	(13.2)	(3.5)	(9.3)	(4.7)
	Intra-EAC Total Exports	3,290.1	2,823.0	2,681.4	2,977.4	3,145.1	(14.2)	(5.0)	11.0	5.6
	COMESA	2,669.9	2,335.5	2,416.2	1,976.7	1,548.1	(12.5)	3.5	(18.2)	(21.7)
	SADC	2,976.9	1,496.5	1,682.9	1,420.2	1,898.4	(49.7)	12.5	(15.6)	33.7
	Rest of Africa	862.3	606.0	799.6	328.3	225.4	(29.7)	31.9	(58.9)	(31.4)
	EU	2,744.6	2,398.8	2,341.3	2,301.1	2,451.4	(12.6)	(2.4)	(1.7)	6.5
	USA	660.5	521.9	667.1	755.7	599.8	(21.0)	27.8	13.3	(20.6)
	Total Exports to Rest of the World	6,205.6	6,054.1	5,594.4	5,191.8	4,533.1	(2.4)	(7.6)	(7.2)	(12.7)
	Intra-EAC % share to Total Exports	16.79	20.26	16.83	20.22	22.42				
	COMESA % share to total exports	13.78	13.89	14.88	13.42	11.04				
	SADC % share to total exports	15.37	8.90	10.37	9.64	13.53				
	Rest of Africa % share to total exports	4.45	3.60	4.93	2.23	1.61				
	EU % share to total exports	14.17	14.26	14.42	15.62	17.48				
	USA % share to total exports	3.41	3.10	4.11	5.13	4.28				
	Total exports to Rest of the World % share to total exports	32.03	35.99	34.46	35.25	32.32				
Imports	Total EAC Imports	35,325.1	36,632.8	26,926.9	32,165.5	38,329.4	(26.5)	(26.5)	19.5	19.2
	Intra-EAC Total Imports	2,535.3	2,524.4	2,181.0	2,490.6	2,835.9	(0.4)	(13.6)	14.2	13.9
	COMESA	1,051.4	1,038.3	1,068.9	1,535.5	1,135.9	(11.4)	2.9	43.7	(26.0)
	SADC	2,199.7	2,527.8	1,648.0	2,410.3	2,104.7	(24.3)	(34.8)	46.3	(12.7)
	Rest of Africa	68.9	84.7	103.0	90.2	186.9	2,133.4	21.7	(12.4)	107.1
	EU	5,383.3	5,287.8	4,061.1	4,138.0	4,327.6	(28.1)	(23.2)	1.9	4.6
	USA	2,423.3	1,794.9	868.9	921.6	942.9	(64.9)	(51.6)	6.1	2.3
	Total Imports to Rest of the World	21,705.2	23,492.2	16,996.0	20,587.6	16,977.6	(26.1)	(27.7)	21.1	(17.5)
	Intra-EAC % share to Total imports	7.1	6.6	8.1	7.7	7.4				
	COMESA % share to total imports	3.0	2.8	4.0	4.8	3.0				
	SADC % share to total imports	6.2	6.9	6.1	7.5	5.5				
	Rest of Africa % share to total imports	0.2	0.2	0.4	0.3	0.5				
	EU % share to total imports	15.2	14.4	15.1	12.9	11.3				
	USA % share to total imports	6.9	4.9	3.2	2.9	2.5				
	Total imports to Rest of World % share to total imports	61.4	64.1	63.1	64.0	44.3				
Total Trade							2015	2016	2017	2018
	Total intra EAC Trade	5,825.4	5,347.4	4,862.3	5,467.9	5,981.1	(8.2)	(9.1)	12.5	9.4
	Total Trade	54,698.5	53,452.3	43,161.4	46,892.8	52,357.4	(25.4)	(19.3)	8.6	11.7
	EAC Trade Balance	(15,951.6)	(19,813.2)	(10,692.4)	(17,438.2)	(24,301.5)	(29.7)	(46.0)	63.1	39.4

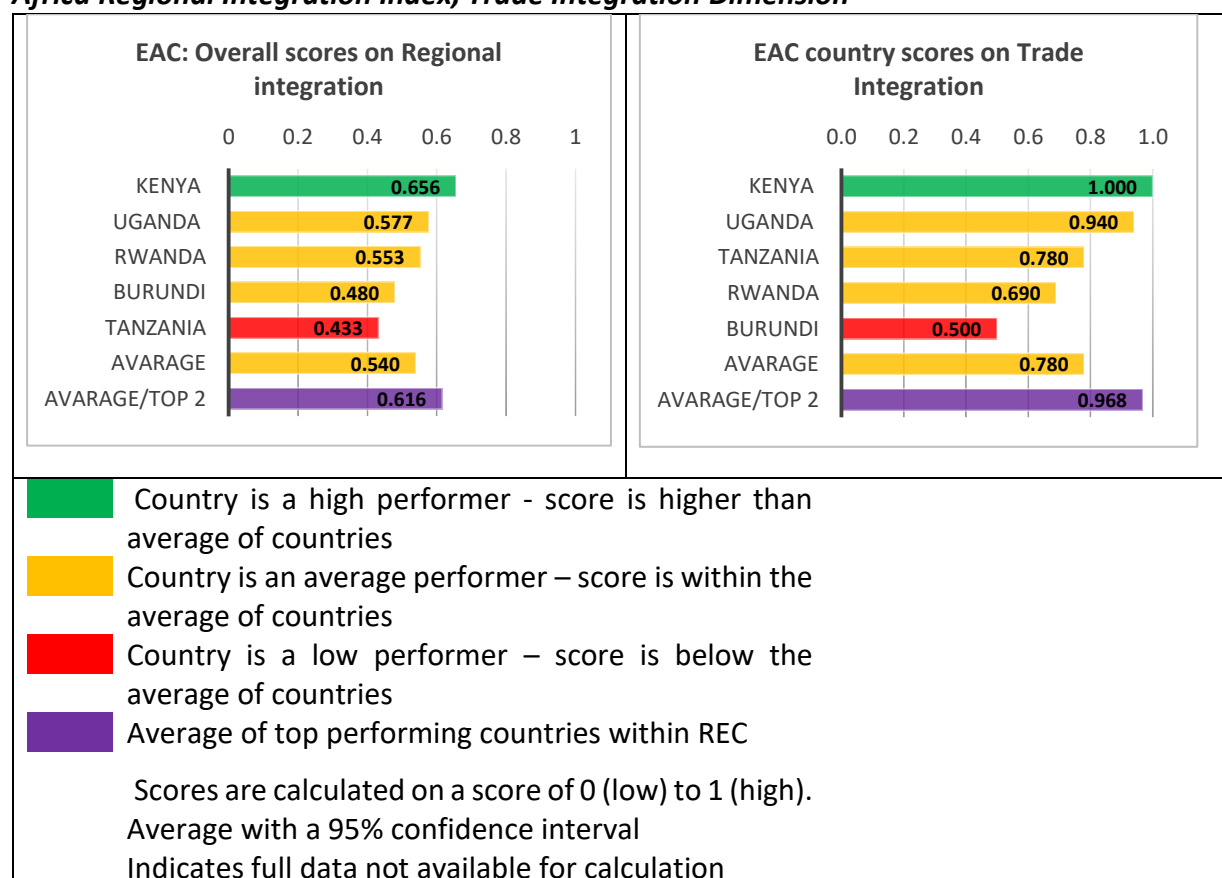
Annexe 4: ARII 2016 for EAC Region

Regional integration overall: average REC sores in the five dimensions of ARII

	Overall Score on RI	Trade Integration	Regional Infrastructure	Productive Integration	Free Movement of People	Financial and Macro Economic Integration
COMESA	0.415	0.572	0.439	0.452	0.268	0.343
EAC	0.540	0.780	0.496	0.553	0.715	0.156
ECCAS	0.454	0.526	0.451	0.293	0.400	0.599
ECOWAS	0.509	0.442	0.426	0.265	0.800	0.611
SADC	0.531	0.508	0.502	0.350	0.530	0.397
Average 8/RECs	0.470	0.540	0.461	0.384	0.517	0.381

Source: Africa Regional Integration Index Report 2016

Africa Regional Integration Index, Trade Integration Dimension

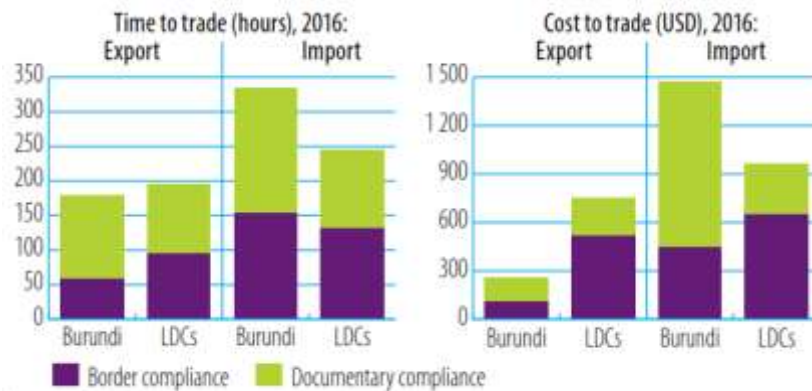


The Trade Integration dimension on the ARII, is composed four indicators:

- *Level of customs duties on imports*
- *Share of intra-regional goods exports (% GDP)*
- *Share of intra-regional goods imports (% GDP)*

Annexe 5: Time and Cost of Trade in the EAC 2016

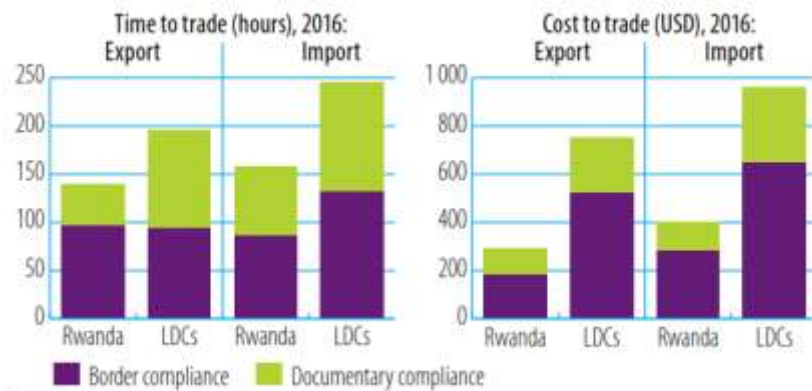
Time and cost to trade in Burundi, 2016



Source: WB, Doing Business

From: OECD, WTO (2017). Aid for Trade at a Glance, 2017.

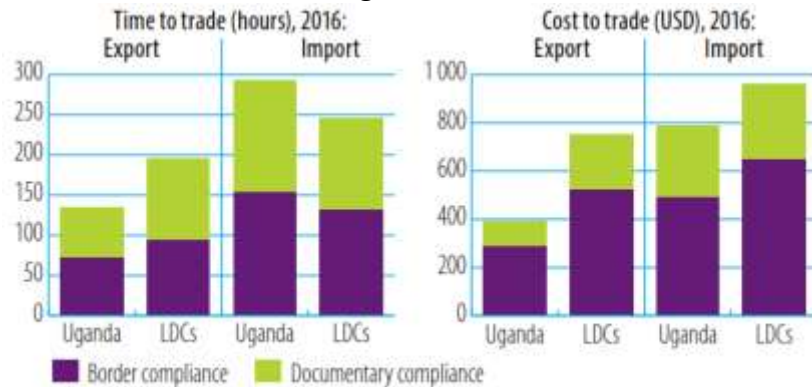
Time and cost to trade in Rwanda, 2016



Source: WB, Doing Business

From: OECD, WTO (2017). Aid for Trade at a Glance, 2017

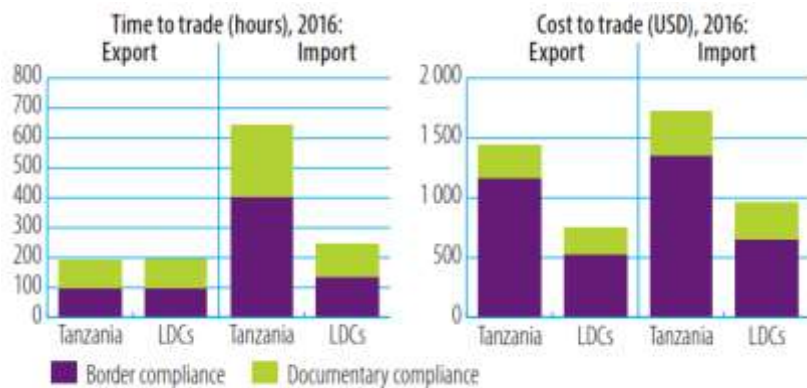
Time and cost to trade in Uganda, 2016



Source: WB, Doing Business

From: OECD, WTO (2017). Aid for Trade at a Glance, 2017.

Time and cost to trade in Tanzania, 2016



Source: WB, Doing Business

From: OECD, WTO (2017). Aid for Trade at a Glance, 2017.

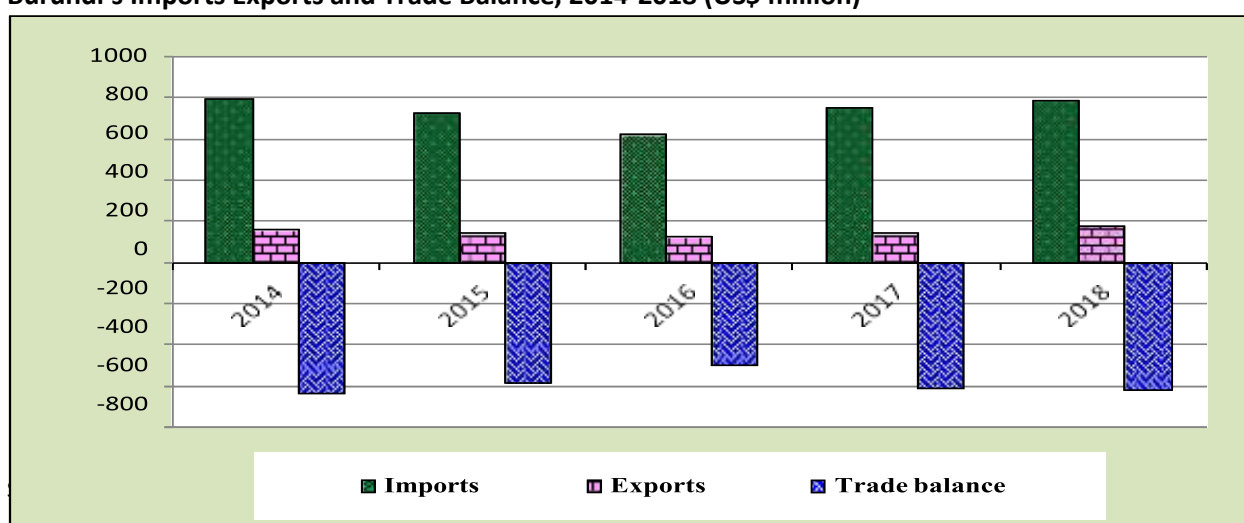
Annexe 6: Burundi Trade Profile

Burundi - Trade openness and export diversification

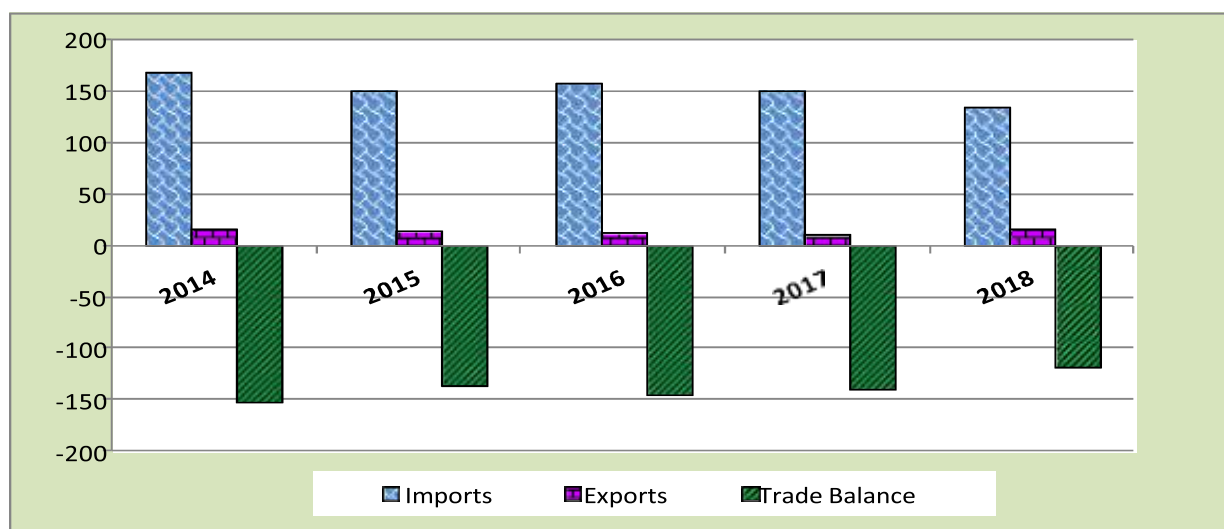
	2015	2017
Trade openness		
Trade (% GDP)	22.85	-
Product diversification (based on HS02, 4-dig.) and market diversification⁷⁴		
Number of exported products (max. 1 245)	455	553
Index of Market penetration	1.21	1.27
Number of export markets (max. 237)	54	59
HH export market concentration (0 to 1)	0.40	0.09

Source: WITS, 2017

Burundi's Imports Exports and Trade Balance, 2014-2018 (US\$ million)



Burundi's Trade with EAC Partner States, 2014-2018 (US\$ million)



Source: EAC Trade and Investment report 2018

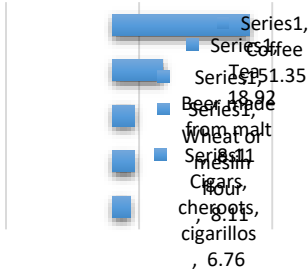
Burundi - Trade with EAC Partner States, 2014-2015

Table 2:1.1.2 Burundi's Trade with EAC Partner States, 2014-2018, (US\$ millions)

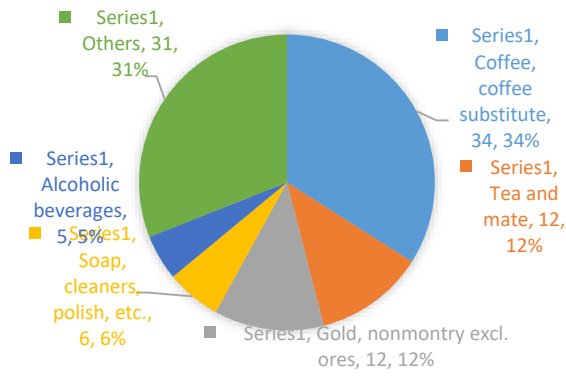
		2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Kenya	Imports	54.4	48.0	47.8	42.5	39.2	0.3	(11.7)	(0.5)	(10.9)	(7.8)
	Exports	1.2	2.4	2.5	3.6	4.2	15.3	99.4	2.7	47.2	15.7
	Total trade	55.6	50.4	50.2	46.2	43.4	0.6	(9.3)	(0.3)	(8.1)	(5.9)
	Trade Balance	-53.2	-45.6	-45.3	-38.9	-35.0	(0.0)	(14.3)	(0.6)	(14.1)	(10.0)
Rwanda	Imports	10.2	7.8	12.6	7.3	4.5	(15.8)	(24.1)	61.8	(41.8)	(37.9)
	Exports	7.6	5.9	5.2	2.4	5.4	(22.7)	(21.8)	(12.8)	(52.8)	122.6
	Total trade	17.8	13.7	17.8	9.8	10.0	(18.9)	(23.1)	29.5	(45.0)	2.3
	Trade Balance	-2.7	-1.8	-7.4	-4.9	0.9	12.9	(30.8)	302.3	(34.1)	(118.3)
Uganda	Imports	36.5	41.3	45.3	42.4	40.8	(20.5)	13.3	9.6	(6.4)	(3.9)
	Exports	3.8	4.2	3.5	4.2	4.4	(37.4)	9.5	(16.1)	19.0	6.1
	Total trade	40.3	45.5	48.8	46.6	45.2	(22.5)	13.0	7.2	(4.6)	(3.0)
	Trade Balance	-32.7	-37.2	-41.8	-38.2	-36.3	(17.9)	13.8	12.5	(8.5)	(5.0)
Tanzania	Imports	67.0	54.0	51.6	58.8	49.8	13.4	(19.5)	(4.5)	14.0	(15.2)
	Exports	3.0	2.3	1.1	1.3	2.5	(1.5)	(24.4)	(50.4)	13.8	93.7
	Total trade	70.1	56.3	52.7	60.1	52.3	12.7	(19.7)	(6.4)	14.0	(12.9)
	Trade Balance	-64.0	-51.7	-50.4	-57.5	-47.3	14.3	(19.2)	(2.5)	14.0	(17.7)
Intra-EAC**	Imports	168.1	151.1	157.2	151.0	134.3	(1.9)	(10.1)	4.0	(3.9)	(11.0)
	Exports	15.7	14.8	12.3	11.5	16.6	(21.9)	(5.3)	(17.1)	(6.0)	43.6
	Total trade	183.79	165.92	169.49	162.6	150.9	(4.0)	(9.7)	2.2	(4.1)	(7.1)
	Trade Balance	-152.5	-136.3	-144.9	-139.5	-117.8	0.8	(10.6)	6.3	(3.8)	(15.6)

Source: Burundi National Bureau of Statistics, 2019

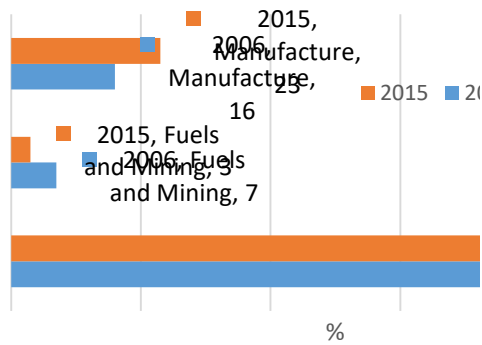
Share of the economy's trade in agricultural products (2015)



Top 5 merchandise exports (%) 2015

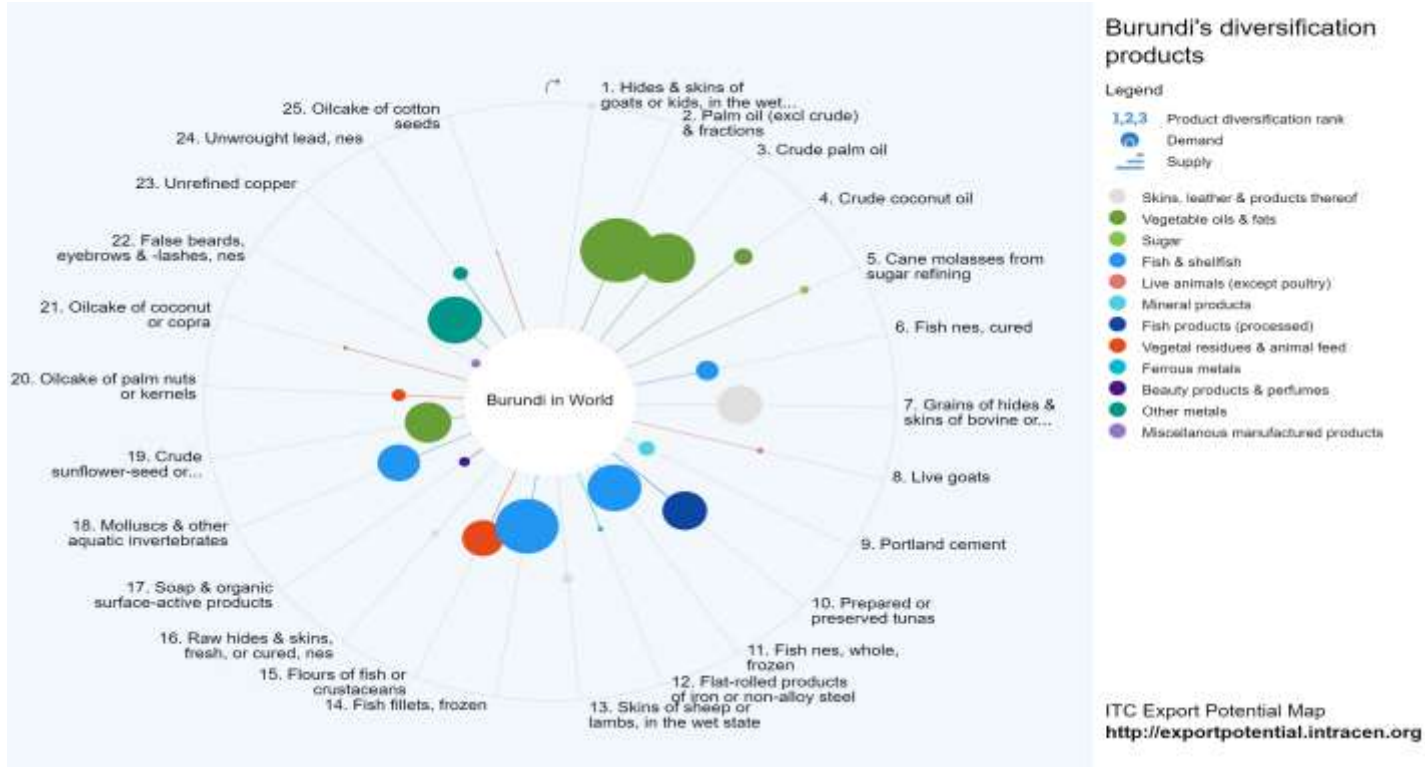


Burundi - Structure of merchandise exports

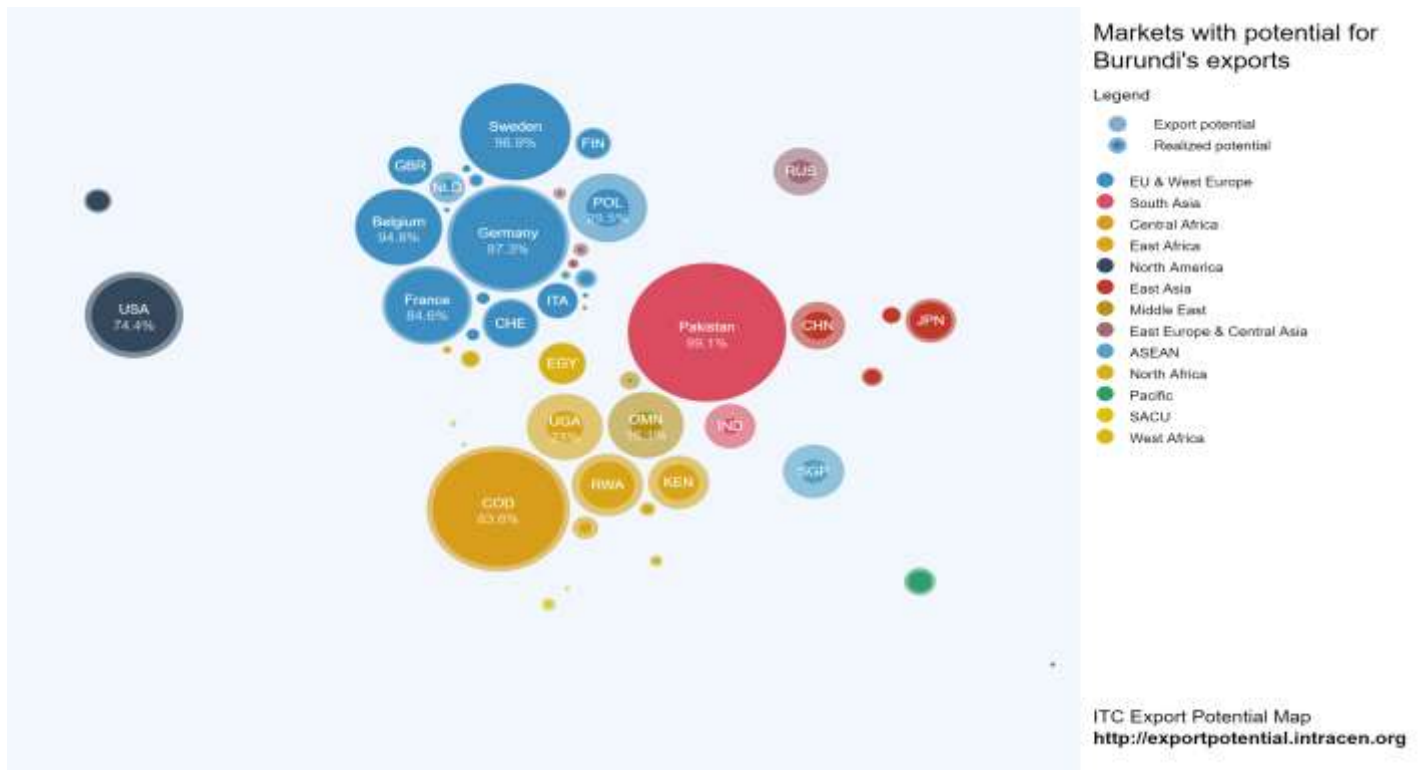


Source: EAC Trade and Investment report 2015

Annexe 7a: Burundi's Product diversification Potential Mapping 2018



Annexe 7b: Burundi Market Potential Mapping 2018



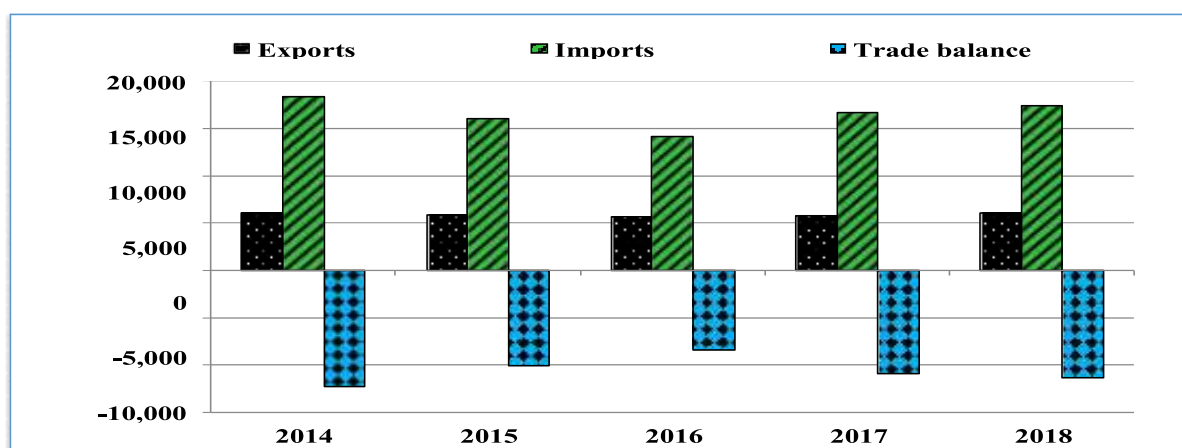
Annexe 8: Kenya Trade Profile

Kenya - Trade openness and export diversification

Indicators	2015	2017
Trade openness		
Trade (% GDP) ⁷⁵	44.21	37.25
Product diversification (based on HS02, 4-dig.) and market diversification⁷⁶		
	2013	2017
Number of products exported	3277	3306
Number of export markets (max. 237)	169	173
HH export market concentration (0 to 1)	0.05	0.06

Source: WITS, 2018

Kenya's total exports, imports and trade balance, 2014-2018



Source: EAC Trade and Investment report 2018

Kenya - Intra-regional trade, 2014-2018

Intra-EAC Export Flows		2014	2015	2016	2017	2018
Kenya	Intra-EAC Domestic Exports	1,143.4	1,070.2	948.5	1,006.4	1,044.3
	Intra-EAC Re-exports	287.4	215.7	250.5	266.1	229.5
	Total Intra-EAC Exports	1,430.8	1,285.9	1,199.0	1,272.5	1,273.8
	Percent Share of Intra-Re-exports	20.1	16.8	20.9	20.9	18.0

Source: EAC Trade and Investment report 2018

⁷⁵ World Integrated Trade Solution – World Bank Group 2018

⁷⁶ World Integrated Trade Solution – World Bank

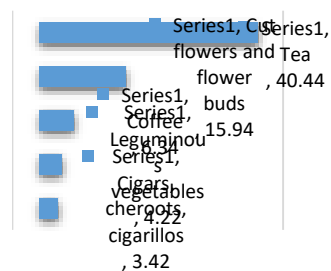
Kenya - Trade with EAC Partner States, 2014 – 2018

		2014	2015	2016	2017	2018	% Change			
							2015	2016	2017	2018
Burundi	Imports	0.3	2.3	0.7	0.6	0.7	577.3	-70.3	-14.6	16.3
	Exports	89.3	66.9	71.3	71.4	65.1	-25.1	6.7	0.1	-8.8
	Total Trade	89.6	69.2	72.0	72.0	65.8	-22.8	4.1	-0.1	-8.6
	Trade Balance	88.9	64.6	70.7	70.8	64.4	-27.3	9.4	0.2	-9.0
Rwanda	Imports	8.1	8.0	7.6	16.3	11.7	-1.6	-4.7	113.3	-28.1
	Exports	164.2	182.1	172.4	165.6	176.1	10.8	-5.3	-4.0	6.4
	Total Trade	172.4	190.1	180.0	181.9	187.9	10.3	-5.3	1.0	3.3
	Trade Balance	156.1	174.0	164.8	149.3	164.4	11.5	-5.3	-9.4	10.1
Uganda	Imports	199.6	226.0	189.9	406.5	488.1	13.2	-16.0	114.1	20.1
	Exports	691.3	695.5	612.4	597.8	610.9	0.6	-11.9	-2.4	2.2
	Total Trade	890.9	921.5	802.3	1,004.3	1,098.9	3.4	-12.9	25.2	9.4
	Trade Balance	491.7	469.5	422.5	191.2	122.8	-4.5	-10.0	-54.7	-35.8
Tanzania	Imports	208.9	171.5	126.2	166.1	175.9	-17.9	-26.4	31.7	5.9
	Exports	485.9	341.4	342.8	275.8	293.7	-29.7	0.4	-19.5	6.5
	Total Trade	694.8	512.9	469.0	441.9	469.6	-26.2	-8.6	-5.8	6.3
	Trade Balance	277.1	170.0	216.6	109.7	117.8	-38.7	27.5	-49.4	7.4
South Sudan	Imports				0.2	0.2				-33.9
	Exports				162.0	128.0				-21.0
	Total Trade				162.2	128.1				-21.0
	Trade Balance				161.8	127.8				-21.0
Intra-EAC	Imports	416.9	407.8	324.4	589.8	676.5	-2.2	-20.5	81.8	14.7
	Exports	1,430.8	1,285.9	1,199.0	1,272.5	1,273.8	-10.1	-6.8	6.1	0.1
	Total Trade	1,847.7	1,693.7	1,523.4	1,862.3	1,950.3	-8.3	-10.1	22.3	4.7
	Trade Balance	1,013.8	878.1	874.6	682.8	597.3	-13.4	-0.4	-21.9	-12.5

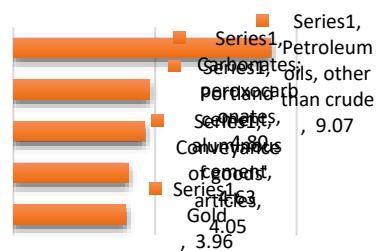
Source: EAC Trade and Investment Report 2018

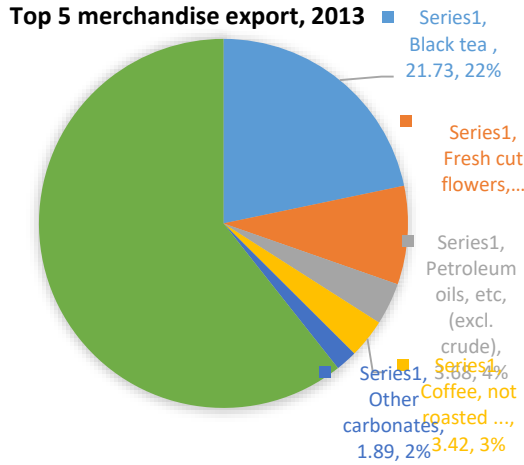
Kenya - Trade profile

Share of the economy's trade in agricultural products (2013)

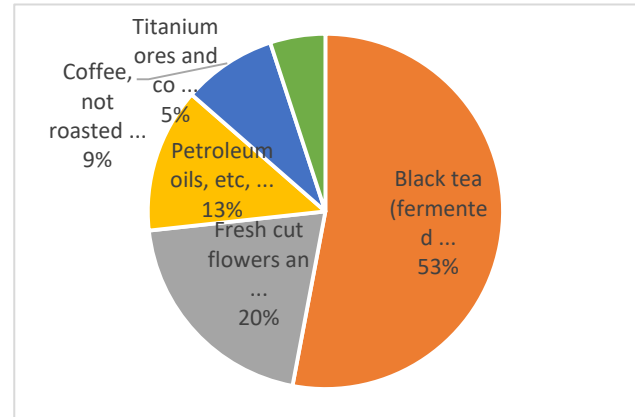


Share of the economy's trade in non-agricultural products (2013)



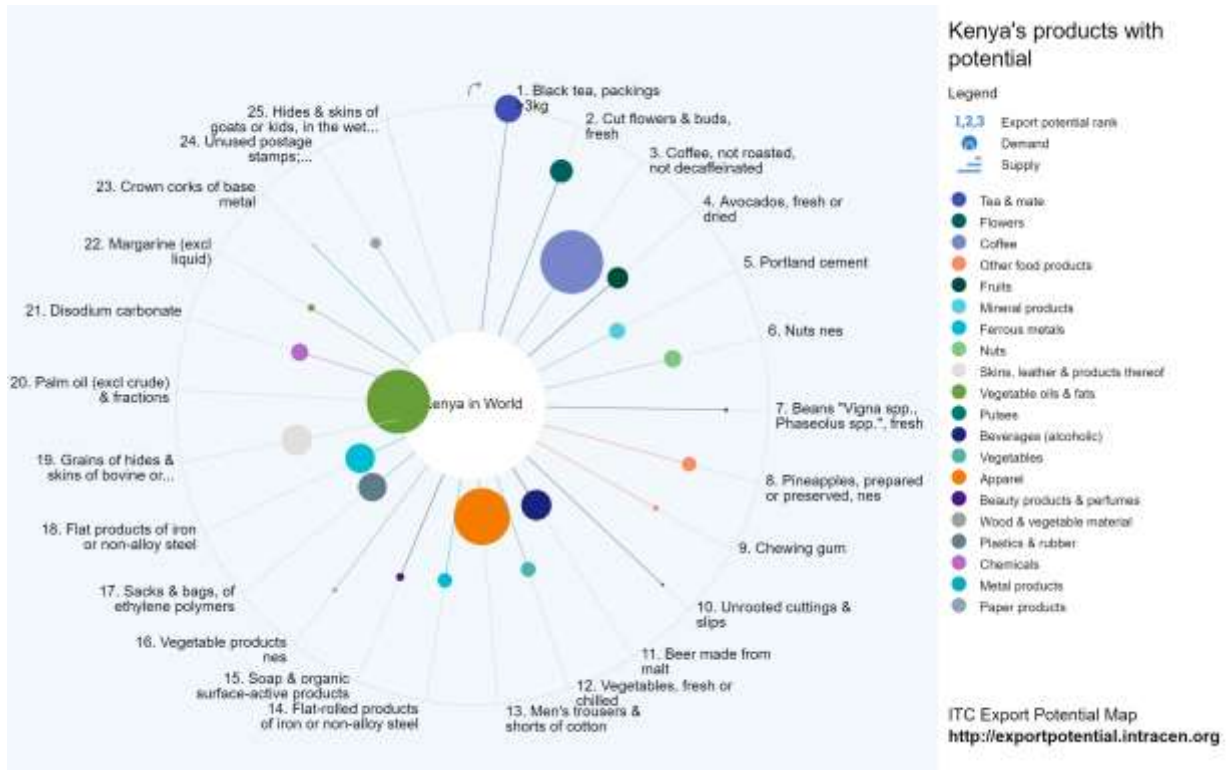


Top 5 Merchandise export, 2017

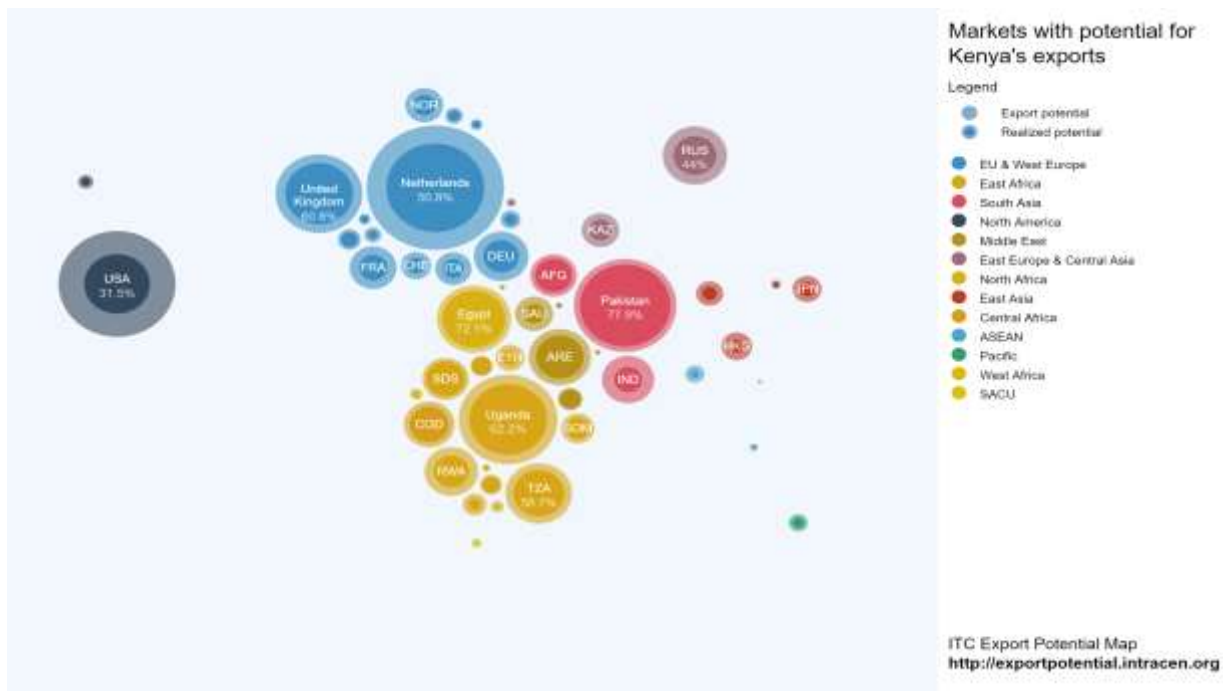


Source: WITS 2018

Annexe 9a:Kenya Product Potential Mapping 2018



Annexe 9b: Kenya Market Potential Mapping 2018



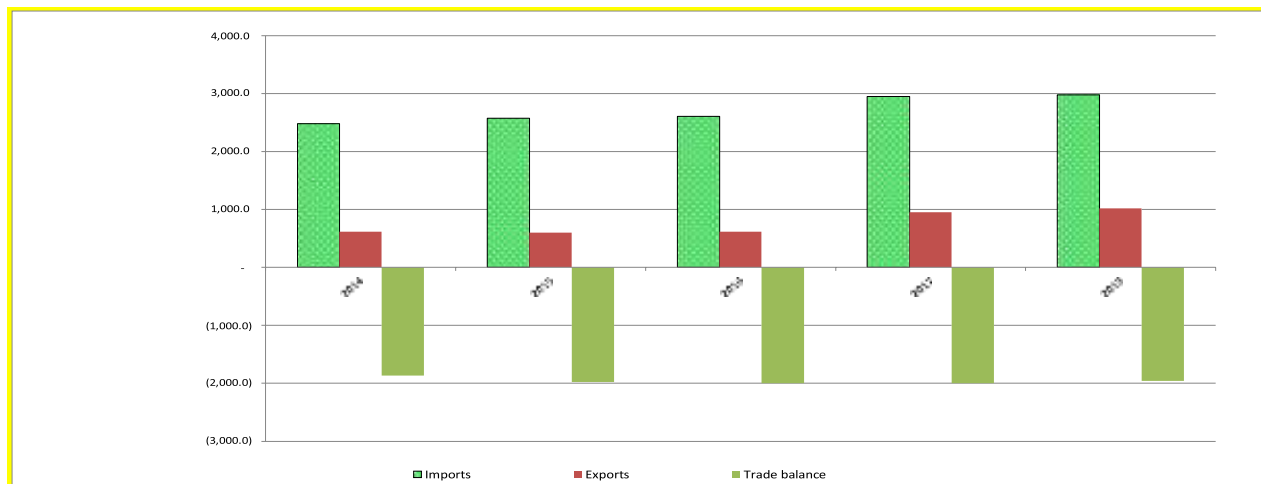
Annexe 10: Rwanda Trade Profile

Rwanda - Trade openness and export diversification

Indicators	2015	2016
Trade openness		
Trade (% GDP)	52.55	48.02
Product diversification (based on HS02, 4-dig.) and market diversification⁷⁷		
Number of exported products (max. 1 245)	1204	1147
Index of export market penetration	1.33	1.39
Number of export markets (max. 237)	104	117
HH export market concentration (0 to 1)	0.09	0.19

Source: WITS, 2018

Rwanda's Total Exports, Imports and Trade Balance, 2014-2018 (US\$ millions)



Source: EAC Trade and Investment report 2015 and EAC Facts and Figures 2016

Rwanda - Intra-regional trade, 2011-2015

Source: EAC Trade and Investment report 2018

Rwanda's Intra Regional Trade

Intra-EAC export flows	2014	2015	2016	2017	2018
Intra-EAC Domestic Exports	95.3	119.4	114.6	62.7	73.5
Intra-EAC Re-exports	20.9	19.8	32.9	21.9	16.2
Total Intra-EAC Exports	116.1	139.3	147.5	84.6	89.7
Percent Share of Intra-Re-exports	18.0	14.2	22.3	25.9	18.1

Source: EAC Investment Report, 2018

Rwanda - Trade with EAC Partner States, 2014-2018

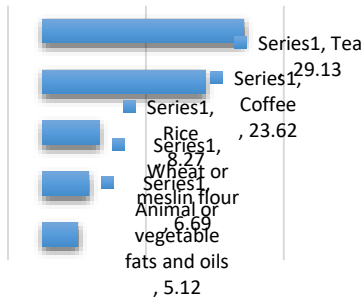
		2014	2015	2016	2017	2018	% change			
							2015	2016	2017	2018
Burundi	Imports	6.9	8.8	5.5	3.0	6.5	27.2	-37.3	-46.1	118.3
	Exports	19.3	17.2	36.2	22.2	22.5	-10.5	110.1	-38.6	1.4
	Total trade	25.4	26.0	41.7	25.2	29.0	2.4	60.3	-39.6	15.2
	Trade Balance	13.1	8.4	30.7	19.3	16.0	-35.5	263.7	-37.3	-16.7
Kenya	Imports	191.1	159.4	160.2	158.5	164.3	-16.6	0.5	-1.0	3.6
	Exports	103.7	105.1	100.4	20.4	12.0	1.3	-4.5	-79.7	-41.2
	Total trade	237.2	264.5	260.6	178.9	176.3	11.5	-1.5	-31.3	-1.5
	Trade Balance	-87.4	-54.3	-59.8	-138.2	-152.3	-37.9	10.2	130.9	10.2
South Sudan	Imports	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
	Exports	0.1	5.3	1.2	0.7	2.9	9597.3	-76.6	-45.3	329.2
	Total trade	0.1	5.3	1.2	0.7	2.9	9597.3	-76.6	-45.0	326.1
	Trade Balance	0.1	5.3	1.2	0.7	2.9	9597.3	-76.7	-45.7	332.3
Tanzania	Imports	80.4	83.5	96.0	106.2	134.7	4.0	15.0	10.6	26.9
	Exports	6.5	2.4	6.1	2.3	2.1	-62.85	153.89	-62.92	-7.15
	Total trade	86.8	85.9	102.1	108.4	136.8	-1.0	18.9	6.2	26.2
	Trade Balance	113.7	-81.1	-89.9	-103.9	-132.6	-171.4	10.9	15.5	27.6
Uganda	Imports	275.8	241.0	204.4	210.9	243.6	-12.6	-15.2	3.2	15.5
	Exports	12.1	10.5	14.7	39.1	50.2	-13.3	40.0	166.0	28.3
	Total trade	306.2	251.5	219.1	250.0	293.7	-17.9	-12.9	14.1	17.5
	Trade Balance	-150.4	-230.5	-189.7	-171.8	-193.4	53.3	-17.7	-9.5	12.6
Imports		554.2	492.7	466.2	478.6	549.1	-11.1	-5.4	2.7	14.7

Intra EAC	Exports	141.6	140.5	158.6	84.6	89.7	-0.8	12.9	-46.6	6.0
	Total Trade	695.8	633.3	624.8	563.2	638.7	-9.0	-1.3	-9.9	13.4
	Trade Balance	-412.6	-352.2	-307.5	-393.9	-459.4	-14.6	-12.7	28.1	16.6

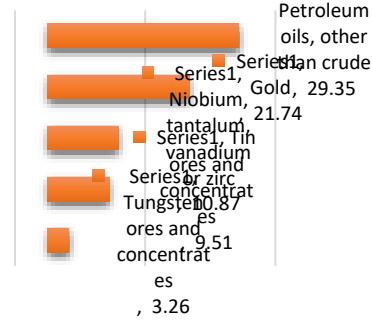
Source: EAC Trade and Investment report 2018

Rwanda - Trade profile

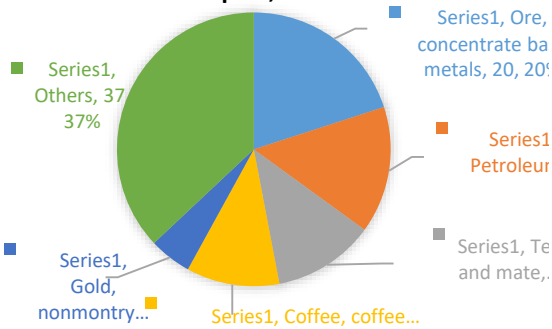
Share of the economy's trade in agricultural products (2016)



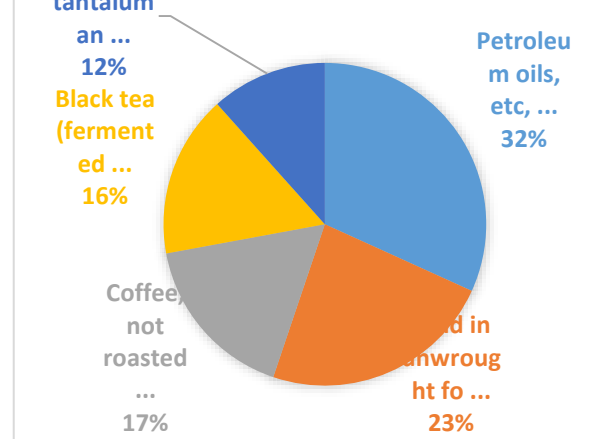
Share of the economy's trade in non-agricultural products (2016)



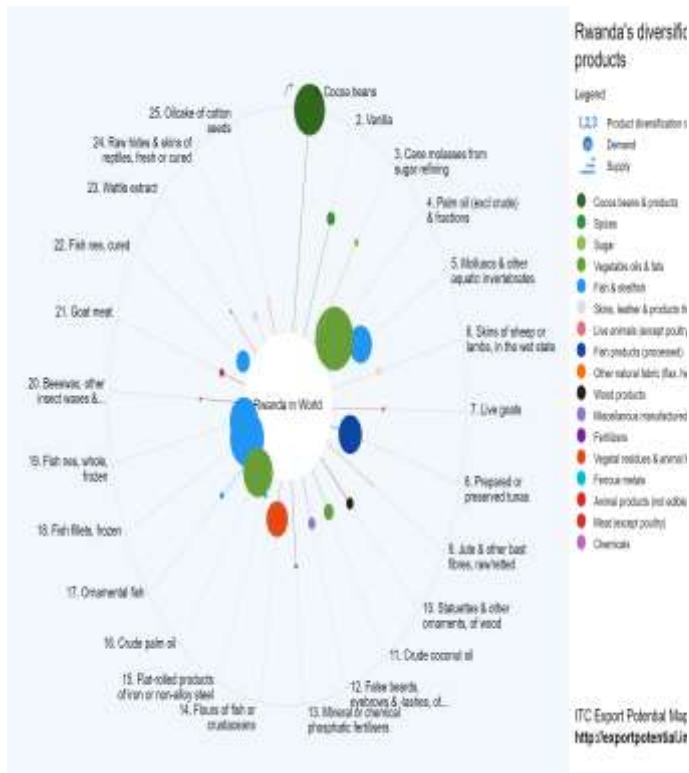
Rwanda's top 5 Merchandise export, 2015



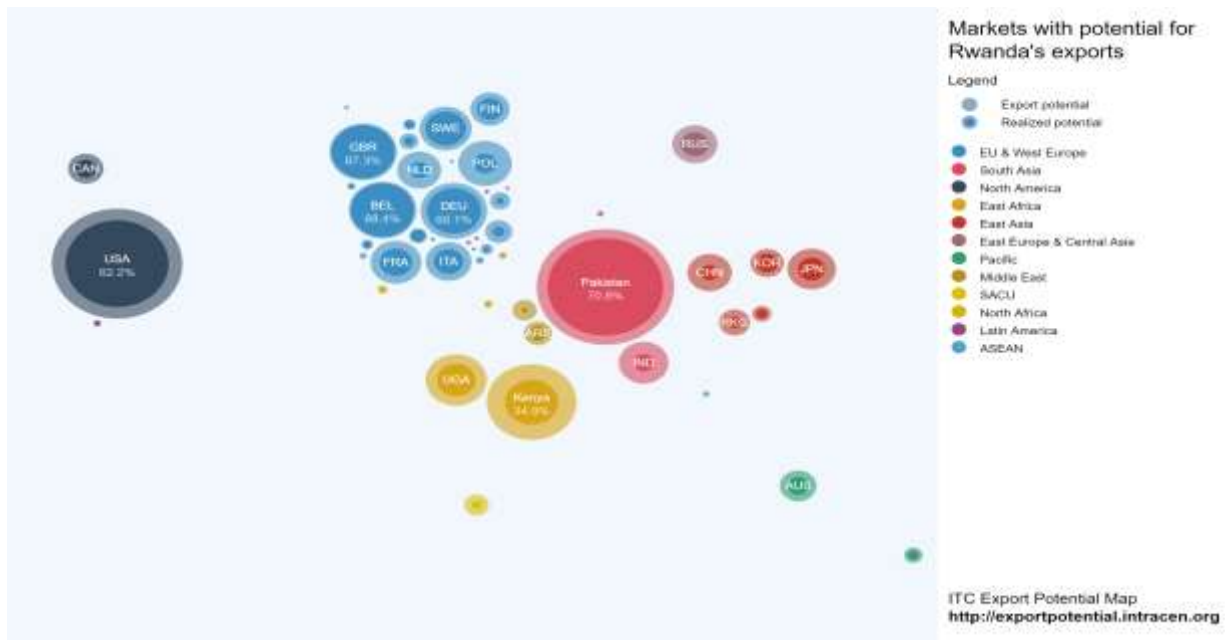
RWANDA'S MERCHANDISE TRADE 2017



Annexe 11a: Rwanda Product Potential Mapping 2018



Annexe 11b: Rwanda Market Potential Mapping 2018



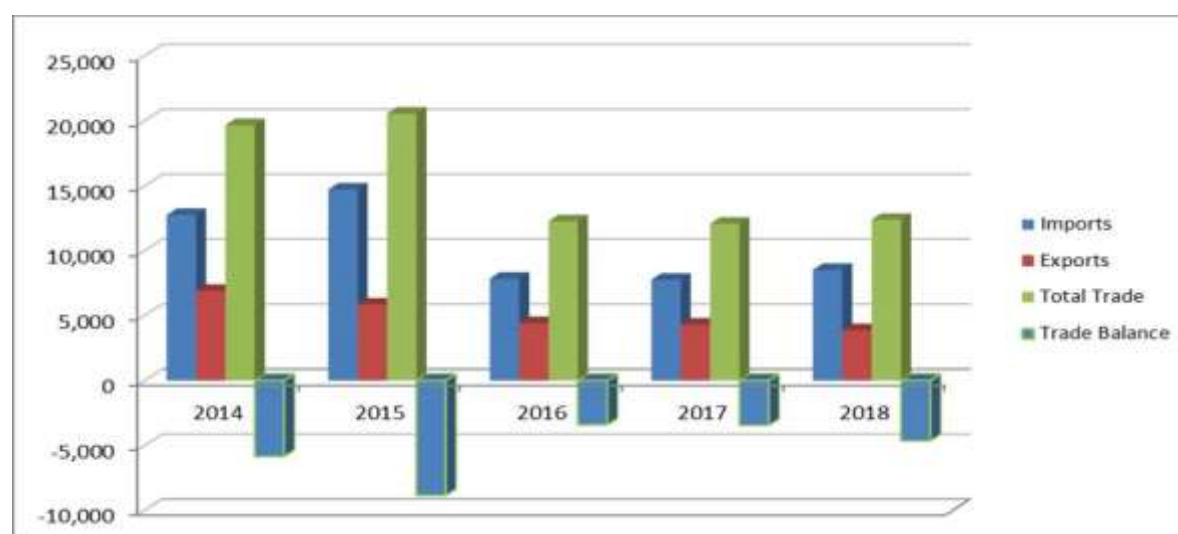
Annexe 12: Tanzania Trade Profile

Tanzania - Trade openness and export diversification

Tanzania	2015	2017
Trade openness		
Trade (% GDP)	46.40	32.62
Product diversification (based on HS02, 4-dig.) and market diversification⁷⁸		
Number of exported products (max. 1 245)	2156	2096
Index of export market penetration	2.34	2.12
Number of export markets (max. 237)	155	151
HH export market concentration (0 to 1)	0.10	0.11

Source: WITS, 2018

Tanzania's exports, imports and trade balance, 2014 – 2018 (US\$ Million)



Source: EAC Trade and Investment report 2018

Tanzania - Intra-regional trade 2014-2018

Intra-EAC Trade flows	2014	2015	2016	2017	2018
Intra EAC Domestic Exports	779.4	924.8	300.0	430.5	448.6
Intra EAC Re-exports	44.3	32.6	38.3	34.0	60.0
Intra EAC Total Exports	823.7	957.4	338.3	464.5	508.6
Percent Share of Intra-Re-exports	5.4	3.4	11.3	7.3	11.8

Source EAC: Trade and Investment report 2018

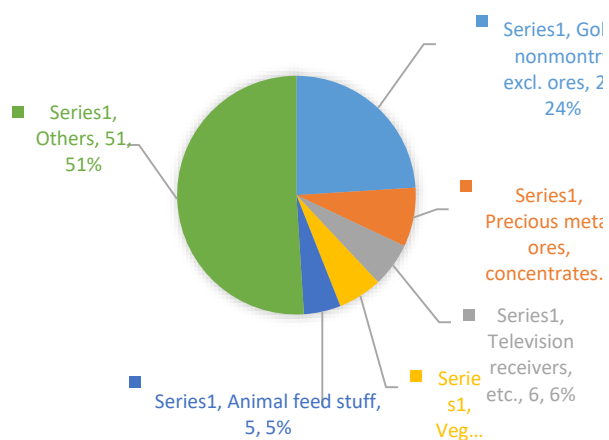
⁷⁸ Data Obtained from WITS

Tanzania - Trade with EAC Partner States, 2014-2018

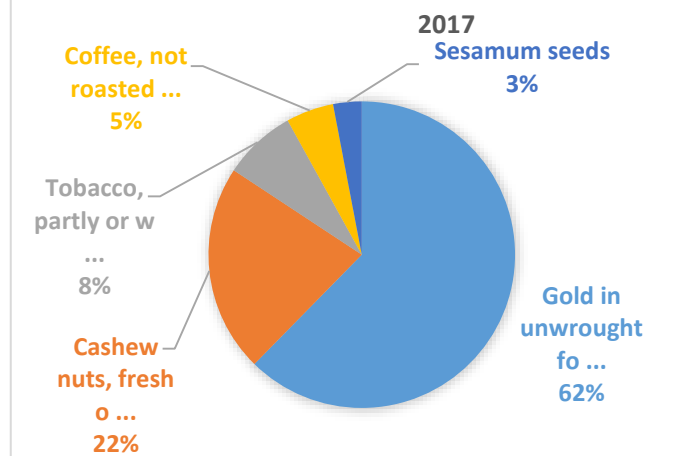
		2014	2015	2016	2017	2018	% Change				
							2014	2015	2016	2017	2018
Kenya	Imports	657.9	237.3	266.4	203.4	247.5	95.8	- 63.9	12.3	- 23.6	21.7
	Exports	602.2	812.0	189.7	308.9	224.5	- 31.7	34.9	- 76.6	62.8	- 27.3
	Total trade	1,260.1	1,049.3	456.1	512.3	472.0	3.5	- 16.7	- 56.5	12.3	- 7.9
	Trade Balance	- 55.7	574.7	- 76.7	105.5	- 23.0	- 110.2	- 1,131.1	- 113.3	- 237.6	- 121.8
Uganda	Imports	48.2	39.2	30.6	36.1	52.7	- 16.9	- 18.7	- 22.1	18.2	45.8
	Exports	100.4	55.9	28.1	33.0	118.9	23.7	- 44.4	- 49.7	17.4	260.2
	Total trade	148.6	95.1	58.7	69.1	171.6	6.8	- 36.0	- 38.3	17.8	148.2
	Trade Balance	52.2	16.7	- 2.4	- 3.1	66.2	125.3	- 68.1	- 114.6	27.2	- 2,234.5
Burundi	Imports	0.6	1.0	0.8	0.2	1.0	- 70.0	66.7	- 23.0	- 68.9	326.8
	Exports	64.4	41.3	55.0	53.7	59.8	- 7.9	- 35.9	33.2	- 2.2	11.2
	Total trade	65.0	42.3	55.8	54.0	60.8	- 9.6	- 35.0	31.8	- 3.2	12.6
	Trade Balance	63.8	40.3	54.2	53.5	58.8	- 6.1	- 36.9	34.6	- 1.3	9.8
Rwanda	Imports	3.2	1.1	1.1	1.3	1.4	220.0	- 65.6	1.5	17.3	4.0
	Exports	56.6	48.3	65.6	68.7	104.1	- 51.4	- 14.8	35.8	4.8	51.5
	Total trade	59.8	49.4	66.7	70.0	105.5	- 49.1	- 17.5	35.1	5.0	50.6
	Trade Balance	53.4	47.2	64.4	67.4	102.8	- 53.8	- 11.7	36.6	4.6	52.5
South Sudan	Imports	-	1.1	-	2.1	0.2	-	-	- 100.0	-	- 90.4
	Exports	-	-	-	0.2	1.3	-	-	-	-	583.3
	Total trade	-	1.1	-	2.3	1.5	-	-	- 100.0	-	- 35.3
	Trade Balance	-	- 1.1	-	- 1.9	1.1	-	-	- 100.0	-	- 156.3
Intra-EAC**	Imports	709.9	279.7	298.8	243.2	302.7	78.8	- 60.6	6.8	- 18.6	24.5
	Exports	823.7	957.4	338.3	464.5	508.6	- 28.3	16.2	- 64.7	37.3	9.5
	Total trade	1,533.6	1,237.1	637.1	707.7	811.3	- 0.8	- 19.3	- 48.5	11.1	14.6
	Trade Balance	113.8	677.7	39.5	221.4	205.8	- 107.1	76.8	- 94.2	460.1	- 7.0

Source: EAC Trade and Investment report 2018

Tanzania Top 5 merchandise exports, 2015

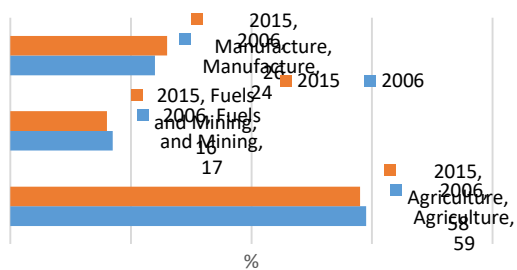


TANZANIA TOP 5 MERCHANDISE EXPORTS



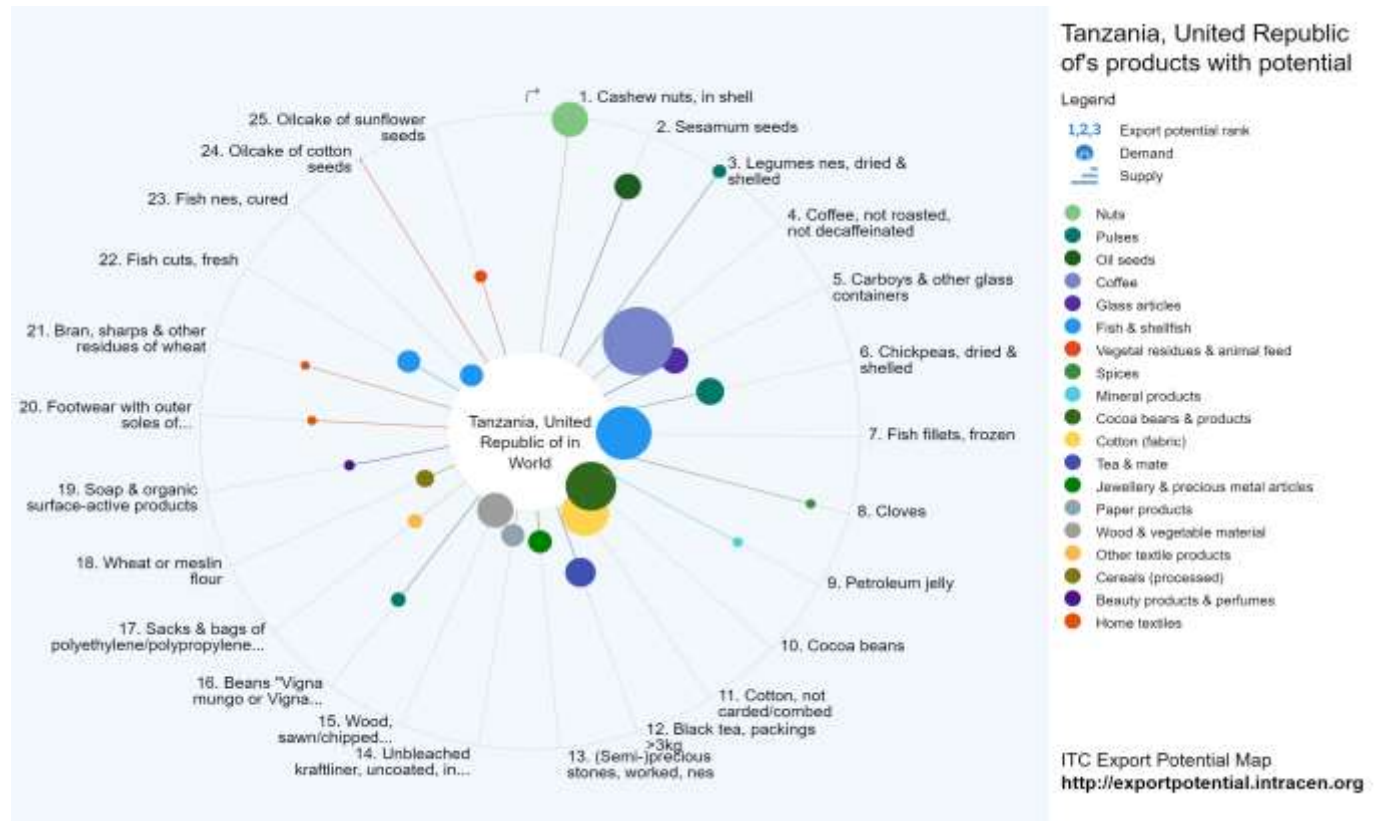
Source: WITS and EAC Trade and Investment report 2018

Tanzania - Structure of merchandise exports

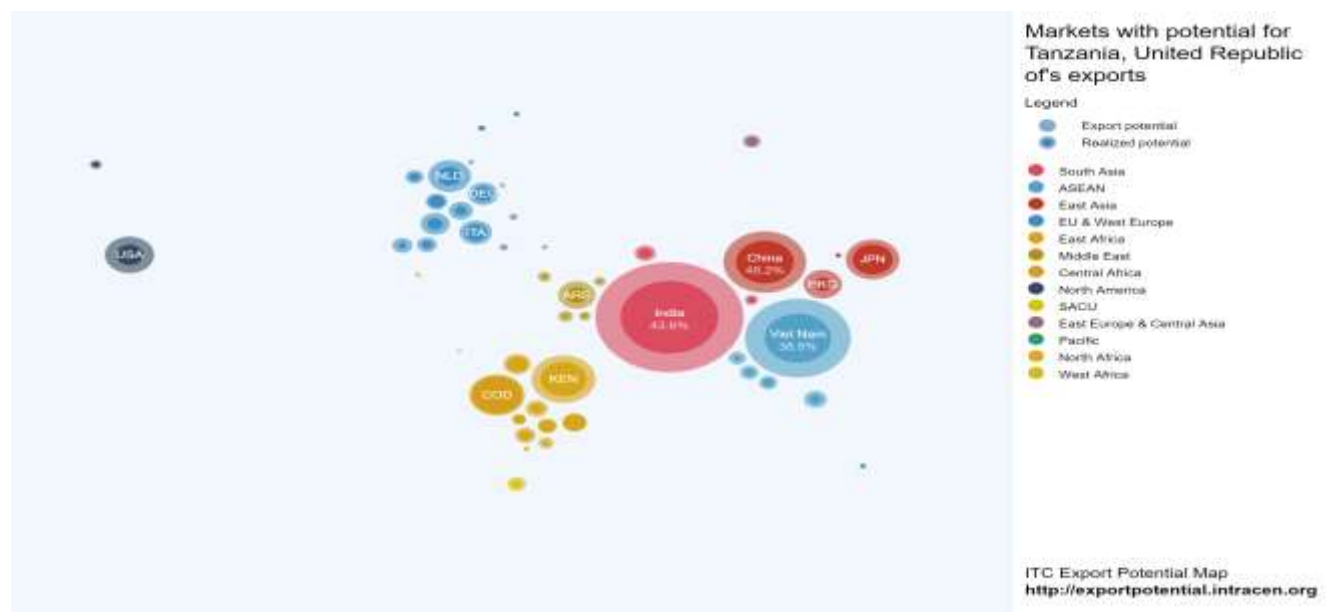


Source: EAC Trade and Investment report 2015

Annexe 13a - Tanzania Product Potential Mapping 2018



Annexe13b: Tanzania Market Mapping for top 5 Exports with the highest untapped potential



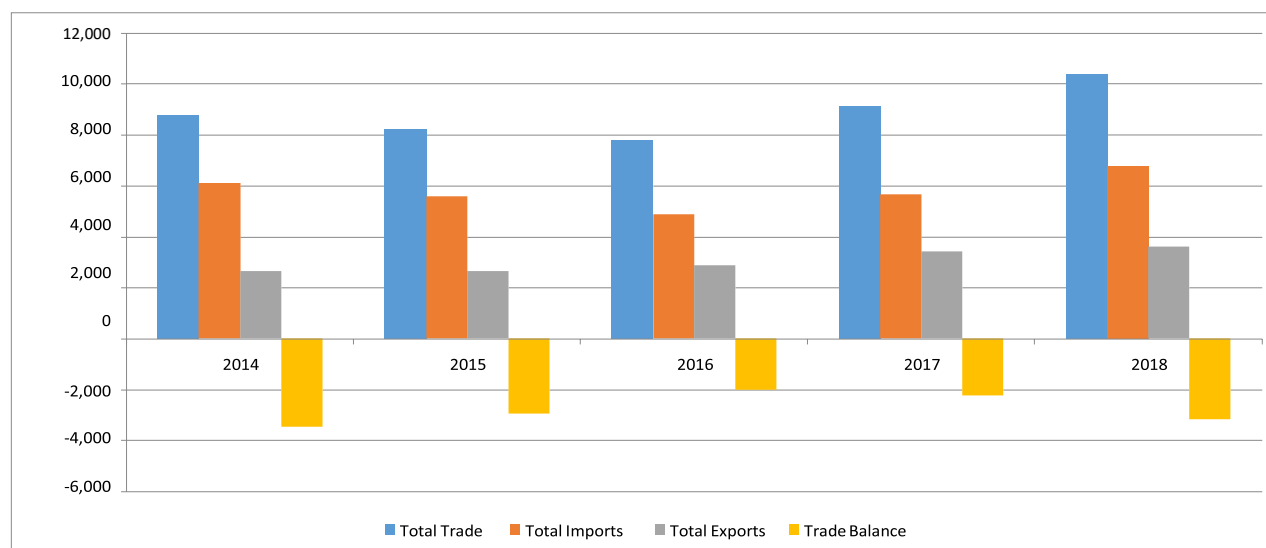
Annexe 14: Uganda Trade Profile

Uganda - Trade openness and export diversification

Indicators	2015	2017
Trade openness		
Trade (% GDP)	47.66	43.48
Product diversification (based on HS02, 4-dig.) and market diversification⁷⁹		
Number of exported products	2440	2172
Index of export market penetration	1.94	1.84
Number of export markets	130	134
HH export market concentration (0 to 1)	0.05	0.09

Source: WITS 2018

Uganda's Total Exports, Imports and Trade Balance, 2014-2018 (US\$ million)



Source: EAC Trade and Investment Report 2018

Uganda's Intra-EAC Exports, 2014-2018 (US\$ million)

	2014	2015	2016	2017	2018
Exports	923	1,037	951	1,126	1,254
Imports	686	631	533	566	796
Trade Balance	236	406	418	561	458
Uganda' total imports	6,074	5,528	4,829	5,596	6,729
EAC share to total Imports	11.3	11.4	11.0	10.1	11.8
Total Trade	1,609	1,668	1,484	1,692	2,051

Source: EAC Trade and Investment report 2015

⁷⁹ WITS, 2018 data

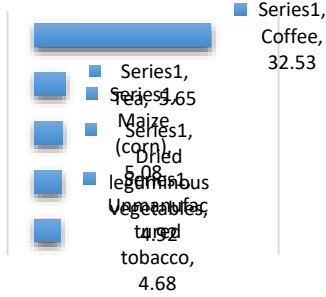
Uganda - Trade with EAC Partner States, 2014-2018

		2014	2015	2016	2017	2018	Percentage Change				
							2014	2015	2016	2017	2018
Burundi	Imports	4.1	3.4	1.3	1.1	5.4	809.0	(17.9)	(61.8)	(18.0)	408.1
	Exports	43.5	46.3	45.1	43.0	40.7	(10.8)	6.5	(2.5)	(4.7)	(5.4)
	Total trade	47.6	49.7	46.4	44.0	46.0	(3.3)	4.4	(6.6)	(5.1)	4.5
	Trade Balance	39.3	42.9	43.8	41.9	35.3	(18.5)	9.1	2.1	(4.3)	(15.8)
Rwanda	Imports	10.9	9.4	10.1	9.8	13.1	47.1	(13.9)	7.6	(2.5)	33.0
	Exports	245.3	237.6	193.3	181.6	211.6	13.4	(3.2)	(18.7)	(6.0)	16.5
	Total trade	256.2	246.9	203.3	191.5	224.7	14.5	(3.6)	(17.7)	(5.8)	17.4
	Trade Balance	234.5	228.2	183.2	171.8	198.5	12.2	(2.7)	(19.7)	(6.2)	15.6
Kenya	Imports	593.9	554.5	459.0	457.2	515.9	5.5	(6.6)	(17.2)	(0.4)	12.8
	Exports	297.4	427.0	404.1	552.0	580.2	(5.4)	43.6	(5.4)	36.6	5.1
	Total trade	891.3	981.5	863.1	1,009.2	1,096.0	1.6	10.1	(12.1)	16.9	8.6
	Trade Balance	(296.5)	(127.5)	(54.9)	94.8	64.3	19.4	(57.0)	(57.0)	(272.6)	(32.2)
South Sudan	Imports	1.5	0.8	2.5	5.6	3.2	457.6	(43.7)	204.5	120.3	(42.8)
	Exports	280.3	265.0	239.6	299.9	355.8	59.8	(5.4)	(9.6)	25.2	18.6
	Total trade	281.8	265.9	242.1	305.5	359.0	60.4	(5.6)	(8.9)	26.2	17.5
	Trade Balance	278.8	264.2	237.0	294.3	352.5	59.2	(5.2)	(10.3)	24.2	19.8
Tanzania	Imports	75.7	62.9	59.7	91.8	258.8	64.9	(16.9)	(5.1)	53.8	181.9
	Exports	56.0	60.8	68.9	49.8	66.3	16.8	8.5	13.3	(27.7)	33.1
	Total trade	131.7	123.7	128.6	141.6	325.0	40.3	(6.1)	4.0	10.1	129.6
	Trade Balance	(19.7)	(2.1)	9.2	(42.0)	(192.5)	(1,069.6)	(89.2)	(531.4)	(557.4)	358.3
Intra- EAC**	Imports	686.1	631.0	532.6	565.5	796.3	11.2	(8.0)	(15.6)	6.2	40.8
	Exports	922.5	1,036.7	950.9	1,126.3	1,254.5	14.9	12.4	(8.3)	18.4	11.4
	Total trade	1,608.6	1,667.7	1,483.5	1,691.8	2,050.7	13.3	3.7	(11.0)	14.0	21.2
	Trade Balance	236.4	405.6	418.3	560.8	458.2	27.1	71.6	3.1	34.1	(18.3)

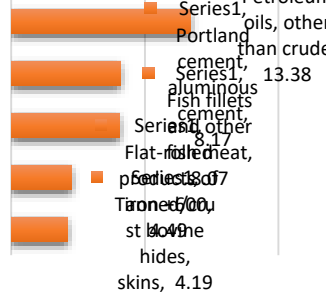
Source: EAC Trade and Investment report 2018

Uganda - Trade profile

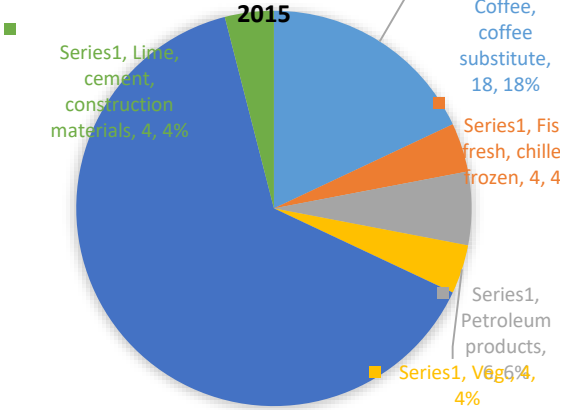
Share in economy's trade in agricultural products (2015)



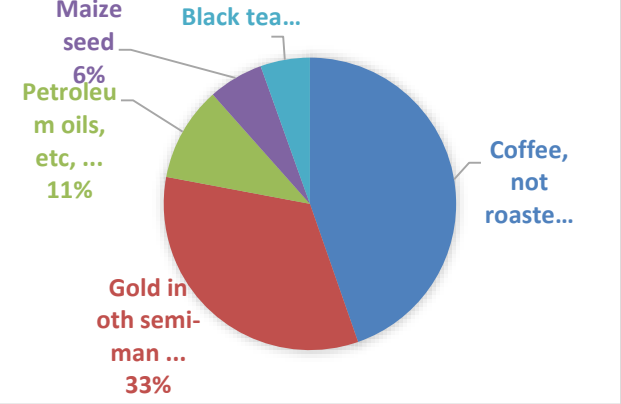
Share in economy's trade in non-agricultural products (2015)



Uganda top 5 merchandise exports, 2015

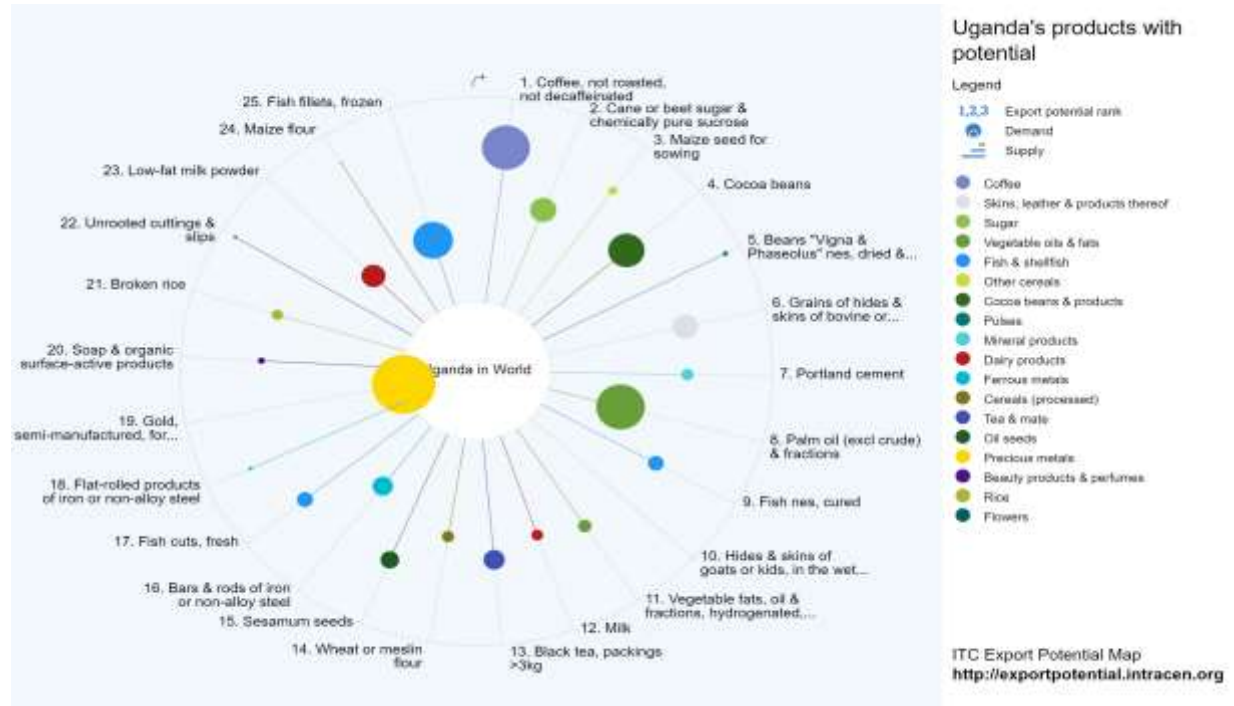


UGANDA TOP 5 MERCHANDISE EXPORTS IN 2018



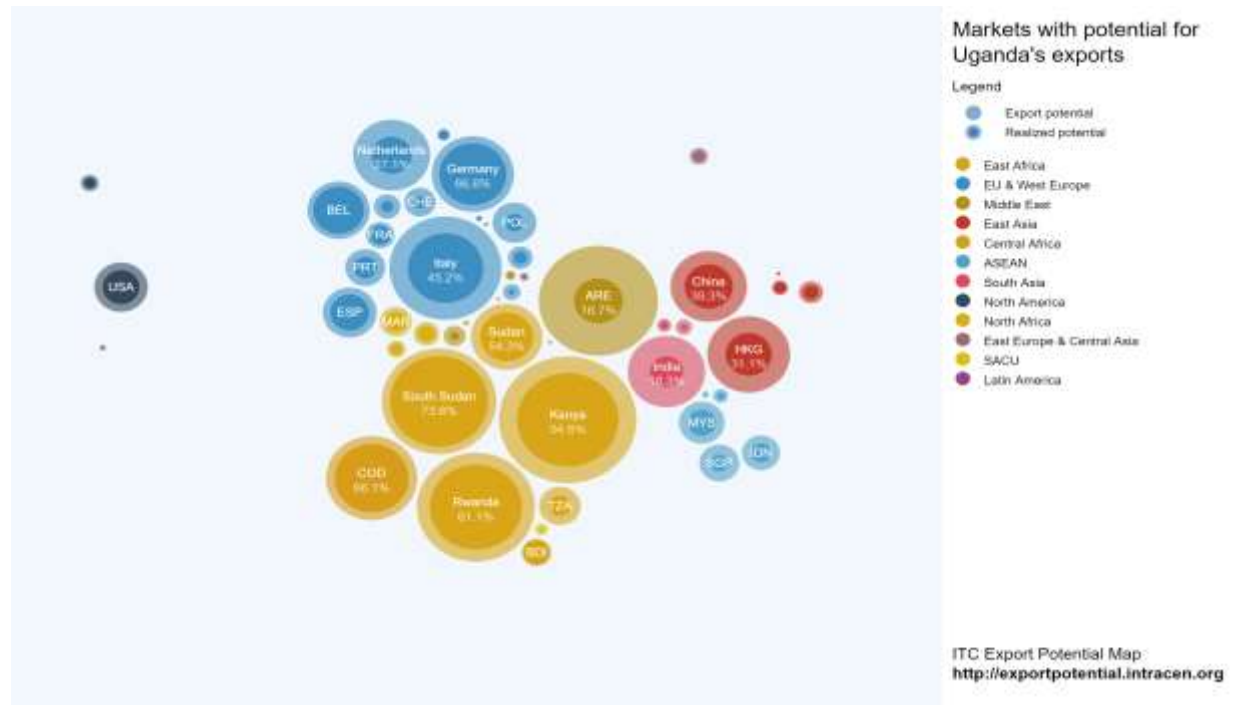
Source: WITS, 2018

Annexe 15a: Uganda Product Potential Mapping 2018



Source: ITC Trade Map, 2018

Annexe 15b: Uganda Market Potential Mapping 2018



Source: ITC Trade Map, 2018

Annexe 16: Key institutions in the Region

East African Business Council (EABC): At the regional level, EABC is the formal apex business body. It was established in 1997 to represent the interests of the region's private sector in the EAC integration process. EABC's more specific objectives include the promotion and maintenance of a single market and investment area in East Africa and the maintenance of an institutionalized interaction with the EAC and its Partner States. EABC has a large membership in the region in various sectors including manufacturing, ICT, tourism, banking, and media among others. It currently has an observer status in the EAC. Website: <http://www.eabc.info>.

The EAC Secretary General – Chief Executive Officers Forum is a result of the dialogue framework. The Forum is a platform that allows business people from the region to interact with the Secretary General on issues hindering trade and business in the region.

East African Chamber of Commerce, Industry and Agriculture (EACCIA): The EACCIA is an organization formed and owned by the three national Chambers, namely, the Kenya National Chamber of Commerce and Industry (KNCCI), the Uganda National Chamber of Commerce and Industry (UNCCI) and Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA). Its main objective is to lobby for the creation of a conducive environment for cross border trade and investment within the context of the East African Customs Union. Website: <http://www.eastafricanchamber.org>

Eastern Africa Association: The Eastern Africa Association (EAA) was established in 1964 to facilitate foreign investors' participation in the economic development of Eastern Africa. It is headquartered in London and acts as a channel of communication between foreign investors and Eastern African Governments. It interprets the policies and objectives of Governments to its members and, in turn, explains the views and needs of investors, prospective investors and foreign businesses, generally to Governments. Website: <http://www.eaa-lon.co.uk>

Eastern Africa Grain Council (EAGC) is supporting the development and spearheading the dissemination of EAC's Staple Foods Standards aimed at enhancing regional trade. Its core function is to improve the policy and trading environment for the regions grain trade, strengthen market linkages and reduce the constraints along the grain value chain. Website: <http://www.eagc.org/>

Federation of East Africa freight forwarders Association (FEFFA): The Federation is the apex body of Freight Forwarders Associations in Burundi, Kenya, Rwanda, Tanzania and Uganda that was formed in 2005. The association's main focus is professionalizing the freight industry, provision of information, and advocacy for an effective freight logistics industry in the East African region. Website: www.feaffa.com

Various National Associations: At the national level, a number of private sector associations have been established. These include; Chambre de Commerce et D'Industrie du Burundi, the Kenya Private Sector Alliance (KEPSA), the Rwanda Private Sector Federation (RPSF), the Tanzania Private Sector Foundation (TPSF) and the Private Sector Foundation of Uganda (PSFU). These associations address cross-cutting sectoral concerns and facilitate dialogue with their respective Governments. Below is a table of the main associations in the region:

EAC Private Sector Organisation

Uganda		Kenya		Tanzania	Burundi	Rwanda	
Uganda Chamber of Commerce, Industry and Agriculture	Allied of	Kenya Processors Exporters Association (AFIPEK)	Fish &	Tanzania Private Sector Foundation	Federal Chamber of Commerce and Industry of Burundi	Private Sector Federation, Rwanda	
Uganda National Chamber of Commerce and industry	of	Federation of Women Entrepreneur ASSOCIATIONS (FEWA)		Confederation of Tanzania Industries (CTI)	Burundi Women Entrepreneurs Association (AFAB)		
Federation of Uganda Employers association	of	Kenya Association of Manufacturers (KAM)		Tanzania Chamber of Commerce Industry and Agriculture	Association des Commerçants du Burundi (ACOBU)		
Uganda Manufacturers Association (UMA)		Kenya Private Sector Alliance		Tanzania horticultural association	Burundi Freight Forwarding Association		
Private Sector Foundation of Uganda (PSFU)		Kenya Association of Women Business Owners					
Uganda Women Entrepreneurs Association		Kenya Transporters Association					
Uganda Insurance Association		Kenya Flower Council					