

**KEYNOTE ADDRESS BY THE SECRETARY GENERAL OF THE EAST
AFRICAN COMMUNITY, AMBASSADOR DR. JUMA V. MWAPACHU AT THE
EAST AFRICAN BUSINESS FORUM**

Ngurdoto Mountain Lodge, Arusha, 22 May 2006

- Towards competitive, enterprising economy in East Africa -

**Hon Deputy Minister for East African Co-operation, United Republic of Tanzania,
Dr Deogratius Kamala**

Honourable Members of the East African Legislative Assembly

Hon Chairman of the East African Business Council, Mr Arnold Kilewo

Hon Amanywa Mushega, former Secretary General of the East African Community

Distinguished Members of the EABC

Distinguished Guests

Ladies and Gentlemen

I am pleased to have this opportunity to address you on this important occasion of the East African Business Forum. It is indeed apt that the forum is being held here in the beautiful surroundings of the Ngurdoto Mountain Lodge, itself an icon of the brave new spirit of enterprise that is fast taking root in East Africa.

Thank you so much for inviting me to deliver a keynote address at this important Forum. Much as I realize that your choice invitee was the Honourable Andrew Chenge, Tanzania Minister for East African Co-operation, who has not been able to be here, you can feel assured that I am singularly honoured to have the opportunity to dialogue with you even at short notice.

As most of you know, I remain one of you, my absence in Paris and now this new responsibility as Secretary General of the East African Community can neither diminish the reality that business runs in my blood nor my commitment to putting the private sector at the heart of the East African project. I continue to cherish my past connections with the East African Business Council (EABC), having been one of its architects and its Chair for the period 1999-2000.

In establishing the EABC the founding members had the vision of its role as an integral part of the EAC programme. I am glad to note that in the past decade, EABC has, with modest resources, championed its role with vigour and great commitment. EABC's resourceful participation in the successful negotiation of the East African Community Treaty, signed in 1999 and the East African Customs Union Protocol, concluded in 2004 as well as the continuing mobilization of its membership on the regional integration and development effort are well documented and appreciated. With the EABC's present and potential membership in the private sector that contributes about 80% of the gross domestic product of the East African Community, you have high stakes in the Community. This means that you must always be alert and engaged in what goes on in the Community.

Given my intimate association with the EABC, it is inevitable that I should flag my statement with a clear reinforcement of my avowed commitment to do the best I can to deepen EAC's relationship with the EABC and, specifically, to work with new vigour, energy and speed, for EABC's acceptance as an institution of the EAC. In my view, we cannot seriously talk about the EAC being market-driven when the key institutions that drive the market are only peripherally engaged in EAC's mission and work.

The EABC, along with other strategic partners within East Africa's civil society, should be formally mainstreamed in EAC's decision-making structures and processes. This Business Forum and the important themes it is addressing, indeed attest to how imperative it is that the EABC becomes an institution of the EAC as soon as possible. This Forum is a clear manifestation of EABC's responsiveness to fundamental policy questions that underlie EAC's programmatic direction and the challenges it must confront head on, and urgently, if our region is going to timely transform itself into a competitive economic powerhouse.

Chairperson, the East African region is today going through one of its most challenging phases in the process of transformation to a vibrant economy. The region needs at this time, more than ever before, to marshal its full capacity to manage its enormous resources and potential in establishing its competitiveness in the new world economic order. With over a decade behind us of mainly the conceptualisation phase of the Community, we need to embark with earnest on translating the vision of the Treaty for the Establishment of the East African Community into reality. With so many of these already long identified, the critical projects of the Community should be taken from the drawing boards to the implementation status on the ground.

People-centred integration

The first step in actualizing the Community, indeed in implementing the Treaty is to unleash the potential of the East African people in the regional integration and development process. The people are at the centre of the development process, being the actors and the beneficiaries of the process. They should be empowered to participate in

the EAC's projects and programmes - right from the policy setting stage to the implementation processes.

As you are aware, I have been on my job as Secretary General of the East African Community for only a few weeks now. One of the top priorities that I have identified is the empowerment of the broad section of the East African people to participate in the regional integration agenda and programme. We thus intend to strengthen and intensify the programme of marketing and publicity of the Community among the people. The EAC presence should be seen and felt across the entire East African region, from the central business districts of our cities and towns to the hamlets in the furthest corners of the vast expanse of the region. Related to this, we shall fast track the ongoing process of establishing an effective consultative forum for civil society participation in the activities of the Community; and as I have stated, do the same for the private sector with respect to the East African Business Council.

The viability of the Community, the concrete outputs of the Community, will depend on the inputs which all its constituencies, its broad range of stakeholders, civil society, the public and private sectors and the development partners, contribute to the Community. A synergy should in this respect emerge between the public and private sectors in contributing towards the achievements of the objectives of the Community and in demonstrating tangible benefits of regional integration.

Both with regard to the role of governments in creating the enabling environment and the role of the private sector as the driving force, a system of positive measures, beyond rhetoric, should be instituted that take the Community forward. Thus, once the governments have provided the enabling policies and conducive environment, the private sector should operate with confidence, undertaking long-term business investment plans which impact on the socio-economic transformation of the region. Armed with a new paradigm, we should set out to be action-oriented and move faster in concretizing the benefits of regional integration. Much talk has been necessary and has taken place to get the Community where it is today. But the worst risk we could run is to have the EAC branded as a "talking shop". Therefore, we must, so to speak, begin to walk the talk.

Within the 3rd East African Community Development Strategy (2006-2010) which is to be launched soon, we want to set deliverable targets with respect to modernization of the East African highway network and railways system, realization of region-wide energy sufficiency and reliability, agricultural development and food security, as well as scale up the promotion of industry, investments and trade. Realization of this no doubt ambitious vision, will of necessity involve re-organization and refocusing of the operations of the EAC bureaucracy as well as institution of measures in smart partnership with and between the public and private sectors of our region.

EAC Customs Union

Chairperson, allow me now to address the key themes of your Forum, namely the enhancement of the Customs Union and the vital importance of the energy sector in East Africa's development.

With regard to the challenges of enhancing the Customs Union, our view is that such enhancement hinges probably not so much on opening up and deepening cross border trade but on bolstering productive output among the EAC Partner States. The critical aspect of trade is less linked to *how* countries trade than *what* they may trade. Whilst the adoption of the CET charts out levelling of the playing field, insofar as imports of our raw materials are concerned, the strength of the Customs Union will increasingly depend on how speedily the Partner States are able to create conditions supportive of economic symmetry and thus competitiveness.

Presently asymmetry rules tend to revolve around several costs of doing business and other transaction costs. These costs which embrace differing taxes and duties, power tariffs, including availability of reliable power, trade supporting interest rates and burdensome bureaucracy have to be addressed if the Customs Union is to be consolidated. Enhancement of the Customs Union cannot also escape appreciation of realities about the limits of regional co-operation versus national priorities. Finding robust ways to strike a delicate balance between these objectives is a challenge not only of political leadership but of business as well. Often zero sum economic nationalism that underlies enhancement of regional integration, such as open ended disputes over the application of CET and NTBs, is driven by the business lobby.

Indeed, as had been anticipated, the most immediate shocks of opening up the regional market and ushering competition are being felt by those industries that formerly enjoyed protection and which operated more or less as monopolies. Open competition has been intensified among various producers, hence the resistance often encountered from those groups which, for various reasons, continue to harbour distaste for, or fears of competition. Those States whose industries were insulated from competition now have to bear a higher cost of economic restructuring to enable them achieve sustainable industrialization.

These problems may linger but what we ought to acknowledge is the fact that with the launching of the Customs Union, East Africa has made a great leap forward in promoting competitive advantage that should foster a more rapid attainment of our development objectives. There is great potential for effective utilization of resources and bolstering higher productivity flowing from the restructuring and privatization of industries and benefiting from economies of scale that the Customs Union engenders.

Above all, the Customs Union and subsequently the Common Market for East Africa provides the critical mass necessary to attract new domestic and foreign investment, bringing with it innovations in the form of new technological processes and new

products. The larger regional market that these developments bring about opens up enormous opportunities but also challenges to the private sector.

The setbacks that may be experienced in the Customs Union today, barely 17 months after its launch should therefore be viewed for what they are; isolated and temporary in the initial stages of establishing a single market and investment area. What we need to be mindful about is that there are vast potential benefits of regional integration that lie ahead. The private sector should be at the forefront in championing regional integration, which is in its best strategic interest.

The private sector should go out of its way to ensure the success of the Customs Union. It should build strategic alliances across the borders. Be proactive in planning ahead rather than reacting to the forces and challenges posed by the roll out of the Customs Union. The developments in cross listing of stocks in the regional stock exchanges are very encouraging in this regard. Cross listing of stocks and building strategic alliances as well as mergers and acquisitions among the traders and manufacturers in the region should be encouraged as definitive steps towards the realization of a full fledged East African Customs Union.

Trade expansion, both intra-regional and international is to a good extent the logical spin-off of the consolidation of the Customs Union. However, deliberate and bold efforts should be made to strengthen the region's productive and supply capacity, taking advantage of the operations of the Customs Union and subsequently the Common Market. To this extent, the private sector is expected to play its part to the fullest. On its part, the EAC is committed to pursue concrete measures to bolster the region's productive sector. Specifically, we intend to fast track a number of key projects that have for long been at various formulation stages. Among these are the East African Agricultural and Rural Development Strategy, the East African Industrialization Strategy and the East African Private Sector Development Strategy, all of them of great interest to the members of the East African Business Council and the business and investing community in general.

Infrastructure development

Chairperson, As regards the pivotal importance of the energy sector and indeed of infrastructure generally, the EAC faces serious challenges as witnessed by the slowing down of the East African economies in the last one year in particular. Countries like Tanzania have seen growth rates decline from targets of 7.2% for fiscal year 2005/2006 to 5.8%. Inflation is also on the rise as a consequence of these declining growth rates. Clearly, the serious energy deficit prompted by a long drought and over reliance on hydropower has major and devastating implications on the productive sectors of the EAC's economies.

Whilst the EAC Partner States are now more seriously engaged in finding sustainable ways of assuring availability of reliable power, the role of the private sector, on its own and in partnership with governments, at national levels, and regionally, takes

precedence. The overwhelming success of the recent initial public offer by the Kenya Electricity Power Generation Company (KenGen) has shown how much domestic resources are available within the Partner States to finance what is normally viewed as capital intensive investment. The KenGen case has amply demonstrated that we can mobilize our own resources in East Africa to finance the high profile projects that we have identified in the energy and other priority areas in the infrastructure sector such as those in roads, railways , airways and civil aviation.

Your Forum's focus on the energy issues is therefore timely, considering the centrality of energy resources in the regional integration and development process. Luckily, in the EAC countries, we have the advantage of abundant potential in a mix of energy resources including hydropower, natural gas, coal, and geothermal energy. All the three countries have considerable hydroelectric potential, Uganda a great abundance of it, while in addition Kenya has geothermal resources and Tanzania has gas deposits.

Indeed, there exists good opportunities for achieving an efficient and relatively low cost type of pooled power supply system through regional co-operation in East Africa. The East African Power Master Plan, which is one of the priority projects of the Community, envisages the expansion of a combined power generation system of the region and a comprehensive system of interconnected power generation and supply, incorporating electricity grid interconnections. Needless to state, this is one of the projects that we would be placing on the fast track in the period ahead, working closely with the private sector.

Conclusion

Chairperson, in conclusion, I would like to mention a few of the broader and essentially strategic issues of which the EAC is also seized at the moment, namely the ongoing processes in fast tracking the Political Federation of East Africa, the active involvement of the EAC in the AU initiatives with respect specifically to the NEPAD and the International Conference on the Great Lakes processes as well as the applications of the Republic of Burundi and the Republic of Rwanda to join the Community. These initiatives have significant bearing on the EAC's future direction and, on the whole, hold great prospects for expansion of trade and investments in the East African region with immense benefits to the business community, among others.

Therefore in commending the EABC and the business community at large for the support that you have very ably, and with great dedication and commitment, extended and continue to extend to the East African regional integration process, I would urge you to remain ever close to the EAC in the days ahead. You should continue to make your contribution which is definitive in the transformation of the East African region into a solid economic bloc and a fast modernizing, thus a competitive investment and trade area and destination.

With these remarks, I thank you very much for listening to me and wish your Forum great success.

Thank You!