



REPORT OF THE EAC-EABC TECHNICAL WORKING GROUP MEETING

11th – 12th MARCH 2024

NAIROBI, KENYA

1. Introduction

The EAC-EABC Technical Working Group (TWG) held a physical meeting on 11th -12th March 2024 to consider EABC Private Sector Policy Agenda, EAC Secretariat Policy Priorities and Activities 2023/24, Private Sector National Focal Points Policy issues and development Matrix of Joint Regional Policy Priorities for 2024/25.

The meeting was attended by members of the TWG comprised of technical staff from the EAC and EABC Secretariats, representatives of the Private Sector Organizations, and technical officials from GIZ. The list of participants is hereto attached as **Annex I**.

2. Agenda

The agenda for the meeting was adopted as below:

- i. EABC Key Policy Achievements 2022/23 & Policy Advocacy Challenge.
- ii. Review of EAC – EABC Regional Policy Priorities and Activities 2023/24.
- iii. EAC Secretariat Key Policy Actions for 2024 and Proposed Actions for the TWG in 2024.
- iv. National Policy Priorities and Key Activities in 2024.
- v. Development of Matrix of the Joint Regional Policy Priorities for 2024/25 and Issues to be handled by EAC-EABC TWG.
- vi. AOB

3. Opening Remarks

3.1 WELCOME REMARKS BY MR. JOHN BOSCO KALISA, EABC EXECUTIVE DIRECTOR & CO-CHAIR OF THE TWG.

Mr. John Bosco Kalisa welcomed members to the meeting. He expressed his appreciation to the EAC Secretariat, GIZ, Private Sector Associations, and members of the media for participating in the meeting. He specifically thanked GIZ for their financial support towards convening the TWG meeting.

Mr Kalisa stressed the importance of the TWG as a platform for assessing the implementation of key reforms and charting a way forward for the EAC & continental integration process. The Co-Chair noted the impressive economic performance of the EAC region when compared to other blocs and attributed the growth to the effective role of Public-Private Dialogues (PPDs) in driving reforms; diversification of the economy that include services sectors such as finance, transport, tourism and communication; and investment in productive sectors notably agriculture and infrastructure.

Mr. Kalisa remarked that despite the progress made in the integration process, the share of intra-EAC trade to total trade is still stagnant at 15% due to several reasons that include NTBs; and restrictions on trade in services among others. He further highlighted challenges in the utilization of the mechanism for reporting and resolution of NTBs; use and application of harmonized EAC Standards; un-uniformly application of the revised EAC Common External Tariff of 2022 version; cross-border trade facilitation as some of the challenges faced by the private sector that hinder regional economic growth.

To address the proposed challenges, the EABC Executive Director called for prioritization of the private sector interventions, focusing on the operationalization of the Trade Remedies Committee; convening regular TWG Meetings at least quarterly, jointly mobilizing resources for implementing proposed interventions and activities of the TWG, review of the EAC Rule of Origin (ROO) and ensure alignment to the AfCFTA ROO framework; and convening relevant policy and technical meetings at the EAC, including the EAC Secretary General (SG) Forum. He specifically proposed to implement coherent policy reforms, eliminate Stays of Application on CET, and fast-track harmonization of the Domestic taxes.

Mr Kalisa emphasized that implementing the proposed reforms will enable the region to reach its desired 40% of share of intra-regional trade.

3.2 REMARKS BY MS. ESTELLA ARYADA, HEAD OF COMPONENT ON TRADE IN SERVICES, GIZ.

Ms. Estella Aryada, GIZ Component Lead in Trade in Services thanked EAC and EABC Secretariats for convening the meeting. She emphasized the long-standing relationship between GIZ and the EAC and its support for a structured dialogue in the region. Ms. Aryada stressed that Public Private Dialogues (PPDs) and a stronger private sector are critical for the progressive integration process.

The GIZ representative called for a new private sector approach to address the persistent integration challenges. She noted that the region is grappling with a changing socioeconomic profile fueled by a rapidly growing services sector. She called for capacity building of the private sector on understanding the rules and opportunities presented by the services sector and increasing participation of youth and women in regional economic integration.

Ms Aryada pledged the commitment of GIZ to support the private sector in the regional integration process to attain a meaningful and inclusive trade at the regional and continental level and delivering sustainability in the ongoing interventions.

She concluded by calling on the TWG members to use the platform in shaping the regional integration and investment agenda.

3.3 REMARKS BY MS. ANNETTE MUTAWE SSEMUWEMBA, EAC DEPUTY SECRETARY GENERAL (CUSTOMS, TRADE & MONETARY AFFAIRS) & TWG CO-CHAIR

Madam Annette Ssemuwemba conveyed her appreciation to the EAC and EABC Secretariats for organizing the Technical Working Group meeting. Equally she appreciated GIZ for financially supporting the meeting through EABC-GIZ Project.

Ms. Ssemuwemba called on the participants to engage and propose an action-oriented plan to deliver practical results. She stressed that the TWG is a testament to the aspiration of the EAC Treaty for a People-Centred and Private sector-driven integration process.

The DSG recommended for the involvement of the public sectors in future meetings of the TWG to provide update and deliberate with the private sector on the concrete proposals to the improvement of the business environment. Madam Ssemuwemba emphasized on the need to utilize different and innovative approaches as the traditional approaches to resolve various regional integration challenges may currently not be suitable. She highlighted that there is a need to focus on border agency collaborations; fast-track resolution of reported NTBs, a sectoral approach in addressing intra-regional

trade; facilitating access to information on trade in services through research and disaggregated data; and providing evidence-based advocacy to inform the engagements on Stays of Application and harmonization of Domestic taxes.

The DSG assured the TWG members of her total support but called upon them to be result-oriented, focusing on impactful interventions that will increase trade and investment and transform the region into an upper middle class as per the EAC Vision 2050. She went on to stress that the TWG should act as a *Think Tank* and therefore come up with innovative solutions that seeks to address the region bottlenecks. However, she highlighted that it will require commitment from both parties - private and public sectors in order to realize the expected gains.

The DSG committed that the Secretariat will implement proposed reforms and further called on the Private Sector Associations to engage the relevant agencies at the national level on identified issues, contribute and deliver on results. She urged that the TWG to identify quick wins, hold quarterly meetings and report on progress.

She concluded her remarks by reiterating on the EAC's commitment to bring to life the vision and dream of the EAC Treaty that calls upon the EAC to be people-centered and market driven.

4. EABC Key Policy Achievements 2022/23 & Policy Advocacy Challenge and Proposed Regional Policy Advocacy Priorities.

Mr Adrian Njau, EABC's Trade and Policy Advisor presented the organization's key policy achievements, Policy Advocacy Challenges and Proposed Policy Advocacy Priorities. The presentations are attached hereto as **Annex IIa & IIb**.

5. Review of EAC – EABC Regional Policy Priorities and Activities 2023/24 and EAC Secretariat Key Policy Actions for 2024 and Proposed Actions for the TWG in 2024.

Mr Deogratus Mbarara, from the EAC Secretariat, presented the existing policies to facilitate trade in EAC, the status of implementation of Private Sector Policy Issues, Key Policy Actions in 2024, and Proposed Actions for the TWG in 2024. The presentation is attached hereto as **Annex III**.

6. Presentations of the National Policy Priorities and Key Activities in 2024.

The meeting received national policy priorities as presented by Private Sector Organisations across the region in the meeting. The presentations are attached hereto as **Annex IV, V, VI, VII, VIII, IX, and X**.

7. Development of Matrix of the Joint Regional Policy Priorities for 2024/25 and Issues to be handled by EAC-EABC TWG 2024.

Following submissions of regional policy priorities and National Policy Priorities, the relevant officials from the EAC & EABC Secretariats were tasked to develop the Matrix of Regional Policy Priorities that is to be shared with all members of TWG within period of one week.

8. The meeting observed the following:

- 8.1. Public Sector involvement and engagement:** Most of the issues raised by the private sector are to be addressed by the Public Sector in respective Partner States. However, the Ministries, Departments and Agencies were not invited and therefore, there is a need for invitation of future meetings of the TWG to be extended to the Partner States MDAs.
- 8.2. Prioritize deepening EAC Integration as the Community widens:** The pace of implementation of pillars of integration especially Common Market Protocol and Monetary Union has been slow and somehow stagnant and this is further affected with the admission of the new members to EAC bloc. Thus, limiting the gains from the integration process. The EAC and Partner States therefore need to prioritize implementation of the integration pillars for the Community to fully realize the economic benefits.
- 8.3. Limited evidence on issues raised by the private sector:** Issues raised by Private sector associations were relevant. However, they were not critically interrogated and lacked clarity, specificity and evidence.
- 8.4. Competitiveness of transport corridors:** The private sector is faced with high transport costs, delays at the Ports, lack of harmonized measures such as road tolls and weighbridges, coordination challenges, and limited transport infrastructure. It was highlighted that it takes more than one (1) month to transport goods through the central corridor to destinations such as Rwanda and Burundi.
- 8.5. Review of the trade facilitation tools:** There is an active implementation of AEOs at the national level, however, the regional AEO scheme has not been effectively implemented thus limiting the benefits to the private sector undertaking trade at the regional level. Further the 2015 EAC Rules of Origin scheme is more restrictive compared to the AfCFTA Rules and the Regional Trade Information Portals lack key information on investment opportunities and production capacities. Hence, the need to review and evaluate the trade facilitation tools to assess on their effectiveness (what has worked and what has not worked) to address the challenges faced by the business community.

- 8.6. Lengthy process in adoption and implementation of harmonized EAC Standards:** The process for developing and adoption of harmonised standards at the national level is lengthy and thus by the time they are finalized, may not be relevant and leading to multiple tests, re-testing, non-conformity, and high compliance costs for the private sector. Further, given the overlapping membership of the EAC Partner States in EAC, COMESA and SADC, it increases on the compliance costs for Private Sector as Partner States are implementing standards and conformity assessments with other Regional Economic Communities and International Organisations that are not implemented in the EAC. There is therefore a need for a timeframe in the development of standards and a peer review mechanism among the Bureau of standards for mutual recognition.
- 8.7. Need for a Secretariat for the Tripartite Agreement:** There is a slow implementation of the tripartite agreement due to the lack of a tripartite secretariat to monitor implementation of the Tripartite matters thus limiting the progress of the implementation.
- 8.8. Private sector consultations to provide inputs/ private sector position in the EAC Pre-budget Conference:** Lack of participation of private sector in the EAC Pre-budget Conference in the consideration for the proposals on Stays of Application (SOAs) and Duty Remission in the EAC that deters implementation of the Common External Tariff (CET) and distort intra-regional trade.
- 8.9. Status of the implementation of private sector policy issues:** The region has outstanding commitments such as the Dispute Settlement Mechanism which has only been ratified by Burundi, the Implementation of One Network Area (ONA) with Burundi being the remaining member to join, interventions to resolve restrictions in the tourism sector, and the status of adoption of the 2016 SPS bill which has been recommended for review to incorporate recent changes.
- 8.10. Lack of access to foreign currency for regional cross-border transactions:** Private sector transactions in countries such as Burundi are constrained by lack of access to foreign currency and limited access to operable payment systems in the region.
- 8.11. Production capacity in priority value chains:** The regional priority value chains in the region are faced with trade constraints and production challenges. This discourages value addition and intra-trade in products such as sugar and cement that are adequately produced in some of the Partner States.

- 8.12. Manufacturing sector performance:** It was noted that the regional manufacturing sector performance has continued to decline in the face of rising importation due to several factors such as high production costs that diminishes competitiveness of the Sector.
- 8.13. Limited performance in AfCFTA:** The meeting was informed that there is inadequate information on trade in services and on the utilization of AfCFTA tools such as the Guide Trade Initiative (GTI). This is also contributed by the low representation of stakeholders from the services sector in the TWG meetings.
- 8.14. National Treatment (non-discriminatory) of EAC investors:** Some of the countries do not accord National Treatment to domestic investors thus hindering cross-border investments. There is therefore need for Partner States as they reform their investment laws to take into consideration the commitments made under Article 29(2b) of the EAC Common Market Protocol.
- 8.15. Persistent and recurring Non-Tariff Barriers (NTBs):** The meeting was informed that intra-regional trade is negatively impacted by trade constraints such as denials, quotas, and delayed renewals in the issuance of permits notably for dairy and poultry products.
- 8.16. Lack of capacity to enforce food safety regulations:** Intra-regional trade is faced with unharmonized measures, procedures, and guidelines for testing and certification at key border posts. Currently, the EAC has developed Guidelines on Standard Operating Procedures (SOPs) for three (3) products notably maize, Rice and beans out of the identified 10.
- 8.17. Domestic Tax Harmonization:** It was noted that the process for domestic tax harmonization has taken too long and there is therefore need for prioritization and fast-track harmonization of domestic taxes. Further, there is need for the Partner States to harmonize fees, levies and charges of equivalent effect and remove those that are contrary to the commitments made under the Customs Union Protocol.

9. Recommendations:

- 9.1.** TWG to conduct a follow-up engagement with the public sector involving Ministries, Departments, and Agencies.
- 9.2.** Organise a high-level meeting to disseminate implementation progress made in the regional integration process. The engagement should sensitize stakeholders to take advantage of the opportunities offered through the regional integration process.
- 9.3.** Critically interrogate issues raised by the private sector to develop an evidence-based advocacy action plan that is based on quick wins, a multifaceted approach, timeframes, and feedback mechanisms.
- 9.4.** Conduct a comprehensive analysis of the regional trade facilitation instruments such as AEOs, EAC Rules of Origin (RoO), Trade Information Portals, and One-Stop Border Posts (OSBP) and propose recommendations for their review and effective implementation. This should include conducting field visits to selected borders by the EAC Secretariat in collaboration with the EABC to address cross-border trade constraints and the performance of OSBPs.
- 9.5.** Develop a roadmap for the new members who are joining to foster their implementation of integration milestones. Private Sector organizations should advocate for ratification of the Dispute Settlement Mechanism by all Partner States.
- 9.6.** Review the national framework for the adoption of standards and implement mutual recognition schemes informed by peer assessments between National Standard Bodies (NSBs). Further, the Partner States should expedite the adoption of standards and conformity assessments where an international or regional economic bloc agreement has been ratified and adopted. Continued sensitization of standards and dissemination of information on their use and application.
- 9.7.** Urge and advocate for the establishment of a Tripartite taskforce or Secretariat to monitor and follow-up on the implementation of agreed Tripartite commitments.
- 9.8.** Coordinate with the EAC Director for Customs on EABC participation in the Pre-Budget Conferences and engage the private sector for their feedback and inputs on the Stays of Applications and Duty Remission Scheme (DRS) to avoid trade distortions. Further, EABC should organize a regional engagement on the implementation of the DRS.

- 9.9.** EAC and EABC Secretariats in collaboration with Tanzania Private Sector Foundation undertake a study to review the performance of the central corridor and make recommendations to reduce the length of time to clear goods from the port of Dar es Salaam.
- 9.10.** Sensitize the private sector on the use and application of the East African Payment System and discourage the use of USD as an interchangeable currency.
- 9.11.** Promote regional trade in the priority value chains by addressing trade and production capacity constraints. Private Sector Association should engage relevant agencies to upgrade the trade information portals with current production capacities.
- 9.12.** EABC to strengthen the capacity of the private sector association across EAC Partner States notably in DRC, South Sudan, and Somalia and build the sectoral associations in priority EAC Value Chains such as the sugar association to dialogue with key stakeholders including users of sugar for industrial use.
- 9.13.** Conduct a comprehensive cost comparison analysis study to assess the performance and competitiveness of the manufacturing sector in the region against similar imports.
- 9.14.** Organize TWG meetings quarterly and include stakeholders from the services sector. TWG should organize at least two (2) physical meetings and enable structured dialogue for stakeholders from the services sector to identify issues and propose recommendations at the regional and continental levels.
- 9.15.** EABC in collaboration with key partners should advocate for the Partner States to join the Guided Trade Initiative (GTI) and build the capacity of private sector to engage and participate in the AfCFTA market. Emphasis for the training should be made on the utilization of Phase II of the Guided Trade Initiative (GTI) which includes trade in goods and services by all EAC Partner States.
- 9.16.** Urge Partner States to accord national treatment as per Article 29(2b) of the Common Market Protocol (CMP) to cross-border investors to promote cross-border investments that will foster development of regional value chains and development of made in EAC products. EAC Secretariat to provide status update on the harmonization of investment laws.

9.17. EABC should advocate for the full implementation of the SPS protocol as a legal instrument as commonly used in the COMESA. This will also address the delays in the adoption of the SPS Act which has been recommended for further review.

9.18. EABC to advocate and propose new and innovative ways for addressing persistent and recurring NTBs.

10. Closing remarks

The two co-chairs expressed their gratitude to the EABC and EAC Secretariat for organizing the meeting and GIZ for their support. The EABC CEO stressed on the need for the private sector to meet the desired intra-regional trade of 40%. The DSG commended the private sector stakeholders for their effective engagement and stressed on the importance for increased frequency on a targeted and structured dialogue. She noted the disparities in terms of implementation of the commitments by the Partner States, hence the need to develop targeted activities for specific countries in the bloc. She reiterated that the region has evolved and there is a need for a fresh rethink of ideas to resolve the challenges. In conclusion, it was highlighted that there is need for the TWG to brainstorm on avenues for sustainability of the TWG meeting.

The two co-chairs of the TWG stressed on the following:

- i. **Coming up with innovative mechanisms to address persistent and recurring NTBs** that continue to impede intra-regional trade,
- ii. **Harmonization of standards and SPS measures,**
- iii. **Improvement of the region's competitiveness: Undertake a review of the northern and central corridor performance including Ports, connectivity that include Infrastructure development. They noted that the transport and logistics performance is characterized by high costs per kilometer compared to best performers in the world,**
- iv. **Promotion of Regional value chains** through fast-tracking development of the regional Local Content Policy.
- v. **Domestic Tax harmonization: Fast-track harmonization of domestic taxes** to address investment constraints, double taxation, and Duty Remission Scheme,
- vi. **Trade facilitation** across border posts by providing dedicated green lanes for goods produced in the EAC,
- vii. **Need for more targeted and structured PPDs.**

- viii. **Customizing interventions by Partner States** in consideration that Partner States are at different levels of economic development,
- ix. **Evaluating and reviewing relevant regional integration initiatives based on current situation.**