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AN INVESTMENT GUIDE TO THE EAST AFRICAN COMMUNITY

Opportunities and conditions
July 2005



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UNCTAD

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Notes

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References to "dollars" (\$) are to United States dollars, unless otherwise indicated. References to "tons" are to metric tons.

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Three good reasons to invest in the EAC

- **Market size and market access**

When the process of regional integration is completed (expected by 2013), the East African Community (EAC) will offer investors the second largest single market in Africa, of around 100 million consumers, second only to Nigeria with its 137 million. A customs union protocol has already been implemented, as of 1 January 2005, and other steps in the integration process are to follow soon. Nor is the internal EAC market all there is to it. Through Kenya or Uganda, investors have access to the COMESA market of 385 million consumers and, through Tanzania, to the SADC market of 215 million. (COMESA is the Common Market for Eastern and Southern Africa and SADC the Southern African Development Community.) All three EAC partners also have preferential access to the EU market and qualify under the African Growth and Opportunity Act (AGOA) for access to the US market for a variety of products (see chapter I).

- **Resources and opportunities**

Many parts of the EAC offer soil and climate conditions ideal for a variety of agricultural products, including tea, coffee, fruits, flowers and vegetables. Kenya's recent track record in this area testifies to the potential for agricultural exports (see chapter III). In tourism, the EAC has enviable natural assets, above all in Tanzania, which has allocated 25% of its land to game reserves and national parks. The migration of enormous herds of wildebeest from the Serengeti plains to the Maasai Mara and back, between June and November every year, is one of the best-known features of East African tourism. Somewhat less known, and certainly less exploited, is the 2,000-kilometre coastline of the EAC. Other opportunities can be found in mining, manufacturing, infrastructure and services (see chapter III).

- **An environment conducive to investment**

Politically as well as economically, the EAC offers a stable environment, marked by democratically elected Governments, low inflation and steady growth. The region is well located for access to African markets, with Tanzania alone sharing its borders with eight other countries, as well as overseas markets, with a large number of airlines flying into Nairobi. The economy has been and is being liberalized in each of the three countries, with Uganda having moved the fastest and furthest. The Community shares a common culture, with English widely used in business, government and the judiciary. Kenya in particular also offers a skilled and enterprising workforce.

Acknowledgements

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Note to the reader

This document is published as part of the UNCTAD–ICC series of investment guides. The publications in this series are intended for the use of foreign investors who are largely unfamiliar with the countries (or, in this case, the region) covered. They are thus designed to offer overviews of potential locations for investment, rather than constitute exhaustive works of reference or provide detailed practical instruction. They do, however, offer pointers to sources of further information in the private as well as the public sector. (In the case of this particular guide, readers are also urged to consult the country guides to Kenya, Tanzania and Uganda, in the list of sources consulted at the end of this guide.)

There are two other features of these publications that the reader will find worth noting. One is that they are third-party documents, intended to offer a balanced and objective account of investment conditions. Their principal advantage in drawing the attention of investors to the countries they cover is *credibility*. The other feature is that both their general structure and some of their specific content are the result of consultations with the private sector.

The executive summary is followed by a brief introductory chapter. Then come the three chapters that account for the bulk of the contents. Chapter II describes the general conditions in which investors must operate: macroeconomic conditions, infrastructure, human resources, and so forth. Chapter III describes areas of potential interest to foreign investors. Chapter IV discusses the legal and institutional framework as it affects investors. The fifth and final chapter provides a summary of the perceptions of the private sector in the region, both foreign and domestic.

The primary sources of further information on investing in the East African Community are the investment agencies of the three EAC partner States: the Kenya Investment Promotion Centre (shortly to become the Kenya Investment Authority), the Tanzania Investment Centre and the Uganda Investment Authority. Contact details of these agencies are provided in appendix 3, along with those of other sources of further information, including websites. Appendix 2 provides a list, including contact details, of 83 foreign investors in the EAC.

Preface

The Millennium Development Agenda of the international community emphasizes the potential role of the private sector in helping countries achieve their development goals and targets. Foreign direct investment is recognized as an important factor in this context, since it brings to host countries capital, technology, innovation and management know-how, as well as access to supply chains and new markets. Under the right policy conditions and institutional frameworks, it can thus contribute to economic development and growth.

The United Nations Conference on Trade and Development (UNCTAD) and the International Chamber of Commerce (ICC) launched this series of investment guides in 1998. The idea was to help bring together two parties with complementary interests: *companies* seeking new locations and *countries* seeking new investors. This is not necessarily a straightforward exercise, for firms are driven by their global strategies as much as by the search for specific commercial opportunities, while countries pursue broad economic and social objectives in which foreign investment is only one element among many in the complex process of upgrading competitiveness and enhancing livelihoods.

These investment guides are the products of dialogue, including that among and between the representatives of business and government during the workshops that accompany the preparation of the guides. The guides in their turn are intended to contribute to the dialogue, helping to strengthen and sustain it. In the long run, such dialogue can make a real difference to investment conditions.

An Investment Guide to the East African Community is the fifteenth publication in this series and our first regional guide. We hope that it will be useful in the efforts of the Governments and the business community in the EAC to attract greater flows of investment and that the flows in turn will benefit the Community.



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Secretary-General
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The UNCTAD–ICC series of investment guides

- *An Investment Guide to Ethiopia*, 1999; revised edition in new format, 2004
- *Guide de l'investissement au Mali*, 2000; revised edition in new format, 2004
- *An Investment Guide to Bangladesh*, 2000
- *An Investment Guide to Uganda*, 2001; revised edition, 2004
- *An Investment Guide to Mozambique*, 2002
- *An Investment Guide to Nepal*, 2003
- *An Investment Guide to Cambodia*, 2003
- *Guide de l'investissement en Mauritanie*, 2004
- *An Investment Guide to Mauritania*, 2004
- *An Investment Guide to Kenya*, 2005
- *An Investment Guide to Tanzania*, 2005
- *An Investment Guide to the East African Community*, 2005

(The first editions of the guides to Ethiopia and Mali were published in cooperation with PricewaterhouseCoopers.)

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Kenya and the East African region offer excellent investment opportunities in a wide range of sectors. GM has operated effectively in the region for over 27 years in an industry that has been totally transformed through liberalization and changes in consumer behaviour. The basis for our sustained success is a combination of factors: an educated work force, a moderate climate, and recent improvements in banking and telecommunication. The formation of the East African Community in January 2005 provides even greater opportunities for those considering Kenya to invest in. Come to Kenya and invest in the future of Africa!

William Lay, Chief Executive Officer, General Motors East Africa

Tanzania has no shortage of opportunities – in tourism, in agriculture, in energy. The political maturity of the country and its economic stability are major strengths that investors can rely on. With some serious attention to infrastructure, the Government could ensure that the country's potential becomes reality. Aluminium Africa looks forward to its role in the new Tanzania.

Manu Chandaria, Chairman of the Board, Aluminium Africa

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