EAC business leaders call for sme-friendly policies

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The New Times

http://hdl.handle.net/11671/1694

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Regional governments have been urged to make policies that support small and medium enterprises (SMEs) in the East African community (EAC) to spur the bloc’s growth, as well as bridge skills gap through knowledge transfer.

Nathan Lumba, the Southern and Eastern African Trade, Information and Negotiations Institute (SEATINI) regional executive director, said this is important for EAC to promote such regulations, arguing that some EAC countries are pursuing policies that hinder business growth, especially for SMEs.

Lumba was speaking during a regional meeting to discuss ways on how EAC can attract more investments that was held in Kampala last week. The two-day forum, held under the theme “Making investment work for the people of East African Community”, attracted regional business leaders, government officials, SME sector players, and other stakeholders from across the region.

It called for investment friendly policies and urged EAC governments to only sign trade deals that support sustainable development and improve lives of East Africans.

Addressing participants, Lumba said EAC private sector and citizens have not benefitted much from foreign direct investments (FDIs) into the region, arguing that “we don’t understand the models that shape them.” He said it is important to understand what drives FDIs, especially where trade deals are involved if the EAC bloc is to benefit from investments that come into the region.

His remarks were echoed by Ugandan representative at the East African Legislative Assembly (EALA), Fred Muhansa Nbirdsde, who argued that most FDIs come with “strings attached.”

“Foreign firms sometimes invest in our countries when they have certain interests that do not benefit our people. This why it’s critical to have people who are qualified to negotiate on our behalf,” he added.

Rwanda’s situation

Rwanda has made efforts to establish itself as a top investment destination by instituting business friendly policies. Although this helped attract investments in different sectors, including tourism, manufacturing, energy, and information communication and technology, which are seen as enablers of the economic transformation and national development, a lot still needs to be done, Michael Munyaneza, a researcher at Rwanda’s Institute of Policy Analysis and Research, said.

He, however, added that when it comes to SMEs, “we are good at creating new businesses and making innovations, but we don’t know how to sustain them.”

Munyaneza said the country needs to address capacity gaps by investing in skills development. He called for joint ventures, where a foreign investor partners with Rwandan entrepreneurs, which he said allows for skills transfer and that benefit of local people.

Regional scope

Governments in the EAC bloc have taken deliberate effort to attract FDIs into their countries. The region has registered FDI flows of up to $7 billion in 2014. Although policy reforms undertaken by EAC countries have resulted into increased FDI flows into the EAC bloc, the region still faces challenges, like high unemployment levels, low level of industrial development, and a growing trade deficit.

There is also the problem of low incomes, with 45.9 per cent of the EAC living below the poverty line, as well as port technology and skills transfer, and general underdevelopment.

The region continues to face huge revenue losses through illicit channels, like transfer pricing, tax evasion, and undocumented commercial transactions by multinationals investing in the region.

To address these challenges, participants called for collaboration, information sharing, and periodic dialogue to share experiences and find solutions. The multi-stakeholders meeting was organised by SEATINIT-Uganda and Diakonia, a development oriented organisation operating in over 50 countries globally.

The regional forum also aimed at raising stakeholder awareness to understand and appreciate investment policies and practices to ensure they are gender sensitive, protect human rights, and promote environmental sustainability, besides addressing the development needs of the EAC region.

The EAC leaders were also urged to implement policies that will help protect against illicit financial transactions, and ensure that FDIs benefit the region.